

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 3
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION****Assemblymember Ira Ruskin, Chair****WEDNESDAY, MARCH 7, 2007
STATE CAPITOL, ROOM 447
9:00A.M.****Hearing Items**

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CONSENT CALENDAR

ITEM	DEPARTMENT	SUMMARY
0540	Resources Agency	\$20.5 million (Proposition 50) for ongoing River Parkways local Assistance grants and \$54,000 for 1 PY to administer the program.
0540	Resources Agency	Reappropriation of \$108,000 in 2007-08 and \$200,000 in 2008-09 from Prop 12, 13, and 40 for local assistance administration.
3460	Colorado River Board	\$34,000 (Special Fund) for one-half of a position.
3480	Department of Conservation	\$213,000 (Mine Reclamation Account) for two permanent positions to address increased workload.
3480	Department of Conservation	\$585,000 (Surface Mining Reclamation Account) for five new positions to implement a SMARA lead agency compliance audit and financial assurance review program.
3480	Department of Conservation	\$1.2 million (California Beverage Container Recycling Fund) and 5 permanent positions, five three-year limited term positions to identify and enforce non-paying manufacturers and distributors.
3480	Department of Conservation	\$492,000 (Special Fund) for Information Technology and staffing to enable the Legal Office to respond to public records and litigation related requests related to electronically stored documents.
3480	Department of Conservation	\$106,000 (various special funds) for one permanent Senior Legal Analyst position to support the Department of Conservation Legal Office with growing volume of litigation.
3480	Department of Conservation	\$116,000 (various special funds) and one permanent position to support IT project management and compliance.
3480	Department of Conservation	Reappropriate remaining Proposition 40 and 50 balances for farmland conservancy and watershed coordinator program.
3480	Department of Conservation	\$98,000 (various special funds) and one permanent position to improve support of GIS infrastructure and delivery of GIS mapping on the internet.
3640	Wildlife Conservation Board	\$1 million from the Wildlife Restoration Fund for public access, development and restoration programs.
3640	Wildlife Conservation Board	\$776,000 from Proposition 84 to support WCB program delivery for the Proposition 84 expenditures.
3760	Coastal Conservancy	\$436,000 (Coastal License Plate Fund) redirection from Baseline funding for increased staffing for the Ocean Protection Council.
3760	Coastal Conservancy	Reappropriate \$9.6 million (Proposition 12) consistent with the purposes of the bond act.
3760	Coastal Conservancy	\$900,000 (Coastal Access Account and Coastal License Plate Fund) for the implementation of the Conservancy's Public Access, Education and other related programs.
3760	Coastal Conservancy	Reappropriation of \$4.5 million (Proposition 40) for the S.F. Bay Conservancy Program.
3820	San Francisco BCDC	No budget proposals.
3840	Delta Protection Commission	No budget proposals.

0540 – SECRETARY FOR RESOURCES

ISSUE 1: INFORMATIONAL ITEM: RESOURCES BONDS OVERVIEW

The state uses a number of bond funds to support the departments, conservancies, boards, and programs under the Resources and California Environmental Protection Agencies that regulate and manage the state's natural resources. Of the \$7 billion in state-funded expenditures for resources and environmental protection programs proposed for 2007-08, about \$2.4 billion (34 percent) is proposed to come from bond funds. This amount is about \$341 million more than estimated bond expenditures in the current year, reflecting the influx of a total of \$9.5 billion of available funds from the Propositions 1E and 84 resources bond measures approved by the voters in November 2006. These two bonds provide a major one-time infusion of state funds for flood management; safe drinking water, water quality, and water supply; natural resource protection; and park improvements.

Pre-2006 Resources Bonds.

The budget proposes expenditures in 2007-08 of around \$600 million from the five resources bonds approved by the voters since 1996. The proposed expenditures would leave a balance of about \$700 million for new projects beyond the budget year. Most bond funds for park projects, land acquisition, and restoration have been appropriated, with the funds remaining being mainly for water quality and safe drinking water projects, integrated regional water management, and ecosystem restoration and other water-related projects under the CALFED Bay-Delta Program.

Proposition 84.

Proposition 84, as illustrated below, authorizes the state to sell about \$5.4 billion in General Obligation (GO) bonds for safe drinking water, water quality, and water supply; flood control; natural resource protection; and park improvements. Figure 2 summarizes the purposes for which the bond money would be available for expenditure by various state agencies and for loans and grants, primarily to local agencies and nonprofit organizations. In order to spend most of these bond funds, the measure requires the Legislature to appropriate them in the annual budget act or other legislation. Specifically, only \$620 million in funding (\$315 million allocated to the Wildlife Conservation Board [WCB] for forest conservation and wildlife habitat projects and \$305 million allocated to DWR for floodplain mapping and flood control projects) is "continuously appropriated," meaning that a legislative appropriation is not required before funds can be spent.

Program	Allocation	Gov's Budget
I. Safe Drinking Water and Water Quality Projects	\$1,525	\$263
Emergency and Urgent Drinking Water	10	0
Small Community Drinking Water	180	0
Safe Drinking Water Revolving Fund	50	0
State Water Pollution Control Revolving Fund	80	76
Groundwater Contamination Drinking Water*	60	0
Integrated Regional Water Quality Mgmt Plans (<i>by 11 hydrologic regions</i>)	1,000	156
Delta Water Quality Improvement	130	25
Ag Operations Pollution	15	6

II. Flood Control	\$800	\$276
Floodplain Mapping (cont approp)	30	25
Flood Control (cont approp)	275	68
Flood Protection Corridor	40	25
Delta Levee Flood Control	275	58
Local Flood Control Subventions	180	100
III. Statewide Water Planning and Design	\$65	\$15
Studies for water supply, conveyance and flood control	65	15
IV. Protection of Rivers, Lakes and Streams	\$928	\$245
Bay-Delta and Coastal Fisheries Restoration	115	47
Delta Natural Community Conservation Plan	20	2
Coastal Salmon and Steelhead Fisheries	45	11
Colorado River Quantification Settlement Agreement	36	35
Lower Colorado River Multi-species Habitat Conserv Plan	7	7
Salton Sea Restoration	47	0
State Water Project Recreation and Fish and Wildlife	54	0
River Parkways	72	0
Urban Streams Restoration	18	9
San Joaquin River Conservancy	36	10
Lower LA/San Gabriel Rivers Conservancy	36	18
Upper Los Angeles River	36	10
Coachella Valley Mtns Conservancy	36	12
Santa Ana River Parkway (\$30m equally between Orange, San Bernardino and Riverside Cos)	45	10
Sierra Nevada Conservancy	54	18
Tahoe Conservancy	36	28
CA Conservation Corps	25	0
Local Conservation Corps	20	0
Stormwater Contamination*	90	15
San Joaquin River Restoration	100	14
V. Forest and Wildlife Conservation	\$450	\$119
Forest Conservation and Protection (cont approp)	180	35
Habitat Restoration, Acquisition, Protection, incl UC	135	25
Natural Reserve System (\$25m) (cont approp)		
Natural Community Conservation Planning	90	25
Rangeland, Grazing Land	15	14
Oak Woodland Preservation	15	14
Agricultural Land Preservation	10	0
Integrated Ag Restoration & Wildlife Protection	5	5
VI. Protection of Beaches, Bays and Coastal Waters	\$540	\$131
Clean Beaches Program, including Areas of Special Biological Significance	72	7
Santa Monica Bay Restoration Commission	18	2
State Coastal Conservancy	135	36
San Francisco Bay Area Conservancy	108	24
SMMC—Santa Monica Bay Watershed	20	7

