

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 3
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION****Assemblymember Ira Ruskin, Chair****WEDNESDAY, MAY 13TH 2009
STATE CAPITOL, ROOM 447
9:00A.M.**

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CONSENT CALENDAR

Dep.	Proposal
Secretary for Resources	April Letter: California River Parkways. Extend the liquidation period for Proposition 50 appropriations from 2005-06 until June 30, 2011.
	April Letter: Strategic Growth Council. Position authority for 2 PYS to support the Strategic Growth Council.
Tahoe Conservancy	April Letter: Reappropriations. Reappropriations of several bond funds for local assistance and capital outlay affected by the freeze on bond funds as ordered by the PMIB.
California Conservation Corps	April Letter: Emergency Response Expenditure Authority. The Corps are requesting authority allow the Department of Finance to augment their reimbursement authority for funding from non profits, local governments and the federal government. This authority would allow reimbursements to be increased for work related to responding to statewide emergencies.
	May 1 Letter: \$10.4 million (Lease Revenue Bond) Tahoe Base Center Relocation Project. Working Drawings and Construction funding for the CCC Tahoe Base Center Relocation Project.
	Local Corps Extension of Liquidation: Extend the liquidation period for local conservation corps for appropriations from the 2008-09 budget until June 30, 2011.
Department of Conservation	April Letter: Land Resources Protection Funding. \$1.4 million reduction (Soil Conservation Fund) \$11 million reduction (Proposition 12) for local assistance and \$1 million local assistance reduction due to reduced revenues from Williamson Act cancellation fees.
	April Letter: Information Technology Maintenance. \$132,000 increase from various special funds to provide funding for information technology infrastructure maintenance.
CAL FIRE	April Letter: Mobile Command Center Prototype. \$1.3 million augmentation to spend a grant from Cal EMA to build a prototype Mobile Communications Center.
	April Letter: Fuels Treatment Federal Grant. \$3.2 million (Federal Funds) Augmentation for fuel treatment projects in San Bernardino, Riverside, and San Diego counties.
	May Letter: Cap Outlay Reappropriations. Various reappropriations for CAL FIRE Capital Outlay projects.
Department of Fish and Game	April Letter: Delta Fish Agreement. \$1.0 million and 8 pys (State Water Project Funds) to enable the Department to implement the Delta Fish Agreement 2008 Amendment which requires restoration work to offset fish losses from pumping in the Delta.
Wildlife Conservation Board	April Letter: Wetland and Riparian Habitat Conservation Projects Funds. \$1.5 million (General Fund) reversion for funds originally appropriated to the Riparian Habitat Conservation Program and the iNland Wetlands Conservation Program.
	April Letter: Reappropriation and Extension of Liquidation for Various Funds due to the freeze on bond fund expenditures.

State Coastal Conservancy	April Letter: Increase Reimbursement Authority. \$6.2 million augmentation in reimbursement authority to allow the SCC to collect funds from partners.
	April Letter: Reversion – Proposition 50 Funds. \$500,000 prop 50 reversion in order to maintain funding for SCC state operations budget.
	April Letter: Technical Correction – Proposition 84. \$10 million correction due to an over appropriation of funds.
Department of Parks and Recreation	April Letter: Technical Adjustments for Reappropriations and baseline Reductions. Due to late enactment and reduced of the 2008 budget project costs, various reappropriations and baseline reductions need to approved.
	April Letter: Extensions of Liquidations. Various Bond Fund appropriations need to be extended due to the freeze on bond fund expenditures.
	April Letter: Proposition 12 for Local Parks Grants. Due to the freeze on bond fund expenditures, various Prop 12 projects need to be reappropriated.
	May Letter: Capital Outlay Reappropriations. Due to the freeze on bond fund expenditures, various Prop 12 projects need to be reappropriated.
San Joaquin River Conservancy	April Letter: Property Stewardship. Change 2009 appropriation of \$54,000 for the Conservancy from positions to contracts in order to more efficiently maintain properties.
Sierra Nevada Conservancy	Extensions of Liquidation – Proposition 84. Due to the freeze on bond fund expenditures, various Prop 84 projects need to be reappropriated.
Department of Water Resources	Reappropriations of Various Funds. Due to the freeze on bond fund expenditures, various projects need to be reappropriated.
	April Letter: Extension of Liquidations, Capital Outlay. Due to the freeze on bond fund expenditures and delayed construction schedules, various liquidation periods need to be extended.
	April Letter: Reversions, State Operations and Local Assistance funding for the Department.
	April Letter: Technical Adjustments. Various technical adjustments need to be made to the department's budget.
Department of Food and Agriculture	April Letter: Asian Citrus Psyllid (ACP) Project. \$1.0 million and 2.0 temporary positions from federal funds to support the Asian Citrus Psyllid Project to detect, eradicate, and control the ACP.

VOTE ONLY CALENDAR

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION

ISSUE 1: IMPLEMENTATION OF SB 839: ARSON AND BOMB UNIT

Governor's Budget

The Governor's Budget proposed \$285,000 from the Fireworks and Enforcement Fund for two new positions to establish an Arson and Bomb Unit within the State Fire Marshal. The Unit would conduct enforcement and disposal of illegal fireworks. This proposal is pursuant to SB 839 (*Calderon*), *Statutes of 2007-08*.

This proposal was not adopted in February and will need to be acted upon in order to go into effect.

Background

Each year approximately 160,000 pounds of illegal fireworks are seized in California. Due to environmental and safety reasons, existing statute requires that the State Fire Marshal dispose of seized illegal fireworks. The cost of safely disposing of the illegal fireworks is approximately \$6 per pound. To cover the cost of illegal firework disposal, SB 839 (*Calderon*, 2007) established the State Fire Marshal Fireworks and Enforcement Fund to receive 65 percent of penalties from the possession of illegal fireworks "to enforce, prosecute, dispose of, and manage dangerous fireworks and to educate public safety agencies in the proper handling and management of dangerous fireworks."

