

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 3  
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION****Assemblymember Fran Pavley, Chair****WEDNESDAY, MAY 11, 2005  
STATE CAPITOL, ROOM 447  
8:30 AM  
(START TIME DELAYED TO 9:30 AM)****Hearing Items**

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| <b>Proposed Consent Calendar</b>            |   |
|---|---|
| <b>Program</b>                              | <b>Proposal</b>   |
| <b>Department of Fish and Game</b>          | <b>Marine Life Protection Act - \$500,000 (Environmental License Plate Fund)</b> for the continuation of program management for the Marine Life Protection Act.                   |
| <b>Department of Fish and Game</b>          | <b>Cantara Restoration - \$557,000 (Reimbursements)</b> to complete two additional years of monitoring and study at the site of the 1991 train derailment.                        |
| <b>Department of Fish and Game</b>          | <b>April 1 Finance Letter – Reduction of \$1.0 million (General Fund)</b> due to an inadvertent appropriation of proposition 40 funds to the department's baseline budget.        |
| <b>Department of Fish and Game</b>          | <b>April 1 Finance Letter – \$11.5 million (Prop 13)</b> be provided for Yuba and Feather Rivers Flood Control Measures.  |
| <b>State Water Resources Control Board</b>  | <b>April 1 Finance Letter – Extension of Liquidation period for Local Assistance – Proposition 13 and Proposition 50 funds</b> for various water projects that have been delayed. |
| <b>Department of Toxic Control Services</b> | <b>April 1 Finance Letter - \$500,000 (Federal Funds)</b> augmentation for increased brownfields remediation.   |

**STAFF RECOMMENDATION:** Staff had no issues with these proposals. Approve Consent Calendar.

## ITEM 3360 – ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

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The subcommittee acted on the budget of the California Energy Commission (CEC) at its April 6<sup>th</sup> hearing, but left the following issue open:

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### ISSUE 1: PUBLIC INTEREST ENERGY RESEARCH (PIER) PROGRAM

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The Governor's budget proposes a one-time increase of \$10 million to funding for research grants and projects and \$629,000 for 7 additional positions for the PEIR Program. Total funding for this program would increase from \$69.9 million in the current year to \$80.1 million in 2004-05. The commission indicates that this augmentation was made possible by repayment of a \$20 million loan to the General Fund made in fiscal year 2003-04. In a related effort, the budget includes \$15 million from the Gas Consumption Surcharge Fund, administered by the Public Utilities Commission, and 4.8 positions to initiate a natural gas research program that will improve energy efficiency in consumer gas appliances and manufacturing processes. In 1996, the Legislature authorized CEC to establish the PIER program in order to fund research, development, and demonstration projects (Chapter 854, Statutes of 1996 [AB 1890, Brulte]). The PIER program receives \$62.5 million annually from a surcharge on electricity consumption by ratepayers in the territories of the investor-owned utilities (IOUs).

At its April 6<sup>th</sup> hearing, the subcommittee discussed a number of concerns about the current status and future direction of the Pier Program.

**Projects under Management Increasing Rapidly.** Because many of the projects funded through PIER take more than one year to complete, the number of projects managed annually by PIER staff has increased, from 344 projects in 2000-01 to an estimated 627 projects in 2004-05. According to the Legislative Analyst's Office (LAO), the CEC projects that PIER staff will manage 719 projects in 2005-06—more than double the number of projects in 2000-01. The large and increasing number of projects suggests that it may be time to reevaluate the breadth of the research focus and program management structure.

**LAO Recommendation.** At its April 6<sup>th</sup> hearing, the subcommittee discussed an LAO recommendation for enactment of legislation requiring CEC to develop a long-term staffing plan for the PIER program in order to (1) identify staffing requirements to adequately manage the projected workload through 2011 and (2) evaluate and recommend the appropriate mix of contract consultants and state employees, considering required technical expertise and overall costs.

**Findings of the Independent Review Panel (IRP).** In addition, the subcommittee considered the findings of the PIER Independent Review Panel, which made a number of recommendations for both near-term and long-term changes to the management of the program. In particular, the panel recommended supplemental staff and contract resources, which are addressed (at least in part) by the current budget proposal. However, the panel also found that the program is structurally hampered by a near-term focus, limited flexibility, and risk aversion. To address these structural problems, the panel recommended that: the CEC develop a strategic operational and implementation response to solve PIER's structural problem. The response should include the development of two parallel plans, one to include a greater degree of operational independence and authority within the CEC and the other to include a structure outside of the CEC.