Baldwin Hills Conservancy—Santa Monica Bay Watershed	10	3
Rivers and Mountains Conserv—Santa Monica Bay Watershed	15	7
Monterey Bay	45	10
San Diego Bay	27	7
Ocean Protection Act	90	29
VII. Parks and Nature Education Facilities	\$500	\$26
State Parks	400	25
Nature Education and Research Facilities	100	0
VIII. Sustainable Communities & Climate Change Reduction	\$580	\$31
Urban Greening, including urban forestry**	90	12
Local and Regional Parks*	400	1
Sustainable Communities Planning Grants and Incentives**	90	18
Overall Program Administration (Res Agy & Parks)		1
TOTAL	\$5,388	\$1,106

*May enact legislation
 **Must enact legislation

Proposition 1E.

Proposition 1E authorizes the state to sell about \$4.1 billion in GO bonds for various flood management purposes. The figure below summarizes the purposes for which the bond money would be available for expenditure by the Department of Water Resources (DWR) and for grants to local agencies. In order to spend these bond funds, the measure requires the Legislature to appropriate them in the annual budget act or other legislation. It should be noted that in the Governor's budget there is a proposal to transfer \$200 million General Fund to backfill some of the \$500 million General Fund appropriation made by the Legislature in AB 142 (Nunez/Perata) for emergency flood protection in fiscal year 2006/07.

Program	Amount (millions)	Gov's Budget (millions)	Purpose
Flood Control	\$3,000	\$520	State project levees, local delta levee subventions, special flood protection projects in the delta
Local flood control subventions	500		State's share of nonfederal cost of legislatively-authorized projects
Flood protection corridors, bypasses, mapping	290	2	For acquiring easements, new levees, setting back levees, relocating structures, incentives for agricultural uses, map development
Stormwater flood management	300	102	Grants for stormwater flood management projects; designed to manage runoff to reduce flood damage and provide other benefits, including ground water recharge, water quality improvement, ecosystem restoration
Grand Total	\$4,090	\$624	

Resources Bonds Oversight. In Executive Order S-02-07, the administration is proposing the general oversight measures for all general obligation bond expenditures. The oversight measures outlined below will be coordinated by the Department of Finance and are largely based on the Resources Agency's management of Propositions 40 and 50.

Front-End Accountability. Each department shall follow criteria or processes that will govern the expenditure of bond funds, and the outcomes that such expenditures are intended to achieve. Such criteria and outcomes must be defined in, or derived from, one or more of the following: requirements of state or federal law; regulations defining the basis upon which bond proceeds are to be allocated for a program administered by the department; a strategic plan for implementing the mission of the department or the pertinent program funded by bond proceeds; a capital outlay program that identifies departmental infrastructure needs and delineates projects or strategies for addressing those needs; and performance standards or outcome measures duly adopted by the executive officer or governing body of the department and available to the public.

All projects, grants, loans or other expenditures of bond proceeds must be made consistent with these criteria and processes. In addition, each department shall prepare a list of all projects, grants, loans or other activities funded from bond proceeds that will be made available to the public.

In-Progress Accountability. Each department shall document what ongoing actions it will take to ensure that the infrastructure projects or other permissible activities funded from bond proceeds are staying within the scope and cost that were identified when the decision was made to fund the project or activity. Each department shall make semi-annual reports to the Department of Finance (Finance) of these actions to ensure that the projects and activities funded from bond proceeds are being executed in a timely fashion and achieving their intended purposes.

Follow-Up Accountability. Department expenditures of bond proceeds shall be subject to audit to determine whether the expenditures made from bond proceeds: were made according to the established front-end criteria and processes; were consistent with all legal requirements; achieved the intended outcome.

Staff Comments. Though Propositions 84 and 1E authorize funding for widely varying purposes, the subcommittee may want to consider a few global principles when looking bond funded proposals in the Governor's 2007/08 budget:

1. Is the bond section specific in the purpose and requirements for appropriation of an allocation? If not is there legislation permitted or required?
2. Do proposals affect existing, or new programs?
3. Are bond funded grants being allocated on a competitive basis and do they serve a statewide purpose? Is there agreeable existing project selection criteria already in place or will new criteria be needed?
4. How do bond proposals interrelate and are their additional opportunities for multiple benefits achieved through increased coordination?

ISSUE 2: CONSERVATION EASEMENT REGISTRY AND WEBSITE

Governor's Budget. The Governor's proposed budget is requesting \$50,000 (Propositions 40 and 50) to develop an internet-accessible central public registry of all conservation easements held or acquired by the state. This registry follows the requirements of SB 1360 (Kehoe) that the following information for conservation easements be collected and provided on the internet:

1. The recordation number assigned by the county recorder
2. The purpose of the easement
3. The location of the easement, identified by county and nearest city
4. The identity of the easement holder
5. The size of the easement in acres
6. The date the easement transaction was recorded

Under this proposal, conservation easement data will be published on the internet by the Agency's California Environmental Resources Evaluation System (CERES) that facilitates access to a variety of electronic data describing California's rich and diverse environments. This data will be available in database form but will not be mapped in GIS or other formats.

Background. A conservation easement is a way for a landowner to permanently protect the environmental value of his or her land while continuing to own it. It is a legal agreement between a landowner and a government agency or nonprofit organization that permanently limits development of the land. Even if an owner sells the land or passes it to his or her heirs, the conservation easement remains in effect. By donating a conservation easement, a landowner may qualify for a variety of tax incentives. These include reduced property and estate taxes, as well as having the easement classified as a charitable gift for income tax purposes.

Because conservation easements can be entered into at the local, state, non profit and federal level, absent a direct statutory mandate the state has been unable to maintain a conservation easement database that encompasses all easements statewide.

Beginning in 2002, it was enacted in state law that local governments be required to maintain an index of conservation easements recorded after January 2002. This information has been maintained only at the local level and has been incorporated into state tracking systems only under voluntary conditions.

SB 1360 (Kehoe) required the Resources Agency to develop an internet-accessible central public registry of all conservation easements held or acquired by the state. In effect, this legislation required the state to collect conservation easement data collected by counties and incorporate it into one statewide database.

Staff Comments. This proposal presented by the administration follows the requirements set for by SB 1360 (Kehoe) to develop a statewide conservation easement registry. Because

of statutory mandates, data collected by the counties post-2002 will be fairly accessible to the resources agency. For information, however, on conservation easements formed pre-2002, the resources agency staff will have to search files at the local level and rely on information being volunteered by easement participants.

While this proposal will improve the state's ability to catalogue conservation easements, it does not provide resources to incorporate this information into a more technical GIS mapping format which is considered by many to be a fundamental tool in conservation planning. Conservation Easements represent a significant portion of the State's historical and future land conservation investment and as such, the subcommittee may want to explore the feasibility of including a GIS mapping function of the conservation easement registry.

Staff Recommendation. Hold open and direct staff to develop proposal to include a GIS mapping component to the Conservation Easement Registry.