Staff Recommendation: Staff recommends that the Subcommittee approve the budget proposal.

3680– DEPARTMENT OF BOATING AND WATERWAYS

ISSUE 1: APRIL LETTER: IMPERIAL BEACH RESTORATION PROJECT

April Letter Proposal

The department is requesting an augmentation of \$4.2 million from the Public Beach Restoration Fund for local assistance to the city of Imperial Beach for the non Federal share of the US Army Corps of Engineers beach restoration project. Total cost for this project is \$13.8 million (Federal \$9.9 million/State \$4.2 million) and it is intended to replenish the beach to protect public and private property that could be damaged during a storm or other natural disaster.

Staff Comments

The Legislature has supported many past requests for local assistance beach restoration funding. The activities funded under this proposal would be an intended use of the Public beach Restoration Fund. As such staff has no issues with this proposal and recommends that it be approved as budgeted.

Staff Recommendation: Approve as budgeted.

3860 – DEPARTMENT OF WATER RESOURCES**ISSUE 1: FUNDING RECREATION AND WILDLIFE ENHANCEMENTS IN THE STATE WATER PROJECT**

The Governor's budget proposes \$24.6 million in bond and special funds to pay for benefits to public recreation and fish and wildlife enhancements (R/F&WE) that are provided to the public as a result of the construction of State Water Project capital infrastructure and its ongoing operation. The following chart outlines for 2009-10 through FY 2011/12 how much the Department is requesting from Proposition 84 for nine separate capital projects to fund the State's portion of R/F&W:

Figure 1.

State Water Project Capital Outlay Costs for Recreation and Fish & Wildlife Enhancement	Revised FY 09/10 through FY 11/12 Amounts		R/F&W % of Total Cost
	Fiscal 2009-10		
	Project	Proj Total	R/F&WE
South Delta Improvement Program	\$8,188	\$278	3.40%
Edmonston Pumping Plant Replacements Pumps	\$20,262	\$122	0.60%
Perris Dam Remediation, General	\$239,200	\$15,834	6.62%
Gianelli Pump Generating Plant Butterfly Valves Refurb/Replace	\$18,143	\$249	1.37%
Castaic Intake Tower	\$80,875	\$0	0.00%
SFD Administration Office Bldg, Pearblossom	\$10,843	\$65	0.60%
Santa Ana Pipeline Repairs	\$6,686	\$40	0.60%
SWP Communications Upgrade	\$24,766	\$248	1.00%
SWP Control Systems Upgrade	\$36,118	\$350	0.97%
TOTALS	\$445,081	\$17,186	3.86%

Additionally, the Administration is requesting:

- \$7.5 million continuous appropriation from the Harbors and Watercraft Fund to support operations and maintenance Davis Dolwig Costs.
- Trailer bill language that would clarify a position that, because the State Constitution prohibits the Legislature from creating certain debts or liabilities for future Legislatures without voter approval, if there is no appropriation in a certain budget year for R/F&WE costs, the State does not carry an obligation to repay those costs in future years.

Staff Recommendation. From testimony in the April 29th hearing, the Department stated that they would be able to proceed with priority capital outlay projects if this proposal were rejected. Staff recommends that the proposal be rejected while this issue is addressed in policy committee or delta/water supply working groups.

Staff Recommendation: Reject Proposal

ISSUE 2: STATE WATER PROJECT CLIMATE CHANGE ENERGY ACTIVITIES

Governor's Budget Proposal. The Governor's budget is requesting \$1.75 million augmentation and 9.0 positions from State Water Project funds to provide legal and technical expertise to support the SWP's new climate change energy activities that include: reducing greenhouse gas emissions from SWP operations; increasing the use of renewable energy in the SWP portfolio; and tracking and reporting emissions to the California Climate Action Registry.

Background. AB 32 (Núñez) requires all State agencies to consider and implement strategies to reduce their GHG emissions. SB 85 and supplemental reporting requirements from the FY 2007-08 budget act require DWR to report actions it is taking to:

- Phase out use of coal power supplied from its participation agreement for the partial output of Reid Gardner Plan Unit No. 4, and to replace it with other less carbon-intensive energy resources;
- Reduce fossil fuel use and increase energy efficiency in State Water Project operations (including the amount of sources of electricity used to convey water);
- Reduce fossil fuel use in its California Energy Resources Scheduling division contracts and to replace that fuel with less polluting energy resources;
- Reduce energy and water consumption through DWR's statutory and regulatory authority and through disbursement of bond funds;
- Report the annual carbon footprint of the Department's total operations.

Additionally, there are new reporting requirements established by the Air Resources Board as a result of AB 32 (Núñez) as well as a coordinated effort by the Resources agency to report Department GHG emissions to the California Climate Action Registry.

The Senate acted to approve only one position to phase out Reid Gardner, this action will likely result in the Department contracting out this workload. Staff recommends that this workload be conducted with state personnel so that expertise in the projects is maintained within the Department.

Staff Recommendation: Approve as budgeted.

ISSUE 3: DELTA HABITAT CONSERVATION AND CONVEYANCE PROGRAM

Governor's Budget Proposal

The Governor's budget is requesting 17 new positions (\$2.6 million from State Water Project Funds) to support Delta Habitat Conservation and Water Conveyance Planning (DHCCP), design and construction activities. Essentially, these resources would support recommendations made by the Bay Delta Conservation Plan (BDCP) for new conveyance options in the Delta and improvements for fish and wildlife habitat. Specifically, this proposal requests:

- 11 new permanent full time positions, one new 2 year limited term position and three 3-year limited term positions to support planning, environmental, right of way, engineering and construction activities related to the Bay Delta Conservation plan and Delta Vision process.
- \$180,000 from Proposition 13 and 2 new limited term positions to support the South Delta Fish Facility Improvement Projects.