**Subcommittee Direction.** The subcommittee directed LAO, the CEC and staff to draft Trailer Bill Language requiring the CEC to develop a long-term workload and staffing plan for the PIER Program.

**STAFF RECOMMENDATION:** Adopt the following Trailer Bill Language requiring the commission to develop a long-term workload and staffing plan for the PIER Program:

Section 1. The Legislature finds and declares that the Public Interest Energy Research Program provides grant funds to public and private entities for research, development, and demonstration of electricity-related technologies. The number of projects managed under the Public Interest Energy Research Program has grown from 340 projects in 2000-01 to more than 700 projected projects in 2005-06. In a March 2004 report, a legislatively mandated Independent Review Panel recommended that the Energy Resources Conservation and Development Commission improve its research and development efforts by increasing project management positions. The report found that there remain requirements for additional technical and management staff to adequately select and manage the large and growing project workload.

Section 2. Section 384 of the Public Utilities Code is amended to read:

384.1. On or before January 10, 2006, the Energy Resources Conservation and Development Commission shall prepare and submit to the appropriate policy and fiscal committees of the Legislature a report setting forth a long-term research priority, program management, and staffing plan for the Public Interest Energy Research Program. The report shall (1) designate in priority order between five and ten areas of research evaluate the current and projected funding and workload through 2011, (2) based on these priorities, the commission shall identify the most effective and efficient program management structure and staffing and funding requirements to adequately manage the projected workload and (3) evaluate the appropriate mix of contract consultants and state employees, considering required technical expertise and overall costs. The evaluation shall consider the manageability of an increasing number of projects and whether the number of projects should be limited, which areas of research have proven most productive, and structural changes to provide a greater degree of operational independence and research leadership to address the long-term problems identified by the Independent Review Panel in its March 2004 report.

## CALFED

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CALFED is a consortium of 25 state and federal agencies created to address a number of interrelated water problems in the state's Bay-Delta region. Five years ago, the State and the Federal Government adopted a Record of Decision (ROD) outlining a 30-year program for protecting the Sacramento-San Joaquin River Delta (Delta). Under this agreement, funding for CALFED was intended to be shared between the State, Federal Government and water recipients. Since the ROD, however, CALFED has been primarily funded with General Fund and Bond Funds while other agreed upon funding sources have been minimal when compared to the complete CALFED funding spectrum.

Since the original Record of Decision, the State's fiscal circumstances have changed substantially. On the federal side, Congress passed an authorization for CALFED programs and appropriations last year, but has not actually appropriated any new federal funding. Among stakeholders, there have been no agreements on contributions from water users. Finally, within the State General Funds are scarce and bond funds - which CALFED has relied for the last four years - are rapidly approaching depletion.

In the Governor's 2005-06 Budget, the administration proposed a 10-Year finance plan to fund CALFED. As criticized by the LAO and later vetted in policy and budget committee hearings, the finance plan made unrealistic revenue assumptions and left various funding voids for the legislature to fill. Though requested, this plan has not been followed up with a more comprehensive 10-year finance plan. Rather, the administration has put forward a 2-year finance plan that continues a majority of current expenditures and provides a stop-gap approach to CALFED funding.

Without a comprehensive long term finance plan, State funding for CALFED at current spending levels will be drastically depleted in two years. Concurrently, the State, Federal Government and Stakeholders have been unable to achieve any consensus on the future for CALFED funding. Facing this funding crossroads the State should be working to conserve existing state CALFED resources in order to ensure that during these times of fiscal uncertainty, its priorities stay protected. The State has made an overwhelming annual fiscal commitment to the long term survival of CALFED. Without immediate action, CALFED's existence and the water policy that it supports could be jeopardized.

**Prior Legislative Actions.** At the March 14 meeting of the Senate Subcommittee on Resources and Environmental Protection, state funding for the CALFED program was deleted pending receipt of a workable finance plan that included realistic ten-year funding targets and sustainable funding from all beneficiaries, as well as the necessary administrative process to implement the finance plan. The Subcommittee indicated that this plan was to be submitted by April 1 so that the Subcommittee could have adequate time to consider the administration's proposal. The administration has not provided the requested report to date.