ISSUE 3: LATE REPORTS

The Legislative Analyst's Office has compiled the following list of reports that have not been submitted to the Legislature by the Resources Agency and their Departments. As noted, many of these reports have been completed by the Department's and are under review in the Governor's office.

The administration should be prepared to provide the subcommittee with a status report for the following reports:

Resources Agency (item 0540)

1. Chapter 612, Statutes of 2003 (SB 317, Kuehl) - due December 31, 2006 - Preferred Alternative for Restoring the Salton Sea.

Status: The draft report has been released. The administration is working on selecting a preferred alternative. The final report is currently planned for release in April or May of 2007.

California Conservation Corps (item 3340)

1. 2006-07 SRL - due January 10, 2007 - Strategic Plan for Enhancing Training and Educational Opportunities.

Status: "Under review by the Governor's Office."

Department of Forestry and Fire Protection (item 3540)

1. 2006-07 SRL - due January 10, 2007 - Capital Outlay Design and Management.
2. 2006-07 SRL - due January 10, 2007 - Mobile Equipment Purchases.
3. 2005-06 SRL - due January 10, 2007 - Southern California Year-Round Staffing Augmentation.

4. Chapter 77, Statutes of 2006, AB 1803 (Committee on Budget) - due January 10, 2007, and every year thereafter - Southern California Year-Round Staffing Augmentation.

Status of (1) to (4): "Under review by the Resources Agency/Governor's Office."

Department of Fish and Game (item 3600)

1. 2006-07 SRL - due January 10, 2007 - Interim Reporting on Select Key Activities.
2. 2006-07 SRL - due January 10, 2007 - Cost Analysis of Mosquito Abatement to Minimize West Nile Virus.
3. 2006-07 SRL - due January 10, 2007 - Interim Update on Five-Year Infrastructure Plan.
4. 2006-07 SRL - due February 10, 2007 - One-Time General Fund Augmentations.
5. 2006-07 SRL - due January 10, 2007 - Salmon and Steelhead Trout Restoration - Klamath River Projects.

Status: Unknown.

Department of Water Resources (item 3860)

1. 2006-07 SRL - due January 1, 2007 - Quarterly Reporting on AB 142 (Nunez) Expenditures.

Status: "Under review in Governor's Office."

2. 2006-07 SRL - due February 1, 2007 - Critical Erosion Site Repairs.

Status: Unknown.

3. Proposition 1E (AB 140, Nunez), Public Resources Code section 5096.820(b)(3) - January 10, 2007 - Annual Bond Expenditure Disaster Preparedness and Flood Prevention Plan (Proposition 1E requires that this plan be submitted annually by the Governor with the submittal of the Governor's Budget)

Status: Unknown.

Staff Comments. Information requested in these reports by the legislature needs to be provided in order for the subcommittee to adequately evaluate the proposals before them. It is the opinion of staff that the subcommittee should hold action on items in the Governor's budget where related reports have not been submitted.

Staff Recommendation: None, this item is informational.

ISSUE 4: CALFED SCIENCE PROGRAM RESEARCH GRANTS

The Governor's budget is requesting a total \$10.6 million from Propositions 50 and 84 for CALFED Science Research Grants for Fiscal year 2007/2008. Funding made available by this proposal will be used by the California Bay Delta Authority (CBDA) within the Resources Agency to award grants for scientific research that serve highest priority needs of the CALFED Program. Priorities will be determined by a Topic Selection Panel consisting of high level stakeholders, agency managers and academics and submitted for public review.

Background. The CALFED Bay Delta program was formed in 1995 to improve planning and coordination among the 25 state and federal agencies with regulatory and management responsibilities in the San Francisco Bay/Sacramento-San Joaquin Delta. Prior to its formation, implementation of programs to protect and restore the bay-delta was hampered by disagreement among state and federal agencies resulting in the lack of action to protect the Bay-Delta.

In 2002, SB 1253 (Costa) created a new state agency in the Resources Agency—the California Bay-Delta Authority (CBDA)—to oversee the overall CALFED program, as well as to directly implement the CALFED science program. Additionally, SB 1253 assigned responsibility for implementing the program's other elements (such as water quality, ecosystem restoration, and water storage) among a number of other state agencies.

Independent reviews of CALFED found many problems. At the request of the Governor, four independent management, fiscal, and program reviews of CALFED were conducted in the summer and fall of 2005. These reviews were conducted by the Little Hoover Commission, the Department of Finance, and KPMG (a private consultancy firm). These reviews found common agreement that the then-current governance structure was not working well, state priorities for CALFED were not clear, and meaningful performance measures for the program were lacking.

The Legislature reorganized the CALFED governance structure in 2006, in an effort to clarify lines of accountability within the program and hold the program accountable for its performance. The reorganization included the transfer of all of California Bay-Delta Authority's positions (totaling 71) to the Secretary for Resources and five other CALFED implementing agencies.

Today, CALFED has arrived at several simultaneous policy making milestones that will determine the future for Delta Management:

End of Stage 1 Review. The Resources Agency will be involved in a CALFED program wide evaluation of ROD implementation efforts and the resulting overall health of the Delta;

The Delta Vision. By October 2008, the administration is developing an integrated and sustainable long-term vision for the Delta. As of February 2007, the Governor appointed the

Delta Vision Blue Ribbon Commission that will work with CBDA and participating departments to develop Delta Vision policy recommendations.

The Bay Delta Conservation Plan. Several Bay Delta system water users are working cooperatively to explore preparation of one or more habitat Conservation Plans and natural Communities Conservation Plans for the Delta.

Staff Comments. The long-term goal of the Science Program of CALFED is to establish a body of knowledge relevant to CALFED actions and their implications. Under the direction of the Record of Decision (ROD), this body of knowledge generated by the Science Program is to be used as a tool to evaluate implementations and drive delta water policy decision making.

Due to crashing fish populations, significant seismic risks to infrastructure, water quality issues and the effects of climate change there is a growing opinion among parties engaged in the Delta that under current management practices the Delta are unsustainable. In order to evaluate current policies and a plan for the future, the state is involved three separate Delta policy evaluations and planning exercises: the End of Stage 1 review, the Delta Vision, and the Bay Delta Conservation Plan. All three activities being conducted simultaneously on different timelines will rely on science data generated from the CALFED program.

As the state is pursuing analyses and planning efforts on multiple fronts for CALFED and the Delta, it is very likely that future management of the Delta will be distinct from current day. When considering CALFED issues, the subcommittee needs to discuss how the CALFED Science program will continue to support the current CALFED implementation while looking towards the future and ensuring that this statewide investment will be relevant even under new Delta management scenarios.

Additionally, staff has some concerns that current planning activities may be incongruous and it remains unclear how the administration will determine priorities from three separate evaluation and planning activities. For the subcommittee hearing, the Resources Agency should be prepared to delineate for the Subcommittee how the proposed grants will support current actions and how they will also feed the Delta Vision and other planning processes.

STAFF RECOMMENDATION: Hold all CALFED related proposals open.