Staff Comment

Staff feels that there is merit in funding positions in the future to conduct Environmental Impact Reports for different conveyance options however a detailed examination such as this is premature at this time as discussions are still underway with the Legislature at a macro scale for the Delta and statewide water supply

Lastly, staff has no issues with the proposal to expend \$180,000 on Delta Fish Facility Improvement Projects as they do not involve new conveyance issues.

Staff Recommendation: Reject 11 new positions for the EIR. Approve as budgeted \$180,000 for Delta Fish Facility Improvement Projects

ISSUE 4: CRITICAL SUPPORT FOR THE DEPARTMENT OF WATER RESOURCES

Governor's Budget Proposal

The Governor's budget includes a \$3.4 million augmentation (State Water Project/Bond Funds) for 26 new permanent positions and four temporary help positions for management and administration.

Positions would be allocated as follows:

- Executive Division – Four temporary help positions to hire retired annuitants;
- Division of Management Services – 12 positions to support Department administration;
- DMS/Departmental Services Office – 3 new positions for procurement and contacting and \$896,000 for security contracting; and,
- Division of Technology Services – 14 new positions for IT infrastructure and tracking system maintenance.

Staff Comments

Because of an increase in staffing levels of 477 permanent program-level staff over the last 3-years, the Department feels that this increase in administrative capacity is needed.

Staff Recommendation: Approve as budgeted

ISSUE 5: SOUTH DELTA IMPROVEMENT PROGRAM

Governor's Budget Proposal

The Governor's budget requests a \$29.4 million augmentation from Proposition 1E and \$2.8 million from Proposition 50 for the final design and construction costs for the South Delta Improvement Program (SDIP). The SDIP will consist of permanent operable gates at four locations in the Delta: Middle River, Old River near Tracy, Gantline Canal and Old River near the San Joaquin and will allow water managers to control water flows in the Delta to improve conditions for San Joaquin River salmon and to maintain adequate water levels for agricultural diversions in the south Delta. Currently, the Department uses loose rock barriers in different seasons of the year to achieve some of the benefits of the project.

Staff Comments

This proposal is for the acquisition and planning phase of the project. Currently this project is proposed to be 100 percent state funded although Department states in their BCP that they would prefer to cost share with the Federal Government and State Water Project contractors. Staff recommends this proposal be rejected until there is a better cost share with benefiting partners.

Staff Recommendation: Reject Proposal

ISSUE 6: APRIL LETTER: DELTA FISHERY SURVIVAL IMPROVEMENTS

April Letter Proposal

The April Finance Letter is requesting 4 full time positions, 2 engineers / 2 staff Environmental Scientists from state water project funds to implement new requirements anticipated to be added to the new National Marine Fisheries Biological Opinion for the State Water Project and Central Valley Project Operations Criteria and Plan to be issued in March 2009.

Staff Comments

Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted.

ISSUE 7: APRIL LETTER: DELTA FISH AGREEMENT 2008 AMENDMENT

April Letter Proposal

In an April Finance letter the Administration requested 4.0 new positions to implement the Delta Fish Agreement. The DFA 2008 Amendment identifies mitigation actions, including habitat restoration, for the preservation of winter run Chinook salmon, spring run Chinook salmon, delta smelt, and longfin smelt to address impacts of the operation of the State Water project Delta Pumping Facilities. These positions will work with staff at the Department of Fish and Game to implement the plan.

Staff Comments

Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted.

ISSUE 8: APRIL LETTER: SUTTER BYPASS EAST BORROW CANAL WATER CONTROL STRUCTURES PROJECT

April Letter Proposal

In April Finance letter the Administration requested \$4 million in Proposition 1E funds and 7.2 positions to complete the replacement of two hydraulic control structures in the East Borrow Canal of the Sutter Bypass.

Staff Comments

Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted.

ITEMS TO BE HEARD

0540 – SECRETARY FOR NATURAL RESOURCES

ISSUE 1: APRIL LETTER: CALFED SCIENCE PROGRAM

April 1 Letter

The Secretary for Resources is requesting; 1) \$2.89 million (Prop 50) in reverted unencumbered funds for the CALFED Science Program; 2) extensions of liquidations and reappropriations for expiring Proposition 50 and 84 funds until 2013; 3) authority to extend the time for current appropriations from the Department of water Resources of \$8 million from three years to five years.

Staff Comments

Staff does not have any issues with the proposal to revert unencumbered funds and extend various periods of liquidation from 3 years to 5 years for the program. In response to questions raised by the LAO as to why the Authority needs five years rather than three, the California Bay Delta Authority responded that:

- One year is required for the PSP process, which includes confirmation of available funds, releasing the PSP, applicants developing proposals, rigorous (multi-step) peer review of proposals, selection panel to develop funding recommendations, approval of funding recommendations, and execution of grant agreements.
- Three years are required to complete the scope of work under the grant agreement.
- The final year is required to cover contingencies, such as delays in funding availability (late signing of the Budget Act); delays in executing grant agreements (typically caused by the grant recipient or their institution); requested/justified no-cost time extensions by the grant recipient due to weather, staffing difficulties, opportunities for more information, etc; and the bond freeze that is occurring now.
- The current one-year encumbrance period ends June 30, 2009 and it is not possible to encumber or complete the work because the \$8 million DWR Prop 84 reappropriation is subject to the current bond freeze.

Staff Recommendation: Approve as budgeted

ISSUE 2: ENVIRONMENTAL LICENSE PLATE FUND

Governor's Budget

The Environmental License Plate Fund (ELPF) provides support to numerous conservancies and departments within the Resources Agency. Currently, the ELPF has a structural imbalance and without a fee increase, and keeping expenditures constant the 2009-10 fiscal year expenditures would exceed available resources by \$7 million. The Governor's budget proposes to raise the environmental license plate fee by ten percent. Additionally, the Budget Act provides decreased funding to departments and conservancies from the ELPF by \$4,720,000, but this decrease would be even more dramatic without the fee increase.