The matrix below outlines the funding deleted from the Governor's budget at the March 14 meeting of the Senate Subcommittee. These totals do not include reimbursement funds that were also deleted from the budget.

| <b>Department</b> (\$ in thousands)       | <b>General Fund</b> | <b>Other Bonds</b> | <b>Prop 50</b>   | <b>Special Funds</b> | <b>Total</b>     |
|---|---------------------|--------------------|------------------|----------------------|------------------|
| Conservation                              | \$0                 | \$0                | \$3,234          | \$96                 | \$3,330          |
| Forestry and Fire Protection              | 0                   | 0                  | 154              | 0                    | 154              |
| Water Resources Control Board             | 0                   | 6,998              | 1,317            | 144                  | 8,459            |
| Bay Conservation & Development Commission | 88                  | 0                  | 0                | 0                    | 88               |
| Fish and Game                             | 878                 | 0                  | 4,650            | 1,841                | 7,369            |
| Water Resources                           | 2,402               | 51,161             | 141,555          | 27,164               | 222,282          |
| Bay-Delta Authority                       | 8,522               | 0                  | 6,077            | 5,074                | 19,673           |
| <b>Total</b>                              | <b>\$11,890</b>     | <b>\$58,159</b>    | <b>\$156,987</b> | <b>\$34,319</b>      | <b>\$261,355</b> |

### GENERAL RECOMMENDATIONS

1. **Require a Zero-Based Budget for the CALFED Program.** Staff finds that the CALFED program is at a critical juncture, and has not implemented the "beneficiary pays" principles outlined in the Record of Decision. Furthermore, a considerable number of concerns have been raised regarding the appropriate size of the program, overall. Staff finds that additional information justifying the entire CALFED program is needed to address some of these concerns. Additional justification could be provided by the administration if it chose to prepare a zero-based budget for the 2006-07 budget. A zero-based budget would require the administration to justify all expenditures that support the CALFED program, as opposed to current practice, which provides justification only for the changes being proposed to the budget. Staff finds that this information would enable the Legislature and the public to gain a better understanding of the overall size of the CALFED program and how the funds are being expended.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt supplemental report language to request that the administration to submit a zero-based budget for the CALFED program for the 2006-07 budget year.

2. **Bond Funds in Base Budget Need Additional Explanation.** Staff finds that bond funds are one-time in nature. However, the administration has included bond funds in its base budget. In some cases, local assistance funding has also been included in base budget expenditures. Staff finds that this practice has evolved over the past several years when some ongoing activities that were formerly supported by the General Fund were shifted to bond funds. Regardless, staff finds that this practice is not sustainable since bond funds are not an ongoing funding source. Staff finds that this budgeting practice is not transparent and is not sustainable.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt trailer bill language that would require the administration to provide the following: (1) additional information on the state operations bond funds included in the base budget, and (2) budget change proposals for

all local assistance and capital outlay expenditures supported by bond funds. The information on the state operations, supported by bond funds, can be provided in a supplemental report or as an addendum to other bond-related budget change proposals being submitted.

### FUNDING SUMMARY

**Senate CALFED Budget Summary.** The following chart summarizes the staff recommendations for the Senate's alternative CALFED budget for 2005-06, absent resolution of a long-term financing plan. This budget was constructed along the following general guidelines:

- Expenditures of local assistance and grant funds are generally proposed to be delayed.
- Activities and projects that have not been started, to date, are proposed to be delayed.
- Activities that existed prior to the existence of the CALFED program are proposed to be retained.

| <b>Department</b> (\$ in thousands)       | <b>Governor's Budget</b> | <b>Proposed Budget</b> | <b>Difference</b> |
|---|--------------------------|------------------------|-------------------|
| Conservation                              | \$3,330                  | \$330                  | -\$3,000          |
| Forestry and Fire Protection              | 154                      | 154                    | 0                 |
| Fish and Game                             | 3,375                    | 3,209 *                | -166              |
| Bay Conservation & Development Commission | 88                       | 0                      | -88               |
| Water Resources                           | 166,009                  | 72,692 *               | -93,317           |
| Bay-Delta Authority                       | 38,913                   | 33,839 *               | -5,074            |
| Water Resources Control Board             | 8,315                    | 1,902                  | -6,413            |
| <b>Total</b>                              | <b>\$220,184</b>         | <b>\$112,126 *</b>     | <b>-\$108,058</b> |

\*Pending resolution of open items in each category.