ISSUE 5: CALFED PROGRAM SUPPLEMENTAL ANALYSIS

The Governor's budget is requesting \$5 million in contracting funds and \$454,000 for 4 PYs from Proposition 84 to conduct a supplemental analysis of hydrological options for the Sacramento San Joaquin Delta. In the proposal, the Resources Agency makes the case that in order to maintain and improve the health of the Delta, the state will need to alter or supplement its current CALFED Program activities. In order to change the agreed plan of

action under the ROD, it is required that the state conduct a supplemental programmatic analysis of potential new actions.

Staff Comments. The ROD allows CBDA to only consider "through-delta" water conveyance as the method to transport water from northern California to Southern California. If a hydrological transfer method that is not within the ROD is to be considered, the ROD requires that a supplementary analysis be conducted. The budget request presented by the Resources Agency would provide a supplemental analysis to take into consideration new options for supporting California water infrastructure.

Currently, the administration is conducting an assortment of activities that will potentially have major policy ramifications for the delta and will almost surely effect programmatic solutions for statewide hydrology needs.

The End of Stage 1. Upon the completion of the first stage of CALFED ROD implementation in December of 2007, the CBDA and participating Departments are to conduct a program wide evaluation of the effectiveness of CALFED and the overall health of the Delta.

The Delta Vision. By October 2008, the Administration is developing an integrated and sustainable long-term vision for the Delta. As of February 2007, the Governor appointed the Delta Vision Blue Ribbon Commission that will work with CBDA and participating Departments to develop Delta Vision policy recommendations.

The Bay Delta Conservation Plan. Several Bay Delta system water users are working cooperatively to explore preparation of one or more habitat Conservation Plans and natural Communities Conservation Plans for the Delta.

In the proposal submitted by the Resources Agency, the CBDA will be taking initial steps to making significant policy shifts in how the state manages the Delta and statewide water conveyance. Currently the state is involved in several major Delta policy examination efforts and staff has concerns that this proposal should follow, rather than precede, the outcomes of the above mentioned policy discussions.

STAFF RECOMMENDATION: Hold Open until after all CALFED items have been heard.

ISSUE 6: SAN JOAQUIN RIVER RESTORATION

The Governor's budget is proposing to provide the first two years of a five year rollout of funds allocated in Proposition 84 specifically for restoration activities on the San Joaquin River: \$13.9 million in FY 2007/08 and \$15.9 million in FY 2008/09. These funds will be available for encumbrance or expenditure until June 30, 2010.

Background. Friant Dam is located on the San Joaquin River in Fresno County and is used to store water primarily for agriculture. In 1988, the Natural Resources Defense Council sued the federal Bureau of Reclamation (the operator of Friant Dam) and the Friant Water Users

Association (FUWA), alleging that the operation of Friant Dam violated the state's Fish and Game Code with respect to historic fish populations in the river. In August 2006, the parties reached a settlement agreement, the goal of which is to "restore and maintain fish populations" in the San Joaquin River below Friant Dam. The settlement specifies actions that will be taken to restore the San Joaquin River over the next 20 years. Under the agreement, the federal government will provide funds to restore the river, while FUWA agreed to actions that will increase flows in the river. While the total cost of the restoration is unknown, early estimates indicate that the total cost could be over \$700 million over the next 20 years. The settlement agreement recognizes that Congressional action is necessary to authorize the federal funding contribution.

State's Role in the Restoration. Proposition 84, passed by the voters in November 2006, includes \$100 million allocated to the Secretary for Resources for the restoration of the San Joaquin River, for the purpose of implementing a court settlement to restore flows and the salmon population to the river. While the state is not a party to the lawsuit, the Department of Fish and Game (DFG), the Department of Water Resources (DWR), the Resources Agency, and the California Environmental Protection Agency have entered into a memorandum of understanding (MOU) with the settling parties regarding the state's role in the restoration. The MOU has been incorporated into the settlement agreement.

Pursuant to the MOU, the administration is proposing to spend \$100 million of Proposition 84 funds over the next five years on restoration activities. Proposition 84 funds are proposed for land and easement purchases, channel improvements, and research projects. Two specific priority areas identified by the administration are the creation of a bypass around Mendota Pool (which would prevent fish from passing through Mendota Dam) and isolating an existing gravel pit located along the San Joaquin River in Fresno (to prevent migrating salmon from becoming trapped in the gravel pit during high river flows).

LAO Comments. In their review of the 2007-08 budget, the LAO recommends that the Legislature delete funding for restoration activities in the budget year and await secure funding commitments from the responsible parties before committing state funds. Based on their review, the LAO concludes that the funding contribution from the responsible parties is subject to significant uncertainty. The settlement agreement, for example, provides that any party to the lawsuit can void the settlement if federal legislation to implement the settlement is not enacted by December 31, 2006. While such federal legislation (authorizing \$250 million in appropriations) was introduced this past fall, it failed to pass. This brings into question whether either the federal government or the water users will meet their obligations under the settlement agreement. While such legislation may be forthcoming in the new session of Congress, the LAO recommends that the state wait until the required federal appropriations are made before appropriating state funds. If the state were to appropriate funds to begin the restoration process in advance of federal funding being secured, it may reduce the urgency for the federal government to provide funding as required in the settlement. For example, while the CALFED Bay-Delta program was intended to be an equal partnership among the state, the federal government, and local water users, the federal government has substantially lagged the state in its funding contribution, as the state has provided more than its share of costs.

STAFF RECOMMENDATION: Hold open.

ISSUE 7: REGIONAL CONSERVANCIES

State conservancies acquire and preserve land for the protection, enhancement, preservation, and restoration of sensitive landscapes, wildlife and habitat areas, and public recreation areas. In the 2007 5-year Infrastructure Plan, state conservancies and the Wildlife Conservation Board identify a total of \$1.5 billion in need for restoration and public access programs. Proposition 84 makes significant funding available for statewide conservancies with \$360.4 million being proposed for the 2007-08 budget. The two charts below show the 5-year need for state conservancies and the proposed 5-year spending plan for existing funds.

**Funding Needs Reported by the State Conservancies and the WCB by Department
2007 California Five-Year Infrastructure Plan
(Dollars in Thousands)**

Department	07/08	08/09	09/10	10/11	11/12	Total
California Tahoe Conservancy	\$16,519	\$16,481	\$16,481	\$16,481	\$16,481	\$82,443
Wildlife Conservation Board	140,848	108,500	108,000	93,765	82,809	533,922
State Coastal Conservancy	130,737	116,749	79,470	31,725	18,265	376,946
Santa Monica Mtns Conservancy	17,013	12,010	12,010	12,010	12,010	12,010
San Gabriel/Lower LA River	25,000	30,000	30,000	30,000	30,000	145,000
San Joaquin River Conservancy	12,000	13,799	13,799	9,389	3,000	51,987
Baldwin Hills Conservancy	4,050	20,000	20,000	20,000	21,000	85,050
San Diego River Conservancy	2,745	41,100	20,600	0	0	64,445
Coachella Valley Mtns Conservancy	11,514	24,742	24,742	25,742	25,742	112,482
Total	\$360,426	\$383,381	\$325,102	\$239,112	\$209,307	\$1,517,328