- Secretary for Resources – Reduction to out of state travel and equipment replacement program: -\$50,000
- California Conservation Corps – Reduction to administration: -\$300,000
- CalFire – Environmental Protection Program field coordinator reduction (-\$15,000); Fire and Resource Assessment Program resource management strategies design (-\$30,000): Total reduction of -\$45,000
- Department of Fish and Game – Fund shift of \$3 million to the Fish and Game Preservation fund for wardens: -\$3 million
- State Coastal Conservancy – Reduction to Ocean Protection Council research on algal blooms: -\$257,000
- Santa Monica Mountains Conservancy – Reduction to consultant contracts for project planning and implementation: -\$50,000
- Sierra Nevada Conservancy – Reduction to interagency agreements: -\$500,000
- Department of Water Resources – Reduction in work on the Trinity River Restoration Program: -\$60,000
- CalEPA, Department of Pesticide Regulation – Fund shift of \$458,000 with the Department of Pesticide Regulation Fund

Staff Comments

Due to the condition of the Environmental License Plate fund, staff feels that the proposed fee increases and cuts to programs funded by environmental license fees are appropriate.

Staff Recommendation: Approve as budgeted

0555 – SECRETARY FOR CALEPA

ISSUE 1: APRIL LETTER: UNIFIED PROGRAM DATA SYSTEM AND EXCHANGE SUPPORT

April 1 Letter

The Secretary for the Environmental Protection Agency is requesting:

- \$100,000 in contracts and 1 position to support the operations of the Unified Program Data System (UPDS) and the CalEPA data exchange node.

The UPDS system will allow the Agency to collect and exchange hazardous waste management information between local, state and federal agencies. Once completed, the UPDS and exchange node will act as a hub upon which different systems currently in place in the agency can exchange information.

- \$2.5 million (UPA Funds) to implement AB 2286 (Feuer) that requires that information management system be developed for the Unified Hazardous Materials and Hazardous Waste Regulatory Management Program by January 1, 2010. The system will make information available electronically to emergency responders, homeland security and state and local planners.

Staff Comments

These proposals will be supported by the Unified Program Account that collects fees from each certified unified program agency that is responsible for regulating local hazardous materials and hazardous waste. Fees are submitted to the Secretary for Environmental Protection agency for deposit into the fund.

Because this proposal will provide a more efficient system for certified unified program agencies to report to federal and state governments, staff does not have any issues with the proposal.

Staff Recommendation: Approve both proposals as budgeted

3360– CALIFORNIA ENERGY COMMISSION

ISSUE 1: ALTERNATIVE AND RENEWABLE FUEL AND VEHICLE TECHNOLOGY PROGRAM

Governor's budget

The Governor's budget requested 3 permanent positions, \$1 million in baseline contracts and an annual baseline project funding authority of \$100 million to implement the Alternative and Renewable Fuel and Vehicle Technology Program (Program) investment plan. This proposal follows a 2008/09 budget action to provide the California Energy Commission (CEC) with \$75.8 million in expenditure authority for Program implementation.

Background

Assembly Bill 118 (Núñez) Chapter 750 Statutes of 2007 created the Program and authorized the CEC to spend up to approximately \$120 million per year over seven years to develop and deploy innovative technologies that transform California's fuel and vehicle types to help attain the state's climate change policies. Funding for the program is collected from various vehicle, vessel, and other air quality-related fees that are projected to raise upwards of \$150 million annually for each of eight years. Under the program, the CEC is to develop and adopt an Investment Plan to determine priorities and opportunities for the program and provide an allocation of expenditures that will complement existing public and private investments, including existing state and federal programs to reach these goals.

As proposed by the Commission, and displayed on the following page in Chart 2, the Investment Plan intends to meet stated objectives by expending \$176 million over a four year period through separate competitive grant programs for seven different technologies.

Chart 2

Category (Funding)	Investments
Electric Drive (\$45 million)	<ul style="list-style-type: none"> Convert hybrid electric vehicles to plug-in hybrid vehicles Electrify operations at the state's major ports and truck stops Develop and demonstrate advanced hybrid electric technologies for medium- and heavy-duty trucks Increase the number of electric charging stations Provide incentives to locate manufacturing facilities for electric vehicles and components in the state
Hydrogen (\$40 million)	<ul style="list-style-type: none"> Increase the number of hydrogen fueling stations
Ethanol (\$12 million)	<ul style="list-style-type: none"> Develop fuel production facilities that use waste material as feed stocks Increase the number of E-85 fueling stations
Renewable Diesel/Biodiesel (\$6 million)	<ul style="list-style-type: none"> Develop fuel production facilities that use waste material as feed stocks Construct blending and storage terminal facilities
Natural Gas (\$43 million)	<ul style="list-style-type: none"> Purchase medium- and heavy-duty vehicles for ports, school districts, and public fleets Purchase light-duty vehicles for public fleets Increase the number of fueling stations Develop biomethane production plants
Propane	<ul style="list-style-type: none"> Purchase school buses and light-duty vehicles for public fleets

(\$2 million)	
Non-GHG (\$27 million)	<ul style="list-style-type: none"> • Establish workforce training programs • Continue research into sustainability issues • Conduct a public outreach and education • Provide program technical assistance • Conduct environmental/market/technology assessments • Develop standards and certifications
Total: \$176 million	

Staff Comments

Staff has concerns that the CEC has over allocated funding in the Investment Plan to hydrogen infrastructure. As raised by the LAO and discussed in prior Subcommittee hearings, the state has invested over \$19 million in hydrogen grant programs at the Air Resources Board (ARB) and received few tangible increases in hydrogen fueling stations or vehicles numbers. In their 2008/09 Analysis, the LAO found that while the state had appropriated funding for 23 hydrogen fueling stations, no hydrogen fueling stations were completed by the time of the analysis. In prior years, the Air Resources Board had requested \$6 per year for their hydrogen Zero Emission program. Additionally, last year the CEC's projected that the first year of funding needs for hydrogen would be \$22 million (\$8 million for fueling station infrastructure, \$12 million for Engine and Vehicle, and \$2 million for education, outreach, training, and research and development). Staff recommends that the Subcommittee maintain funding for hydrogen but reduce it to a level that corresponds with prior year appropriations and projected needs from last year's budget change proposal

Staff Recommendation. Approve budget bill language that restricts the CEC from spending more than \$6 million per year on hydrogen fueling stations in the budget year (this funding level is consistent with prior year allocations for the Hydrogen Highway).