**ITEM 3480 DEPARTMENT OF CONSERVATION**

**Staff Recommendation.** The chart below outlines the Governor's proposal to support the CALFED program at the Department of Conservation. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

| <b>Activity</b> (\$ in thousands)           | <b>Amount</b>  | <b>Fund Source</b>     | <b>Positions</b> | <b>Approve</b> |
|---|----------------|------------------------|------------------|----------------|
| <b>BASE BUDGET</b>                          |                |                        |                  |                |
| <b>Oversight and Coordination</b>           | \$96           | Soil Conservation Fund | 1.0              | X              |
| <b>Watershed Program</b>                    |                |                        |                  |                |
| - Watershed Coordinator Grants              | 3,000          | Prop 50                | 0.0              | Deny           |
| - Watershed Program Technical Staff Support | 234            | Prop 50                | 2.0              | X              |
| <b>Total Governor's Budget</b>              | <b>\$3,330</b> |                        | <b>3.0</b>       |                |
| <b>Total Senate Budget</b>                  | <b>\$330</b>   |                        | <b>3.0</b>       |                |

The recommended changes to the Governor's budget would result in a deferral of local assistance grants until a long-term financing plan for the CALFED program is enacted.

**ITEM 3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION**

**Staff Recommendation.** The chart below outlines the Governor's proposal to support the CALFED program at the Department of Forestry and Fire Protection. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

| <b>Activity</b> (\$ in thousands)   | <b>Amount</b> | <b>Fund Source</b> | <b>Positions</b> | <b>Approve</b> |
|---|---------------|--------------------|------------------|----------------|
| <b>BASE BUDGET</b>  |               |                    |                  |                |
| <b>Watershed Program</b>  |               |                    |                  |                |
| - Watershed Program Technical Information Support: Watershed Assessment Manual and Fire and Resource Assessment Program Watershed Resources | \$154         | Prop 50            | 0.0              | X              |
| <b>Total Governor's Budget</b>  | <b>\$154</b>  |                    | <b>0.0</b>       |                |
| <b>Total Senate Budget</b>  | <b>\$154</b>  |                    | <b>0.0</b>       |                |

**ITEM 3600 DEPARTMENT OF FISH AND GAME**

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**Staff Recommendation.** The chart below outlines the Governor's proposal to support the CALFED program at the Department of Fish and Game. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

Several items are recommended to be left open because the department has not provided staff with sufficiently detailed information to determine what the funds are being used for. Staff recommends that the Subcommittee direct the department to work with staff to provide additional information on what is being funded in the department's base budget to support the CALFED program.

| <b>Activity</b> (\$ in thousands)  | <b>Amount</b>    | <b>Fund Source</b> | <b>Positions</b> | <b>Approve</b> |
|--|------------------|--------------------|------------------|----------------|
| <b>BASE BUDGET</b>   |                  |                    |                  |                |
| <b>Oversight and Coordination</b>  | \$166            | General Fund       | 2.0              |                |
| <b>Ecosystem Restoration Program</b>   |                  |                    |                  |                |
| - Supports regional plan development, field studies, review of permits and environmental documentation, restoration projects.  | \$4,350          | Prop 50            | 23.0             | Open           |
| - Supports regional plan development, field studies, review of permits and environmental documentation, restoration projects.  | \$628            | General Fund       | 5.5              | Open           |
| <b>Conveyance Program</b>  |                  |                    |                  |                |
| - Supports studies to define fish movement in the delta, assist in the development of technologies in water transfer and fish screening, examine sources of predation. | \$84             | General Fund       | 1.0              | Open           |
| <b>Science Program</b>   |                  |                    |                  |                |
| - Endangered Species Act compliance for the Interagency Ecological Program and the analysis and dissemination of other scientific data.                                | \$300            | Prop 50            | 5.0              | Open           |
| - Endangered Species Act compliance for the Interagency Ecological Program and the analysis and dissemination of other scientific data.                                | \$228            | Striped Bass Stamp | 1.0              | Open           |
| <b>APRIL FINANCE LETTER</b>  |                  |                    |                  |                |
| <b>Ecosystem Restoration Program</b>   |                  |                    |                  |                |
| - Technical correction to eliminate one-time funding inadvertently left in the Governor's proposed budget.   | -\$2,381         | Prop 50            | 0.0              | X              |
| <b>Total Governor's Budget</b>   | <b>\$3,375</b>   |                    | <b>37.5</b>      |                |
| <b>Total Senate Budget</b>   | <b>\$3,209 *</b> |                    | <b>35.5</b>      |                |

\*Pending resolution of open items.