**Proposed Funding for State Conservancies
(Dollars in Thousands)**

Department	07/08	08/09	09/10	10/11	11/12	Total
California Tahoe Conservancy	\$16,519	\$1,509	\$1,509	\$1,509	\$1,509	\$22,555
Wildlife Conservation Board	140,848	107,500	107,500	93,265	82,309	531,422
State Coastal Conservancy	130,737	116,749	79,470	31,725	18,265	376,946
Santa Monica Mtns Conservancy	17,013	17,010	11,310	5,950	10	51,293
San Gabriel/Lower LA River	25,000	8,000	6,000	4,100	3,618	46,718
San Joaquin River Conservancy	12,000	12,000	12,000	6023	2,000	44,023
Baldwin Hills Conservancy	4,050	4,050	4,050	1,000	1,000	14,150
San Diego River Conservancy	2,745	5,490	5,490	0	0	13,725
Coachella Valley Mtns Conservancy	11514	11514	11514	1000	1000	36542
Total	\$360,426	\$283,822	\$238,843	\$144,572	\$109,711	\$1,137,374

Staff Comments. Proposition 84 makes specific allocations to statewide conservancies for their public access, restoration and conservation programs. While all statewide conservancies share similar mandates, the process that conservancies use to plan for projects, and the criteria that is used to select projects is somewhat varied. While conservancies need flexibility to address unique features and opportunities in a region, staff has concerns that there is not enough coordination between conservancies so that successful planning strategies of one region can be replicated statewide.

Specifically, there is an interest of staff to consider which GIS mapping programs currently used by the state may be of most use to conservancies as a planning tool and how can those maps be coordinated to best achieve statewide resource conservation goals such as wildlife corridors and habitat linkages. Proposition 84 specifically provides that up to 10 percent of each allocation can be made available for planning activities relevant to bond programs. If conservancies are able to identify planning activities that may be useful on a statewide basis, the subcommittee may want to consider utilizing some of this funding to promote those activities.

STAFF RECOMMENDATION: Hold item open and direct staff to develop proposals for conservancy coordination.

3640 WILDLIFE CONSERVATION BOARD

ISSUE 1: PROPOSITION 84 – NCCP IMPLEMENTATION

The Governor's budget proposes to allocate \$25 million in the budget year from Proposition 84 to the Wildlife Conservation Board (WCB) for grants to help implement Natural Community Conservation Plans (NCCP). Funding provided to the WCB will be used to acquire key habitat lands by willing sellers that contribute to the successful implementation of NCCPs.

An NCCP is essentially a permit to take endangered species under California law if adequate conservation in the form of habitat protection is provided in a regional conservation planning document. The NCCP program, operated through the Department of Fish and Game, takes an ecosystem approach to conservation and environmental permitting and encourages cooperation between private and government interests. The plan identifies and provides for the regional or area-wide protection and perpetuation of plants, animals, and other habitats, while allowing compatible land use and economic activity.

Proposition 84. Funding for this proposal is being allocated from Proposition 84, Chapter 6, Section 75055 (c). Funding from this section is authorized exclusively for the Board for the purpose of assisting in the establishment of NCCP upon appropriation by the legislature.

The Department intends to roll-out funding from this section over a four year period as is displayed in the chart below:

75055 (c)/ Total Allocation: \$90,000

5-Year Wildlife Conservation Board: NCCP implementation

	07/08	08/09	09/10	10/11	11/12
Program Delivery	\$159	\$159	\$159	\$159	\$159
Projects	\$25,000	\$25,000	\$25,000	\$10,765	\$0
Total	\$25,159	\$25,159	\$25,159	\$10,924	\$159

Staff Comments. Staff does not have any concerns with this proposal. Funding is being allocated from a section of Proposition 84 that is very specific in direction for a program that is ongoing within the Department of Fish and Game. However, because the NCCP process is a preferred conservation tool for highly impacted ecosystems and planning for wildlife corridors needs to be considered at the front end of local planning, staff suggests that this item remain open to explore possibilities for incorporating wildlife corridor planning principles into the NCCP process.

STAFF RECOMMENDATION: Hold open.

ISSUE 2: PROPOSITION 84 – RANGELAND, GRAZING LAND AND GRASSLAND PROTECTION PROGRAM

The Governor's budget is proposing \$14.3 million from Chapter 6, Forest and Wildlife Conservation, Section 75055 (b)(d)(1) of Proposition 84. This request will provide funding for grants to implement the Rangeland, Grazing Land and Grassland Protection Act and the WCB's program of the same name. Under this proposal, funding will be administered by the WCB through competitive grants utilizing existing programmatic criteria that follows three broad policy goals in statute:

- To prevent the conversion of rangeland, grazing land and grassland to nonagricultural uses.
- To protect the long-term sustainability of livestock grazing.
- To ensure continued wildlife, water quality, watershed and open-space benefits to the State of California from livestock grazing.

Proposition 84. Funding for this proposal is being allocated from Section 75055 (b)(d)(1) that provides authorization of \$15 million exclusively for the Board to implement the California Rangeland, Grazing Land and Grassland Protection Act. The department is proposing for the majority of authorized funding from this section be appropriated in 2007/08.

**75055 (b)(d)(1)/Total Allocation: \$15 million
Grazing Land protection – Wildlife Conservation Board**

	07/08	08/09	09/10	10/11	11/12
Program Delivery	\$26	\$26	\$26	\$26	\$26
Projects	\$14,293	\$0	\$0	\$0	\$0
Total	\$14,319	\$26	\$26	\$26	\$26

Staff Comments. Staff does not have any concerns with this proposal. Funding is being allocated from a section of Proposition 84 that is very specific in direction for a program that is ongoing within the WCB.

STAFF RECOMMENDATION: Hold open.

ISSUE 3: PROPOSITION 84 – INTEGRATED AGRICULTURAL ACTIVITIES WITH ECOSYSTEM RESTORATION AND WILDLIFE PROTECTION

The Governor's budget is proposing to allocated \$4.8 million to the WCB for grants to assist farmers in integrating agricultural activities with ecosystem restoration and wildlife protection. Under this program, the Board will work with private agricultural landowners interested in managing agricultural operations in an economic manner that is sustainable and provides productive habitat for wildlife.

Proposition 84. Funding for this proposal is being allocated from section 75055(b)(d)(4) that authorizes \$5 million exclusively to the Board for integrating agricultural activities with

ecosystem restoration and wildlife protection. The department is proposing that the majority of funding from this section be appropriated in 2007-08.

75055 (b)(d)(4)/Total Allocation: \$5 million

Agricultural Integration with Ecosystem Restoration – Wildlife Conservation Board

	07/08	08/09	09/10	10/11	11/12
Program Delivery	\$9	\$9	\$9	\$9	\$9
Projects	\$4,762	\$0	\$0	\$0	\$0
Total	\$4,771	\$9	\$9	\$9	\$9

Staff Comments. The WCB indicates that it is in the process of developing criteria for this program. Though the activities proposed are consistent with current programs, staff suggests that this item remain open until criteria are adopted.

STAFF RECOMMENDATION: Hold open.