3480– DEPARTMENT OF FORESTRY AND FIRE PROTECTION

ISSUE 1: AIR BOARD REGULATION COMPLIANCE

Governor's Budget

The Governor's Budget proposed \$2,762,000 in General Fund for CalFire to retrofit 45 off-road heavy-duty diesel vehicles to meet new ARB clean air regulations. The compliance is towards the following regulations:

1. *In-Use On-Road Regulations for Public Fleets* – CalFire has 59 vehicles that meet this criteria. It will cost approximately \$20,000 to retrofit each vehicle, for a total of \$1,180,000.
2. *In-Use Off-Road Regulations for Diesel Vehicles* – CalFire has 145 off-road vehicles that have to comply with this regulation to reduce NOX and Particulate Matter pollution. The total cost of retrofitting this fleet is \$2,900,000 over five years, or \$580,000 annually.
3. *Portable Equipment Registration Program (PERP)* – This program monitors the movement of heavy-duty equipment between air districts. In order to move a piece of heavy-duty equipment from one air district to another, CalFire will need a permit. CalFire has 126 pieces of such equipment, 89 of which are too old to quality and must be replaced with a cost of \$2,406,000. After replacement, these pieces still have to be registered if transported. The total registration fee for all CalFire equipment under the PERP program is \$79,400 annually.

Staff Comments

While the passage AB X3 8 did provide some flexibility in when fleet owners could comply with different stages of the regulations, final compliance dates were not changed by the bill and the Department will have meet its requirements to meet standards for all on and off road fleets by 2011. Because there will be significant logistical issues in retrofitting and replacing equipment during this period, staff recommends that the Subcommittee adopt this proposal in this year's budget rather than deferring it until next year.

Staff Recommendation: Approve as budgeted

ISSUE 2: EMERGENCY RESPONSE INITIATIVE

The Governor's budget proposes the enactment of a new surcharge of 2.6 percent placed on statewide structural insurance policies. The surcharge is expected to generate \$69 million in 2009/10 and \$277 million annually thereafter with revenues being available to cover the costs of statewide emergency response efforts.

The following proposals would use ERI revenues to improve the Department's capacity to respond to emergencies.

- 1. Aviation Asset Coordinator.** During significant fire events, CalFire works with the Military Department and federal military agencies to respond with firefighting aircrafts. The budget proposed to add 1.5 positions at a cost of \$265,000 to better coordinate these activities between CalFire and other agencies.
- 2. Wide Area Network Upgrade.** The budget proposed to begin implementation of an IT project to connect most of CalFire's facilities to a wide area network (\$11.4 million in the budget year and about \$3 million per year thereafter, with additional, periodic upgrades of equipment in future years).
- 3. Four-Person Staffing.** The budget proposed to extend 4 person staffing to all fire engines throughout the state, during peak and transition fire seasons. This would entail hiring about 1,100 additional seasonal firefighters (230 personnel-years).
- 4. Automatic Vehicle Locators.** The Administration proposed to upgrade all vehicles and aircraft with a system that will allow the Department to automatically determine a vehicle or aircraft's location at all times (\$4.9 million in 2010-11 and \$6.4 million per year thereafter).
- 5. Helicopter Replacements.** The Administration proposed to begin acquiring new helicopters in 2010-11. The cost of this proposal is about \$28 million per year over five years, which includes costs for related facility upgrades.
- 6. April Letter: California Emergency Management Agency Coordinator.** The Department is requesting \$155,000 and one position to provide additional dispatching services at CalEMA's Emergency Command Center year-round.

Staff Comments

Staff supports the proposed augmentations in fire protection provided by the Emergency Response Initiative however there is concern that this proposal does not include any funding for fire prevention. Investments into fire prevention such as fuels reduction and property clearance can result in net savings to the state if smaller fires are contained from escalating. Staff recommends that the Subcommittee, as part of this package, provide funding for fire prevention activities as well as fire protection. Because the projected fund balance for the Emergency Response fund in 2009-10 is \$9.5 million and grows to \$191 million in 2010-11, staff recommends that the Subcommittee approve an augmentation in the budget year of \$5 million for fuels reduction local assistance competitive grants that grows to \$10 million in 2010-11 and annually thereafter.

Staff Recommendation. Approve as budgeted with an augmentation of \$5 million in 2009/10 and \$10 million annually thereafter for fuels reduction grants.

ISSUE 3: LEASE REVENUE BOND FUNDED CAPITAL OUTLAY PROJECTS

Governor's Budget

The Governor's Budget proposed \$290,344,000 in lease-revenue bond funded projects to replace or rehabilitate Department facilities. Through lease revenue bond financing the Department would essentially borrow needed resources to complete the projects, bonds would then be paid back over time with resources allocated through the Department's base budget which is primarily from the general fund. The following are the projects requested for funding:

1. El Dorado Fire Station: service warehouse – replace facility. This project includes construction of a 16-bed barracks and mess hall; 5-bay auto shop with a welding bay, service center/warehouse with Self Contained Breathing Apparatus component and generator/pump/storage building with generator. \$26,375,000
2. Cuesta Conservation Camp – relocate facility. This project would relocate the Cuesta Conservation Camp and the Unite Mobile Equipment Maintenance Facility to another location within the same state-owned Camp San Luis Obispo property. \$70,238,000
3. Parlin Fork Conservation Camp – replace facility. This project would replace a conservation camp with: a new administrative building; standard 14-bed barracks/mess hall; warehouse; physical training building; 4-bay utility garage; auto and welding shop; generator/pump/storage building; and various inmate use buildings. \$53,544,000
4. Soquel Fire Station – replace facility. This project would construct an 8-bed barracks/mess hall; 2-bay apparatus building; and a generator/pump/storage building with an emergency generator. \$10,599,000
5. Gabilan Conservation Camp. This project would construct a 14-bed officer's quarters, an 8-bed officer's quarters for Department of Corrections staff, a vehicle wash rack and a fire cache trailer cover. \$21,865,000
6. Potrero Fire Station – replace facility. This project would construct a new standard 2-engine fire station with a 14-bed barracks/mess hall; 3-bay apparatus building, a battalion chief's office and a generator/pump/storage building with an emergency generator. \$10,389,000
7. Tuolumne-Calaveras Service Center – relocate facility. This project would relocate and construct a 10,000 sq ft service center (warehouse with office space); an administrative office building; a physical training building; an emergency command center; a fuel dispensing system; and a generator/pump building with an emergency generator. \$24,655,000
8. Butte Unit – replace facility. This project would include demolition of existing buildings and the construction of a 20-bed barracks/mess hall, 3-bay apparatus building; an administrative office building; 5-bay auto shop, 2-bay dozer shed, covered vehicle wash rack, a physical fitness building, service center/warehouse, a maintenance building, and a generator/storage building. \$30,692,000
9. Cayucos Fire Station – replace facility. This project would include demolition of existing structures and construction of an 8-bed barracks, 2-bay apparatus building and a generator/storage building with an emergency generator. \$9,678,000

10. Felton Fire Station – replace facility. This project would include demolition of existing buildings and construction of a 12-bed barracks, 2-bay apparatus building, a dozer shed, an administrative office building, a dispatch area, two generator/pump/storage buildings, and a physical training building. \$25,100,000

11. Parkfield Fire Station – replace facility. This project would include construction of an 8-bed barracks/mess hall, a 2-bay apparatus building, a generator/pump/storage building, fuel facilities, vehicle wash pad, underground utilities, propane system, septic system, a new well, a new water treatment system, a security fence, and landscaping. \$7,209,000

Staff Comments

These proposals were removed from the budget in February due to concerns over the ultimate pressures that lease revenue bonds place through debt service on the General Fund. In prior years, the Subcommittee has approved funding and authority to help the department expedite the replacement of its aging fire station infrastructure. Many of these stations pose health and safety risks to department personnel and to the public. In prior discussions, the LAO also has agreed that the many of the Department's fire stations are aging and merit repair or replacement.

Staff recommends that the Subcommittee approve these proposals. Currently CAL FIRE faces a long backlog in capital outlay projects. Delaying these projects could potentially increase costs for the projects and push other projects further back into the queue as well as diminish the state's ability to respond to incidents.

Staff Recommendation: Approve as budgeted.

3600– DEPARTMENT OF FISH AND GAME

ISSUE 1: ECOSYSTEM RESTORATION PROGRAM: NCCP IMPLEMENTATION

Governor's Budget

The Department of Fish and Game is requesting \$8.9 million augmentation from Proposition 84 for the Department's activities involved with developing the Bay Delta Conservation Plan (BDCP). This proposal would provide the third year of six-year funding for BDCP development, allowing the Department to develop project support materials such as historic habitat maps, growth projects, revised floodplain maps, cost estimates for improving levees, etc. that are needed for regional conservation planning.

Staff Comments

The LAO has raised concerns in this year's analysis of the budget and in years prior that rather than be funded by general obligation bonds serviced by the General Fund, the BDCP should be funded by those that benefit from the potential guarantees for water delivery that it may produce. In prior years, the Administration has raised concerns that the primary objective of the state in the BDCP process is to protect the public trust and shifting funding to SWP water contractor funds could jeopardize that position balancing the co-equal goals of ecosystem restoration and water delivery.

Proposition 84 allocates \$20 million to the Department specifically for the development of an NCCP in the Bay Delta. Staff agrees with the Administration that this is an appropriate source of funding when considering protecting the public trust within the BDCP is fundamental as the process will have drive Delta policy for the future.

Staff Recommendation: Approve as budgeted.

ISSUE 2: BAY DELTA SPORT FISHING ENHANCEMENT STAMP GRANT PROGRAM

Background

State law requiring certain anglers to purchase the Bay- Delta Sport Fishing Enhancement Stamp (fish stamp) became effective on January 1, 2004, and it mandates that revenue generated from sales of the fish stamp be maintained in a separate account within the preservation fund. State law also requires that Fish and Game spend the funds in that account only for activities that promote sportfishing opportunities or that provide long- term, sustainable benefits either to the primary sportfishing population or to anglers in the areas defined as *bay- delta regulated waters*.

A recent report by the State Auditor found that the Department has significant deficiencies is allocating grant funds from this account for projects that benefit the delta sport fishing community who pay into the fund. Fish stamp sales during fiscal years 2003–04 and 2004–05 totaled \$2.9 million, but Fish and Game did not attempt to obtain spending authority or identify any projects to fund during that time, and it funded only three projects during fiscal year 2005–06. The fish stamp advisory committee (committee), which consists of up to nine members appointed by the director of Fish and Game, also has been slow to identify and recommend projects.

Staff Comments

Revenues collected from the Bay Delta Fish Sport Fishing Enhancement Stamp are intended to fund projects to increase the populations of sport fish such as striped bass, sturgeon, perch, and steelhead in the delta. In the 2009-10 budget, the Department has \$2.6 million in expenditure authority from the fund for these purposes while the fund is projected to end the year with a balance of \$5.06 million. The Department has notified staff that in response to the Auditor's findings, the Fish Stamp advisory Committee has approved recommendations to fund various projects in the delta for the budget year. At the hearing, the Department should be prepared to discuss the types of projects that they intend to fund and when they expect funding to be encumbered.