## ITEM 3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

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**Staff Recommendation.** The chart below outlines the Governor's proposal to support the CALFED program at the San Francisco Bay Conservation and Development Commission. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

| <b>Activity</b> (\$ in thousands) | <b>Amount</b> | <b>Fund Source</b> | <b>Positions</b> | <b>Approve</b> |
|-----------------------------------|---------------|--------------------|------------------|----------------|
| <b>BASE BUDGET</b>                |               |                    |                  |                |
| <b>Oversight and Coordination</b> | \$88          | General Fund       | 1.0              | Deny           |
| <b>Total Governor's Budget</b>    | <b>\$88</b>   |                    | <b>1.0</b>       |                |
| <b>Total Senate Budget</b>        | <b>\$0</b>    |                    | <b>0.0</b>       |                |

**ITEM 3860 DEPARTMENT OF WATER RESOURCES**

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**Staff Recommendation.** The chart below outlines the Governor's proposal to support the CALFED program at the Department of Water Resources. Staff recommends that the Subcommittee take action to approve the checked items or amended in the "Approve" column.

The elimination of local assistance funds and other grant funds will result in a deferral of additional grants until a long-term financing plan for the CALFED program is enacted.

Several items are recommended to be left open because the department has not provided staff with sufficiently detailed information to determine what the funds are being used for. Staff recommends that the Subcommittee direct the department to work with staff to provide additional information on the issues marked "Open."

Some of the actions listed below result in the elimination of staff positions. It is not intended that this budget proposal have significant adverse impacts on ongoing staffing of the CALFED program. Therefore, staff recommends that the Subcommittee direct the department to report on the impacts of these actions and ways in which the Subcommittee could amend the proposal to reduce negative impacts of valuable CALFED program staff.

Staff recommends that the Subcommittee direct the department to provide staff with information regarding the local matching requirement for the Delta Levee Maintenance Subventions program.

Staff recommends that the Subcommittee direct the department to provide staff with information regarding its plans for implementing fish passage structures on the Calaveras River.

| <b>Activity</b> (\$ in thousands)  | <b>Amount</b> | <b>Fund Source</b>        | <b>Positions</b> | <b>Approve</b> |
|--|---------------|---------------------------|------------------|----------------|
| <b>BASE BUDGET</b>   |               |                           |                  |                |
| <b>Oversight and Coordination</b>  |               |                           |                  |                |
| - Supports review of CALFED-related encroachment permit applications submitted to the Reclamation Board.   | \$263         | General Fund              | 2.0              | X              |
| <b>Ecosystem Restoration Program</b>   |               |                           |                  |                |
| - Supports federal-state cost-share agreement between DWR, USBR, USFWS, and DFG for fishery restoration activities.  | \$1,575       | Prop 204                  | 1.0              | Open           |
| - Supports studies and grants to address water quality problems causing low dissolved oxygen in the Stockton Deep Water Ship Channel and mercury issues. (These funds are not local assistance.) | \$10,016      | Prop 13                   |                  | Open           |
| - Supports Fish Passage Improvement Program to do fish passage assessment.   | \$1,155       | Prop 50                   | 5.6              | Open           |
| - Supports Aquatic Restoration Planning and Implementation Program to develop fish passage opportunities in the Yolo Bypass.   | \$1,011       | Prop 50                   | 3.0              | Deny           |
| - Supports activities to manage the Four Pumps Agreement to mitigate fish loss at the State Water Project's Delta Pumping Plant.   | \$4,385       | State Water Project Funds | 3.0              | X              |

| <b>Activity</b> (\$ in thousands)   | <b>Amount</b> | <b>Fund Source</b>               | <b>Positions</b> | <b>Approve</b>              |
|---|---------------|----------------------------------|------------------|-----------------------------|
| <b>Environmental Water Account</b>  |               |                                  |                  |                             |
| - Environmental Water Account asset purchases.  | \$17,548      | Prop 50                          | 0.0              | Approve<br>\$8.8<br>million |
| - Environmental Water Account purchases state support.  | \$550         | Prop 50                          | 5.0              | Approve<br>\$225,000        |
| <b>Water Use Efficiency</b>   |               |                                  |                  |                             |
| - Supports the California Irrigation Management Information System and provides technical assistance and outreach for water conservation activities.  | \$1,135       | General Fund                     | 6.0              | X                           |
| - Supports administration of Chapter 7 Water Use Efficiency grant program and Chapter 6 Desalination Grant Program.   | \$1,113       | Prop 50                          | 5.0              | X                           |
| - Supports technical assistance and review of agricultural water management plans, urban water management plans, and development of new water conservation technologies.                                      | \$1,792       | Energy Resources Program Account | 10.0             | Open                        |
| - Loans for agricultural water conservation and agricultural water use efficiency programs.   | \$8,436       | Prop 13                          | 0.0              | Deny                        |
| <b>Water Transfers</b>  |               |                                  |                  |                             |
| - Supports maintenance of the CALFED Water Transfer Clearinghouse and On Tap water transfer database. Also supports coordination with CALFED EWA, Sacramento Valley Water Management Program, and CALFED ERP. | \$460         | General Fund                     | 1.5              | Deny                        |
| <b>Watershed Management</b>   |               |                                  |                  |                             |
| - Supports administration of Watershed grant program.   | \$254         | Prop 50                          | 2.0              | X                           |