ISSUE 4: PROPOSITION 84 – LAO RECOMMENDATION

Proposition 84 continuously appropriates \$315 million to the Wildlife Conservation Board for:

1. \$180 million for forest conservation and protection projects. The goal of this grant program is to promote the ecological integrity and economic stability of California's diverse native forests for all their public benefits through forest conservation, preservation and restoration of productive managed forest lands, forest reserve areas, redwood forests and other forest types, including the conservation of water resources and natural habitats for native fish, wildlife and plants found on these lands.
2. \$135 million for the development, rehabilitation, restoration, acquisition and protection of habitat that accomplishes one or more of the following objectives:
 - (A) Promotes the recovery of threatened and endangered species.
 - (B) Provides corridors linking separate habitat areas to prevent fragmentation.
 - (C) Protects significant natural landscapes and ecosystems such as old growth redwoods, mixed conifer forests and oak woodlands, riparian and wetland areas, and other significant habitat areas.
 - (D) Implements the recommendations of California Comprehensive Wildlife Strategy, as submitted October 2005 to the United States Fish and Wildlife Service.

LAO Recommendation. The LAO has recommended that the Legislature include the Governor’s proposed expenditures from the continuously appropriated funds in the annual budget bill, enabling review of these expenditures through the legislative budget process. The LAO further feels that that a continuous appropriation in a bond measure does not preclude the Legislature from appropriating these funds in the annual budget act in lieu of the continuous appropriation, and by doing so, the Legislature would be able to increase oversight of the expenditure of these funds.

STAFF RECOMMENDATION: Hold open.

3760 – STATE COASTAL CONSERVANCY

ISSUE 1: COASTAL CONSERVANCY – PROPOSITION 84 STAFFING

The State Coastal Conservancy is proposing \$1.5 million in Proposition 84 for five new positions – one staff attorney, three Conservancy Project Development Analyst II's, and one accounting officer – to implement programs being funded through Proposition 84 funds.

Background. In 2002, Propositions 40 and 50 allocated a total of \$380 million to Coastal Conservancy for coastal and watershed projects. The Conservancy expects most of these funds to be encumbered by year's end as new Proposition 84 funds are appropriated. Proposition 84 authorizes a total of \$360 million to the Coastal Conservancy and \$90 million to the Ocean Protection Council to fund new and ongoing programs. With this increase in funding, Proposition 84 also authorizes monies for a more programmatic mandates the Propositions 40 and 50. With expanded mandates, the Department is forecasts a need for the new proposed positions.

Staff Comments. The LAO has recommended that the Legislature determine an appropriate cap on administrative bond costs. The LAO notes that at 5 percent cap may be appropriate. Because details for the budget related to General Bond oversight as outlined in the Governor's Executive Order is unknown, the subcommittee may want to keep this item open until total costs for bond administration are known.

STAFF RECOMMENDATION: Staff recommends that this item be held open until total costs for bond administration are determined.

ISSUE 2: OCEAN PROTECTION COUNCIL – 2006/07 MARINE LIFE PROTECTION ACT FUNDING

The California Ocean Protection Council has been established pursuant to the requirements of the California Ocean Protection Act (S.B. 1319) that was signed into law in 2004. The council consists of Council Chair, Secretary for Resources Mike Chrisman; State Lands Commission Chair; Secretary for Environmental Protection Linda Adams; and two ex officio members, Senator Sheila Kuehl and Assemblymember Pedro Nava. The council will help coordinate and improve the protection and management of California's ocean and coastal resources and implement the Governor's 'Ocean Action Plan' released in October 2004. The council is tasked with the following responsibilities:

- Coordinate activities of ocean-related state agencies to improve the effectiveness of state efforts to protect ocean resources within existing fiscal limitations.
- Establish policies to coordinate the collection and sharing of scientific data related to coast and ocean resources between agencies.
- Identify and recommend to the Legislature changes in law.
- Identify and recommend changes in federal law and policy to the Governor and Legislature.

Marine Life Protection Act (MLPA). The 1999 Marine Life Protection Act (MLPA) aims to protect California's marine natural heritage through the establishment of a network of marine protected areas, to be designed, created, and managed according to sound science in order to protect the diversity and abundance of marine life and the integrity of marine ecosystems.

Under the Act, the Department of Fish and Game has the authority to carry out the implementation of the MLPA but because the long-term management and implementation of the MLPA will be a joint effort among many entities, the Ocean Protection Council (OPC) has a broader role in coordinating the implementation of the MLPA with other ocean policies.

2006/07 Funding MLPA implementation. California's 2006 Budget Act appropriated \$8 million to the California Ocean Protection Council (OPC) for the implementation of the Marine Life Protection Act (MLPA, Stats. 1999, ch. 1015) and Marine Life Management Act (MLMA, Stats. 1998, ch. 1052). The Budget Act calls for these funds to be expended "pursuant to a work plan developed jointly by the OPC and the Department of Fish and Game (DFG)." An additional \$2 million was appropriated to DFG to fulfill these same goals. To maximize the effectiveness of these associated appropriations, OPC and DFG developed a joint work plan that sets forth priorities for the complete \$10 million

The work plan is divided into four categories: data collection, data analysis, program support, and general infrastructure. The total expenditures for these categories are \$7,775,000, \$900,000, \$250,000, and \$1,075,000 respectively. In addition, the OPC will consider dedicating funding from other sources to support the MLPA and MLMA. Primary among these proposed commitments are \$2 million for a marine resource monitoring institution, which will coordinate data collection and dissemination, and \$3 million to support sustainable fisheries through innovative approaches. The \$2 million presented here for DFG is only a small portion of the agency budget dedicated to these two laws. Collectively, DFG and OPC will likely expend well over \$15 million during the to ensure proper execution of the MLPA and MLMA.

Staff Comments. Appropriations in last year's budget represented California's first major fiscal commitment to the implementation of the MLPA and MLMA. Though a fairly new body, the OPC is positioned with state bureaucracy to coordinate the various entities that are involved in the implementation of ocean policy and through the funding authorized by Proposition 84, the OPC will now have considerable resources to allocate to implement its strategic vision.

Staff feels that it is important that the Subcommittee gain perspective of how the OPC was formed and how it's role within Ocean Protection policy has grown since its inception. For the hearing, the OPC should be prepared to comment on early implementation of the MLPA, the implementation of the approved spending plan for the General Fund augmentations provided in 2006-07 budget and its overall vision for ocean protection policy coordination.

STAFF RECOMMENDATION: None, item is informational.

ISSUE 3: PROPOSITION 84 - OCEAN PROTECTION COUNCIL

The Governor's budget is proposing \$28 million for the OPC from Proposition 84 in 2007/08 with similar appropriation levels scheduled for 08/09 and 10/11. These appropriations to the Ocean Protection Trust fund will be used by the OPC for projects for the following projects that are consistent with the OPC's strategic plan:

- 1. Seafloor mapping.** The OPC strategic plan calls for mapping all state waters over the next five years. This will be done in concert with the federal government which has offered use of its research vessels and which will also be mapping non-state waters. The maps that come from this effort will be essential tools in implementing both the Marine Life Management Act (MLMA) and the Marine Life Protection Act (MLPA) and ecosystem based management (EBM).
- 2. Ocean Observing.** The OPC is working to develop such an ocean monitoring system and funds will be used to establish an ocean science application program, and build on efforts to synthesize solutions to problems based on increased development of and access to ocean data, and the development of baseline data for marine protected areas.
- 3. Ocean Research.** The OPC recently published its *Information and Outreach Strategy* (IRO) that outlines the importance of basic and applied research to a host of ocean related management problems. Consistent with the IRO, funds would be used to sponsor general research into specified areas of ocean research. Research topics would be selected by OPC in concert with resource management agencies and academics.
- 4. Invasive Species.** The OPC will be operating various programs related to invasive species. Invasive species of plants and animals are a major threat to California's aquatic ecosystems.
- 5. Habitat Restoration.** Funds will be used to restore coastal and ocean habitat through restoration of wetlands, and watersheds and removal of fish barriers. Funds will also be used to establish goals for subtidal and intertidal habitat and begin restoration or protective programs. Stream gauges will be installed in various locations to determine water supply availability for habitat purposes.
- 6. Beach Erosion.** Funds would be used to complete and implement the Coastal Sediment Master Plan being developed by the Coastal Sediment Management Workgroup, and for the rebuilding of beaches through mapping of undersea sand deposits, removal of barriers to sediment flows, the use of opportunistic sand sources, and research into and implementation of sand retention methodologies that minimize impacts on adjoining beaches, or other sensitive resources.
- 7. Water Quality.** The OPC will work with the State Water Resources Control Board, the regional boards, and the Coastal Commission to improve the quality of waters flowing to the ocean and to eliminate pollution into areas of special biological significance.
- 8. Marine Debris.** Funds will be used to implement suggestions from the *California Marine Debris Action Plan* including technical solutions, research, enforcement (i.e. acquisition of sensing or other equipment), and education.

9. Hazards. The OPC will sponsor research and help to monitor key coastal hazards. These include the impacts of climate change on sea level and ecosystem health, and tsunamis.

10. Coastal Economies. The OPC will be considering a range of measures that can help to modernize California’s fisheries in order to preserve local economies, the fishing industry, and the related tourist economy.

Proposition 84. Funding for this proposal is being allocated out of Section 75060 (G) authorizes a total of \$90 million specifically to the California Ocean Protection Trust Fund for the development of scientific data needed to adaptively manage the state's marine resources and reserves, including the development of marine habitat maps, the development and implementation of projects to foster sustainable fisheries using loans and grants, and the development and implementation of projects to conserve marine wildlife. Funding from this section is being proposed to be rolled-out as is outlined below:

**75060 (g)/Total Allocation: \$90 million
Ocean Protection Trust Fund – Coastal Conservancy/Ocean Protection Council**

	07/08	08/09	09/10	10/11	11/12
Program Delivery	\$500	\$600	\$600	\$600	\$700
Projects	\$28,000	\$26,420	\$25,970	\$1,460	\$300
Total	\$28,500	\$27,020	\$26,570	\$2,060	\$1,000

Staff Comments. For the hearing, the Coastal Conservancy should be prepared to discuss with the Subcommittee how the OPC will prioritize these bond funds within a strategic plan that is very broad. It is a concern of staff that the Conservancy moves forward with a Proposition 84 spending plan that maximizes non-state cost share opportunities and focuses its priorities so that bond funded projects adequately supported to ensure completion.

STAFF RECOMMENDATION: Approve as budgeted.

ISSUE 4: PROPOSITION 84 - COASTAL CONSERVANCY

The Governor's budget is proposing to appropriate \$84.4 million to the Coastal Conservancy to carry out a variety of the Conservancy programs to provide access to and restore wetland and watershed resources of the state's coast and San Francisco Bay region.

Proposition 84. Funding for this proposal is authorized specifically to the Conservancy in the following five different sections of Proposition 84 which total \$360 million:

75050(i) - Santa Ana River Parkway**Total Allocation: \$45 million**

	07/08	08/09	09/10	10/11	11/12	12/13	13/14
Program Delivery	\$100	\$100	\$100	\$100	\$100		
Projects	\$9,550	\$13,410	\$12,445	\$5,690	\$1,630		
Total	\$9,650	\$13,510	\$12,545	\$5,790	\$1,730		

75060 (b) - Statewide Conservancy Programs**Total Allocation: \$135 million**

Program Delivery	\$500	\$700	\$1,000	\$1,500	\$1,500	\$1,500	\$1,500
Projects	\$35,188	\$35,000	\$30,462	\$13,940	\$3,325	\$2,360	\$300
Total	\$35,688	\$35,700	\$31,462	\$15,440	\$4,825	\$3,860	\$1,800

75060 (c) – San Francisco Bay Conservancy**Total Allocation: \$108 million**

Program Delivery	\$0	\$200	\$400	\$400	\$450	\$500	\$500
Projects	\$0	\$23,500	\$24,000	\$23,000	\$14,000	\$12,045	\$4,225
Total	\$0	\$23,700	\$24,400	\$23,400	\$14,450	\$12,545	\$4,725

75060 (e) – Monterey Bay and Watersheds**Total Allocation: \$45 million**

Program Delivery	\$0	\$100	\$100	\$100	\$100	\$100	\$100
Projects	\$0	\$9,550	\$11,480	\$10,515	\$5,480	\$3,700	\$1,900
Total	\$0	\$9,650	\$11,580	\$10,615	\$5,580	\$3,800	\$2,000

75060 (f) – San Diego Bay and Watersheds**Total Allocation: \$27 million**

Program Delivery	\$0	\$100	\$100	\$100	\$100	\$100	\$100
Projects	\$0	\$6,655	\$5,208	\$5,207	\$5,690	\$865	\$1,680
Total	\$0	\$6,755	\$5,308	\$5,307	\$5,790	\$965	\$1,780

Background.

Proposition 84 allocates a total of \$360 million to the Coastal Conservancy for the following:

Coastal Resource Enhancement. The Conservancy's coastal resource enhancement program is focused primarily on large-scale wetland restoration efforts in southern California and on comprehensive planning and restoration of coastal watersheds statewide. When developing and evaluating natural resource enhancement projects carried out pursuant to this proposal, the Coastal Conservancy will give priority to projects that demonstrate one or more of the following characteristics: 1) Landscape/habitat linkages; 2) Watershed Protection; 3) Protection of large under protected habitats; 4) Non state matching funds.

Public Access and Coastal Resource Development. The primary purpose of this program is to promote the public's access to and enjoyment of the coast, complete the California Coastal Trail, and provide trail connections to the coast from inland areas, including the development of regional river parkway systems and to reduce the contributions of urban communities to global warming through projects which promote urban greening and non-motorized transportation.

San Francisco Bay Conservancy. The San Francisco Bay Conservancy program provides funding for various public access and natural resources enhancement and restoration programs within the San Francisco Bay.

Staff Comments. Funding provided in these sections of the bond are for existing programs within the Conservancy. Staff does not have any issues with these expenditures but would request that the Conservancy discuss at the hearing how it plans for developing and managing wildlife corridors and habitat linkages.

STAFF RECOMMENDATION: Hold open.

3480 – DEPARTMENT OF CONSERVATION

ISSUE 1: SUSTAINABLE COMMUNITIES – CALIFORNIA GREEN CITIES

The Department of Conservation is requesting \$10.4 million from Proposition 84 to assist local and regional communities plan and build sustainable communities. Specifically under this proposal, the department would identify existing environmental statutory priorities and provide competitive grants from the requested Proposition 84 funding to incentivize the incorporation of such environmental priorities into local government general plans.

In an effort to help local governments implement more "green" principles into their planning process, the department has also identified a need to consolidate natural resources data into one place and make that data available to local planners. To do this, the department is requesting \$4 million (Proposition 84) to work with the Department of Fish and Game to fund vegetation maps in high priority regions. Also, the department is proposing to seek outside expertise on how to best integrate natural resources data and maps from different technical programs, data sets and state, local, and public sources.