Currently, the department is restricted by expenditure authority from awarding grants over \$1 million for the program. Staff understands that there are concerns this has prevented more expensive, longer term research proposals to identify the underlying causes for species decline from being funded. At the hearing, the department should discuss in what instances it would be beneficial to provide increased expenditure authority to the program to award grants for more than \$1 million for projects approved as a priority by the commission.

Staff Recommendation: Staff recommends that the Subcommittee augment the program's expenditure authority by \$2 million and adopt the following budget bill language to give the Program greater flexibility in the amounts it can award in grants:

3600-001-0001

Nowithstanding any other provision of law, the Department may use funds appropriated in this section into the Bay Delta Sport Fish Enhancement Stamp Account to award grants of up to \$2 million per grant for the Bay Delta Sport Fish Enhancement Stamp Program.

ISSUE 3: SALTON SEA RESTORATION

Background

The Governor's 2009-10 budget approved a \$5 million one-time augmentation in FY 2009-10 from Proposition 84 funds for Salton Sea restoration activities. Requested funds will be provided to the Department of Water Resources to conduct the following mitigation activities developed in the Salton Sea Restoration and management Program (SSRM).

- landowner coordination;
- soil contaminant evaluations;
- water quality evaluations;
- geotechnical investigations; design of dikes and water control structures;
- completion of CEQA analyses;
- preparation of cost estimates; and preparation of final designs, plans, and specifications

Staff Comments

According to the California Environmental Protection Agency, the New River is one of the most polluted rivers in the United States. The New River originates about 15 miles south of the city of Mexicali and travels through the Imperial Valley farm lands to the Salton Sea. Currently, the New River carries urban runoff, untreated and partially treated municipal wastes, and agricultural runoff from the Mexicali Valley and Imperial Valley into the Salton Sea. The New River is known to contain pathogens that cause tuberculosis, encephalitis, polio, cholera, hepatitis and typhoid; t levels for many of these contaminants are in violation of U.S. EPA, CalEPA, and Mexican standards by several hundredfold.

At the hearing, the Department should be prepared to discuss how the Salton Sea Restoration and Management Program which guides the state's efforts to clean up the Salton Sea will address the New River.

In recent Federal legislation, \$14 million has been made available to address New River Contamination. This funding is divided between two appropriations, \$4 million for the New River and City of Calexico in the federal TEA-LU appropriations and \$10 million from the 2007 WRDA bill. Both funding sources require a state match, and staff is aware that the State will lose the \$4 million appropriation if matching funds are not secured by the fall.

Staff recommends that the Subcommittee approve \$2 million in matching funds from the Salton Sea Restoration Fund to be spent in coordination with the CalEPA agency to study how the contamination in the New River can be remediate.

Staff Recommendation: Staff recommends that the Subcommittee augment this proposal by \$2 million to provide funding for the CalEPA agency's California Baja California Boarder Environmental Program to set up and achieve water quality objectives for the New River.

ISSUE 4: QUAGGA/ZEBRA MUSSELS
(THIS IS A JOINT ISSUE WITH PARKS, WATER RESOURCES AND THE FOOD AND AGRICULTURE)

Background

The quagga and zebra mussels are highly invasive freshwater mussels that are capable of devastating aquatic ecosystems and impacting water infrastructure. The quagga and zebra mussels can reproduce at very rapid rates. The quagga mussel was discovered in California on January 17, 2007. The quagga mussel was found in Lake Mead, Lake Havasu, and on the Metropolitan Water District intake pumps. DFG has expressed concern that the species could cause potentially wide-spread damage to drinking water pumping systems and other related infrastructure. Early estimates indicate that the establishment of this species in California waters can result in costs to the state of at least \$70 million in infrastructure costs and \$40 million in annual maintenance. The quagga and zebra mussels can be spread by boats that are moved from one body of water to another.

AB 1683. AB 1683 (Wolk, 2007) requires DFG to develop quagga mussel control and eradication plans, as well as assist water agencies in the development and implementation of their plans of control and eradication if the quagga is discovered in their systems. Also, AB 1863 required DFG to inspect waters and water facilities in the state for quagga mussel presence. If quagga or zebra mussels are found in a local water body, AB 1683 requires local agencies that operate a water supply system to prepare a plan to control quagga and zebra mussels.

Local Governments. In January 2008, zebra mussels were found in San Justo Reservoir in San Benito County. Zebra mussels have never before been found in California. By state law, the local water agency is required to develop a plan for controlling the mussel infestation. In response to the San Justo Reservoir infestation, the county and local water district cooperated with nearby counties to develop a regional approach to an inspection program, including a computerized tracking system, for five counties in the Bay Area (Santa Clara, Contra Costa, Alameda, Monterey, and San Benito). This regional inspection-based approach is unique to this coalition.

Staff Comments

At the hearing, representatives from Fish and Game, Parks, Boating and Waterways, Water Resources, and Food and Agriculture should be prepared to comment if relevant on:

- What is being done to prevent quagga and zebra mussel infestations?
- Where have quagga and zebra mussel populations been found?
- What are we doing to monitor their presence?
- Once established, what are the potential impacts and costs to the state?

Staff recommends that the Subcommittee consider providing funding to the Bay Area multi-county response effort as a pilot project from the Harbors and Water Craft fund. As one of the first multi county response plans required under AB1683, this project could serve as a model for regionally based local response activities statewide.

Staff Recommendation: Staff recommends that the Subcommittee approve a local assistance augmentation for two years of \$250,000 to the Bay Area multi-county response effort as a pilot project.

3860— DEPARTMENT OF WATER RESOURCES

ISSUE 1: STATE WATER PROJECT PROGRAM MANAGEMENT GROUP

Governor's Budget Proposal

The Governor's budget is requesting 9 positions (\$1.54 million State Water Project Funds) to support a new centralized program management office for State Water Project (SWP) funded activities. This new office would change the way that the Department manages SWP Divisions by creating a central point within the Department to initiate, track, account for, allocate, and bill costs of SWP projects and programs in order to provide improved program performance for water contractors and State and federal agencies involved in these activities.