| <b>Activity</b> (\$ in thousands)  | <b>Amount</b> | <b>Fund Source</b>        | <b>Positions</b> | <b>Approve</b> |
|--|---------------|---------------------------|------------------|----------------|
| <b>Drinking Water Quality</b>  |               |                           |                  |                |
| - Supports modeling ways of improving water quality in the Delta.  | \$79          | General Fund              | 0.0              | X              |
| - Supports data analysis and Delta computer modeling support for the CALFED drinking water quality program. The current focus is on improving water quality modeling of the upper San Joaquin River.                     | \$164         | Prop 50                   | 1.0              | X              |
| - Supports contracts with the Contra Costa Water District for the Old River-Byron Tract and Rock Slough-Veale Trace Water Quality improvement project and with USGS for the Low Intensity Chemical Dosing study project. | \$2,022       | Prop 13                   | 0.0              | Deny           |
| <b>Levees</b>  |               |                           |                  |                |
| - Supports staff to implement the Delta Levees Special Projects Program, Delta Levee Maintenance Subvention Program, Emergency Response, Risk Management, and Subsidence Research.                                       | \$1,960       | Prop 50                   | 13.0             | X              |
| - Supports staff to implement the Delta Levees Special Projects Program, Delta Levee Maintenance Subvention Program, Emergency Response, Risk Management, and Subsidence Research.                                       | \$373         | State Water Project Funds | 2.0              | X              |
| - Supports local assistance for the Delta Levee Maintenance Subventions Program.   | \$16,817      | Prop 50                   | 0.0              | X              |
| <b>Storage Program</b>   |               |                           |                  |                |
| - Supports funding for grants for the Local Groundwater Assistance grant program.  | \$6,400       | Prop 50                   | 0.0              | Deny           |
| <b>Water Supply Reliability</b>  |               |                           |                  |                |
| - Supports technical support in regional planning and acts as project managers on 22 MOU partnerships throughout the state.  | \$1,868       | Prop 50                   | 14.0             | Open           |

| <b>Activity</b> (\$ in thousands)   | <b>Amount</b> | <b>Fund Source</b>        | <b>Positions</b> | <b>Approve</b> |
|---|---------------|---------------------------|------------------|----------------|
| <b>Conveyance Program</b>   |               |                           |                  |                |
| - Supports North Delta Flood Control and Ecosystem Restoration Project.   | \$465         | General Fund              | 3.0              | Open           |
| - Supports construction of four permanent operable barriers and removal of four temporary rock barriers in the South Delta. Supports evaluation of fish screen intake alternatives, Delta Cross Channel re-operations, and Through-Delta Facility alternatives. | \$14,413      | State Water Project Funds | 30.0             | X              |
| <b>Science Program</b>  |               |                           |                  |                |
| - Supports monitoring and special studies of the water quality and ecology of the San Francisco estuary. Also supports contracts with DFG, USFWS, USGS, and various universities and laboratories.  | \$6,201       | State Water Project Funds | 14.0             | X              |
| <b>BUDGET CHANGE PROPOSALS</b>  |               |                           |                  |                |
| <b>Water Use Efficiency Program</b>   |               |                           |                  |                |
| - Funds Chapter 7 water use efficiency grants.  | \$30,136      | Prop 50                   | 0.0              | Deny           |
| - Supports science and monitoring of existing water use efficiency projects to support awarding future grants.  | \$1,802       | Prop 50                   | 0.0              | X              |
| - Supports contracts that would provide technical assistance to local entities for special water use efficiency projects.   | \$2,034       | Prop 50                   | 0.0              | Deny           |