Proposition 84. Funding for this proposal is being allocated out of sustainable section 75065 (c) of Proposition 84. This section is generally dedicated to urban greening, sustainable communities and urban forestry programs. Funding from this section of the bond could be applied to very broad range of programs and departments and for which enacting legislation is required prior to appropriation.

Staff Comments. The proposals outlined to staff by the department seem to align with the general principles outlined by this section in the bond. To date, the administration has not provided staff with implementing legislation for the program and others funded out of this bond section and thus it is uncertain what the exact parameters of the proposal are. Because the bond requires legislation prior to appropriation and this proposal appears to constitute a new program, this issue may be more appropriately dealt with in the policy committee arena.

STAFF RECOMMENDATION: Hold this item open pending the receipt of enacting trailer bill.

ISSUE 2: AGRICULTURE LAND CONSERVATION PLANNING GRANTS AND INCENTIVES

The Governor's budget is requesting \$10 million from Proposition 84 for two Agricultural Land Conservation Activities: 1) Develop multiple resource agricultural conservation easements that also include wildlife habitat benefits and management practices; and 2) Provide planning grants to local governments to develop and implement agricultural land conversion mitigation programs to address the ongoing loss of farmland in their jurisdiction.

Background. Within Proposition 84, \$90 million is identified in section 75065 (c) to be available for "planning grants and planning incentives, including revolving loan programs and other methods to encourage the development of regional and local land use plans that are designed to promote water conservation, reduce automobile use and fuel consumption,

encourage greater infill and compact development, protect natural resources and agricultural lands, and revitalize urban and community centers."

Being one of the identified purposes of the widely defined designation of funding, agricultural conservation is an activity that the department has experience in through existing programs. The department's California Farmland Conservancy Program (CFCP) provides local assistance grants for projects that use conservation easements to protect agricultural land. Additionally, the department's Williamson Act program encourages landowners to enter into long-term contracts to maintain their lands in agricultural use, in return for reduced property tax assessments. Lastly, the department's Farmland Mapping and Monitoring Program (FMMP) conducts statewide inventories of agricultural land resources and monitors the conversion of land from one land use classification to another.

Staff Comments. As with the sustainable community's budget change proposal, enacting legislation will be required for this proposal and it may be more appropriated that this item be discussed in the policy arena. Until staff has the opportunity to review the enacting trailer bill language, the subcommittee may want to keep this item open.

STAFF RECOMMENDATION: Hold open.

ISSUE 3: COMPREHENSIVE RECYCLING COMMUNITY PROJECT

The Department of Conservation is requesting 4 positions and a total of \$1.97 million (California Beverage Recycling Fund) to implement the Comprehensive Recycling Community Project that target select cities and develop and apply recycling strategies to increase beverage container recycling.

The Comprehensive Recycling Community Project will target four cities with a team of four Recycling Specialist staff to conduct focus groups and roundtable discussions with representatives from the recycling industry, local and state government, private enterprise, business, non-profit agencies and the general public within the targeted communities. The goals of the program will be to:

1. Identify deficiencies in current recycling practices and resolve beverage container recycling issues.
2. Review current recycling infrastructure.
3. Develop, test, refine and implement strategies to maximize beverage container recycling.
4. Develop recycling education and media campaigns.
5. Provide local governments with technical assistance to increase recycling for other recyclable materials.
6. Develop strategies for increasing demand for recycled content products.

Background. The Department of Conservation, Division of Recycling administers the California Beverage Container Recycling and Litter Reduction Act (Act) enacted in 1986. The

primary goal of the Act is to achieve and maintain high recycling rates for each beverage container type included in the program. The Division provides a number of services to achieve these goals, including enforcement, auditing, grant funding, technical assistance and education.

Through this program, the department currently works to improve beverage container recycling rates through technical assistance and general outreach with local governments, beverage manufactures and recycling centers. Strategies that the department attributes successes to include: increased infrastructure; allocation of recycling bins to local governments; technical assistance to local government and public; collaboration with industry; and education and media campaigns.

Staff Comments. The proposal presented by the department would be a pilot program based on strategies that have had proven success in the past. Staff feels that it is appropriate to move forward with this proposal, however the department should be able to report back to the subcommittee after one year of implementation on the effectiveness of the program.

STAFF RECOMMENDATION: Approve as budgeted.

Issue 4: AB 3056 IMPLEMENTATION

The Governor's budget is requesting \$3.4 million (\$2.1 million on-going) from the California Beverage Container Recycling Fund and nineteen permanent positions and four one year limited term positions to carry out the provisions of Chapter 907, Statutes of 2006 (AB 3056).

The implementation of AB 3056 will involve the following changes to the Beverage Recycling program:

- 1. Market Development and Expansion Grant Program.** AB 3056 increases funding for Market Development and Expansion from \$10 million to \$20 million annually. Grants from this program are awarded to groups that process, use in manufacturing, research and improve overall systems for recycled products in California. For the Past three years, the Grant program reviewed an average of 30 proposals per year to award \$10 million in grants annually. With the increase in grant funding available, the department expects a proportional increase in need for new staffing.
- 2. Quality Incentive Programs.** The Quality Glass Incentive Payment program currently provides \$3 million in grants annually to certified entities who purchase curbside glass and color sorts the glass to increase quality of recycled materials. AB 3056 increases that allocation to \$15 million and amends the program to include aluminum and plastic bottles as well to include plastic and aluminum materials appropriates \$15 million.

3. **Plastic Market Development Payment Program.** AB 3056 institutes a new Plastic Market Development Payment program that would make a payment to state certified recycling entities that collect plastic containers that are ultimately washed and flaked or palletized for manufacturing. This program would also make a payment to California-based entities that use recycled plastic in manufacturing.
4. **Recycler Incentive Payment.** AB 3056 makes provides \$10 million annually for the Department to pay recyclers in incentive payments if recycled goods volumes increase over previous reporting periods.
5. **Handling Fee Payments.** AB 3056 institutes a new system to determine the handling fee payment for eligible convenience zone recyclers by looking at the cost differential between the cost of recycling for non-handling fee recipients and centers that receive handling fees.
6. **Local Community Conservation Corps Grants.** AB 3056 allows for one-time appropriation of up to \$20 million in the form of competitive grants to Local Community Conservation Corps. This funding will be provided as competitive grants for projects that increase recycling in: multi-family dwellings; schools; commercial, state and local government buildings; bars and restaurants; hotels and lodging establishments; and entertainment venues.
7. **Beverage Manufacturer Processing Fee Suspension and Increase in Administrative Fee for Distributors.** AB 3056 suspends the processing fee paid by manufacturer for a one-year period from January-December 2007 for material types that have a recycling rate greater than 40 percent. Additionally, this bill increases the administrative fee retained by beverage distributors from 1 percent to 1.5 percent of the total CRV paid.
8. **Public Education and Information Advertising Campaign.** AB 3056 authorizes the department to spend an additional \$5 million until January 1, 2008 for a public education and information campaign aimed at promoting beverage container recycling.

Staff Comments. Staff does not have any issues with this proposal.

STAFF RECOMMENDATION: Approve as budgeted.