| <b>Activity</b> (\$ in thousands)  | <b>Amount</b> | <b>Fund Source</b> | <b>Positions</b> | <b>Approve</b> |
|--|---------------|--------------------|------------------|----------------|
| <b>Storage Program</b>   |               |                    |                  |                |
| - Supports evaluation of the feasibility of north of delta storage (Sites reservoir).  | 3,300         | Prop 50            | 37.0             | X              |
| - Supports the federal government's efforts to evaluate the possibility of enlarging Shasta Lake.  | 100           | Prop 50            | 0.0              | Deny           |
| - Supports continued evaluation of the feasibility of in-Delta storage.  | 2,000         | Prop 50            | 0.0              | Deny           |
| - Supports a contract with Contra Costa Water District and state staff to evaluate the feasibility of enlarging Los Vaqueros reservoir.                                  | 3,200         | Prop 50            | 0.0              | Open           |
| - Supports evaluation of additional upper San Joaquin River Storage.   | 1,000         | Prop 50            | 0.0              | X              |
| - Supports evaluation of common assumptions to help in the evaluation of each of the storage proposals and to make comparisons among them.                               | 1,000         | Prop 50            | 0.0              | X              |
| <b>Water Supply Reliability</b>  |               |                    |                  |                |
| - Supports contracts for projects that increase water supply reliability through the planned, coordinated management and use of groundwater and surface water resources. | 7,000         | Prop 50            | 0.0              | Open           |



| <b>Activity</b> (\$ in thousands)   | <b>Amount</b>     | <b>Fund Source</b> | <b>Positions</b> | <b>Approve</b> |
|---|-------------------|--------------------|------------------|----------------|
| <b>Watershed Program</b>  |                   |                    |                  |                |
| - Reappropriation of \$830,000 in Proposition 50 bond funds that were not expended in the current year due to position vacancies to continue technical assistance related to the Watershed grant program. |                   |                    |                  | X              |
| - Reverts \$3 million Proposition 50 bond funds that have been shifted to the Department of Conservation and were inadvertently left in the Governor's proposed budget.                                   |                   |                    |                  | X              |
| <b>Ecosystem Restoration Program</b>  |                   |                    |                  |                |
| - Reappropriation of \$500,000 in Proposition 50 bond funds that were not expended due to position vacancies to continue work on the Calaveras River instream structure and fish passage study.           |                   |                    |                  | X              |
| <b>Storage Program</b>  |                   |                    |                  |                |
| - Technical correction to eliminate one-time funding inadvertently left in the Governor's proposed budget.  | -\$18,996         | Prop 50            | 0.0              | X              |
| <b>Total Governor's Budget</b>  | <b>\$166,009</b>  |                    | <b>175.7</b>     |                |
| <b>Total Senate Budget</b>  | <b>\$72,692 *</b> |                    | <b>152.4</b>     |                |

\*Pending resolution of open items.

**ITEM 3870 CALIFORNIA BAY-DELTA AUTHORITY**

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**Staff Recommendation.** The chart below outlines the Governor's proposal to support the CALFED program at the Bay-Delta Authority. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

Several items are recommended to be left open because additional information is needed regarding the proposed expenditures. Specifically, staff needs additional information on why the Ecosystem Restoration Program expenditures should continue to be implemented by the Authority and not by the Department of Fish and Game (the implementing agency for the Ecosystem Restoration Program element). Staff recommends that the Subcommittee direct the authority to work with staff to provide additional information on the issues marked "Open."

| <b>Activity</b> (\$ in thousands)  | <b>Amount</b> | <b>Fund Source</b> | <b>Positions</b> | <b>Approve</b> |
|--|---------------|--------------------|------------------|----------------|
| <b>BASE BUDGET</b>   |               |                    |                  |                |
| <b>Oversight and Coordination</b>  |               |                    |                  |                |
| - Supports Bay-Delta Advisory Committee, environmental justice, tribal relations, public outreach, delta improvements package, regional coordination, performance measure development, long-term finance plan development, and other administrative functions. | \$6,600       | General Fund       | 42.0             | X              |
| <b>Ecosystem Restoration Program</b>   |               |                    |                  |                |
| - Supports monitoring of ecosystem restoration projects.   | \$166         | General Fund       | 2.0              | Open           |
| - Supports contracts for work on various 415 ecosystem restoration projects.   | \$5,200       | Prop 50            | 0.0              | Open           |
| - Supports staff to monitor and manage the work being done on the ecosystem restoration program contracts.   | \$523         | Prop 50            | 5.0              | Open           |
| <b>Conveyance Program</b>  |               |                    |                  |                |
| <b>Drinking Water Quality Program</b>  |               |                    |                  |                |
| <b>Environmental Water Account</b>   |               |                    |                  |                |
| <b>Levee Program</b>   |               |                    |                  |                |
| <b>Storage Program</b>   |               |                    |                  |                |
| <b>Watershed Program</b>   |               |                    |                  |                |
| <b>Water Use Efficiency Program</b>  |               |                    |                  |                |
| - Supports staff and contracts to monitor projects in all of the programs listed above.  | \$1,200       | General Fund       | 6.0              | X              |
| - Supports recipient agreements to implement and monitor the Proposal and Solicitation Process for various projects in the programs listed above.  | \$3,900       | Prop 50            | 1.0              | Open           |

| <b>Activity</b> (\$ in thousands)   | <b>Amount</b>     | <b>Fund Source</b> | <b>Positions</b> | <b>Approve</b> |
|---|-------------------|--------------------|------------------|----------------|
| <b>Science Program</b>  |                   |                    |                  |                |
| - Supports contracts and positions to support the independent science board and technical panels.   | \$13,000          | Prop 50            | 3.0              | Open           |
| - Supports contracts to support the independent science board and technical panels.   | \$3,000           | General Fund       | 0.0              | Open           |
| <b>BUDGET CHANGE PROPOSALS</b>  |                   |                    |                  |                |
| <b>Ecosystem Restoration Program</b>  |                   |                    |                  |                |
| - Supports various ecosystem restoration projects. These funds were appropriated in 2002-03, but because of delays and cancellations these funds were not expended.       | \$5,074           | Prop 204           | 0.0              | Deny           |
| <b>Conveyance Program</b>   |                   |                    |                  |                |
| - Supports scientific monitoring of the Delta Cross Channel, Through-Delta Facility, Frank's Tract, South Delta Hydrodynamic and Tracy Test Facility investigations.      | 250               | Prop 50            | 0.0              | X              |
| <b>APRIL FINANCE LETTER</b>   |                   |                    |                  |                |
| <b>Ecosystem Restoration Program</b>  |                   |                    |                  |                |
| - Reappropriation of \$54.7 million in Proposition 50 bond funds to support contracts and grants for ecosystem restoration projects, including the Battlecreek Watershed. |                   |                    |                  | X              |
| <b>Total Governor's Budget</b>  | <b>\$38,913</b>   |                    | <b>59.0</b>      |                |
| <b>Total Senate Budget</b>  | <b>\$33,839 *</b> |                    | <b>59.0</b>      |                |

\*Pending resolution of open items.

**ITEM 3940 STATE WATER RESOURCES CONTROL BOARD**

**Staff Recommendation.** The chart below outlines the Governor's proposal to support the CALFED program at the State Water Resources Control Board. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

| <b>Activity</b> (\$ in thousands)  | <b>Amount</b>  | <b>Fund Source</b> | <b>Positions</b> | <b>Approve</b> |
|--|----------------|--------------------|------------------|----------------|
| <b>BASE BUDGET</b>   |                |                    |                  |                |
| <b>Watershed Program</b>   |                |                    |                  |                |
| - Supports management of grants awarded by the board in past grant cycles.   | \$299          | Prop 50            | 3.0              | X              |
| - Supports monitoring of project progress on grants awarded by the board in past grant cycles.   | \$82           | Prop 13            | 0.8              | X              |
| <b>Water Use Efficiency Program</b>  |                |                    |                  |                |
| - Supports management of water recycling grants awarded by the board in past grant cycles.   | \$888          | Prop 50            | 9.1              | X              |
| - Supports management of water recycling grants awarded by the board in past grant cycles and the review and awarding of new grants. Also includes technical outreach and assistance to disadvantaged communities. | \$421          | Prop 13            | 4.2              | X              |
| - Funds for water recycling grants.  | \$6,413        | Prop 13            | 0.0              | Deny           |
| <b>Drinking Water Quality Program</b>  |                |                    |                  |                |
| - Supports management of grants awarded by the board in past grant cycles.   | \$130          | Prop 50            | 1.3              | X              |
| - Supports management of grants awarded by the board in past grant cycles.   | \$82           | Prop 13            | 0.8              | X              |
| <b>Total Governor's Budget</b>   | <b>\$8,315</b> |                    | <b>19.2</b>      |                |
| <b>Total Senate Budget</b>   | <b>\$1,902</b> |                    | <b>19.2</b>      |                |