The Department contends that this new office will provide increased transparency for SWP operations and will ensure that proper charges are incorporated in DWR's annual Statement of Charges to the water contractors.

Background

The State Water Project is funded by the ratepayers of 29 water contracting agencies. Funds collected from water contractors are used off budget by the Department to support all activities needed to operate, maintain, staff and improve the State Water project.

The State Water Project was developed in the 1960s to convey water from Northern California to Southern California. Costs to maintain and improve the project have increased annually while actions taken to address the environmental complexities of the Delta have attributed to an increase in overall costs.

There have been disputes between the SWP contractors and the Departments on how costs have been billed to the Department. The Department has prepared this proposal to address the management of programs and their subsequent costs that are billed to the SWP.

Staff Comments

This proposal would change the way that the Department manages the different divisions of the SWP in a way that would centralize management and provide a single point of information to resolve inquiries for information and concerns over how SWP are allocated. While staff does have concerns regarding the overall growth in positions for the SWP over the last 5 years, this proposal has merit as it addresses a key point of contention between the Department and SWP contractors. Additionally, the LAO has cited that there needs to be greater transparency in the SWP and their funding should be placed on budget to do so. This recommendation resulted in reporting language in the 2008-09 budget that required the Department to report to the Legislature on how SWP funds were spent. This report was only submitted in one year; however this proposal would allow the Department to provide the Legislature with expedited reporting information on SWP operations.

When the Subcommittee heard this proposal on April 29th, this issues was held open to provide time for SWP contractors to comment on the value of this proposal as it was developed to address disputes between the Department and SWP contractors.

Staff Recommendation: Approve as budgeted.

ISSUE 2: NEW AND EXPANDED REQUIREMENTS FOR OPERATING THE STATE WATER PROJECT

Governor's Budget Proposal

The Governor's budget is requesting 42 positions (\$5.9 million) funded from State Water Project (SWP) funds for a broad spectrum of activities for State Water project operation including:

- 15 positions for new regulatory mandated requirements for operating the SWP – \$130,000 travel
- 1 position for the Aquatic Nuisance Species Surveillance and Response Program
- 3 positions for SWP aging facilities at San Luis Field Division and increased workload requirements;
- 1 position for endangered species and State water project operations analysis and reporting;
- 10 positions for facilities performance data management and review;
- 10 positions for SWP installation and data collection for PDA systems and increased workload requirements;
- 4 positions for SWP Safety and Security of SWP Facilities, FERC Environmental Compliance and Monitoring and Increased Workload Requirements;
- 4 positions for SWP Asset Management Support; and
- 3 positions for Operations and Maintenance of new SWP Facilities at the East Branch of the California Aqueduct.

LAO Recommendation

Reject Positions for Expanded Operating Programs. The SWP requests 42 of a total of 60 new positions, which would cost about \$5.9 million, for a broad spectrum of SWP programs, including licensing of energy facilities, protection of endangered species, and asset management. The majority of the positions added over the past three years were added for similar purposes, including positions for energy license implementation and environmental compliance. The LAO does not find that the additional requested positions are justified at this time, and therefore recommend that this component of the staffing request be denied.

Staff Comments

On May 7th, Senate Subcommittee 2 took action to approve the following 19 of the requested 42 positions under the following rationale:

1 position for aquatic nuisance species: The spread of the Quagga mussel poses a threat to the water delivery infrastructure within California. In Southern California, the Metropolitan Water District is already expending resources to contain the rapidly reproducing mussel that can block pipes. A position to assist in dealing with the spread of invasive species seems justified to staff given the new threat of the Quagga mussel.

3 positions for aging facilities at San Luis Field Division: The SWP administrators at DWR inform staff that the San Luis Field Division is experiencing an increasing amount of maintenance as facilities age. The concern is that at times some facilities are left without maintenance staff available to deal with issues. The U.S. Bureau of Reclamation will cover 45 percent of the cost of these three positions.

15 positions for energy regulatory requirements for operating the SWP: Due to CAISO market redesign, the SWP will have to deal with a new type of spot-market for energy purchases that will be more complex than the three-tier market it previously operated under. Also, the need to purchase more renewable energy and FERC relicensing of some facilities creates additional energy-related workload for the SWP.

Staff does not have concerns with the individual positions requested in this proposal but does recognize that the SWP has had large position growth over the last five years. The Senate's action were based in the rational that there wasn't adequate workload to warrant approval considering positions have been provided to the department in prior years for similar workload requirements.

When the Subcommittee heard this proposal on April 29th, this issue was held open to provide time for SWP contractors to comment on the value of this proposal. Staff recommends that the Subcommittee consider approving this proposal as budgeted if there is adequate support provided in Subcommittee by stakeholders.

Staff Recommendation: Approve as budgeted

ISSUE 3: APRIL LETTER: SOUTH SACRAMENTO STREAMS

April Letter Proposal

The Department is requesting \$6 million (\$4.3 million Proposition 1E and 1.7 million in Reimbursement Authority) to continue construction of the South Sacramento County Streams Project. This project will protect the City of Sacramento from High water events in the delta and from flooding associated with Morrison Creek, Florin Creek, Elder Creek, and Union house Creek. Total cost for this project is estimated to be \$98.2 million and will be distributed as between the Federal Government (\$63 million), the State (\$24.1 million), and the Sacramento Area Flood Control Agency \$(10.3 million)

Staff Comments

The Governor's January 10, 2009-10 budget included a request of \$4.4 million for this project. Since that time, the Department has become aware that due to construction cost increases, cost overruns, design changes and increased costs for environmental mitigation, total costs for the project have increased by \$16 million. This proposal would be used to secure additional federal and local funds for these cost overruns.

At the hearing, the Department should be prepared to explain to the Committee why the project costs have risen and what the Department is doing to contain cost overruns in the future.

Staff Recommendation. Approve as budgeted

ISSUE 4: PAJARO RIVER FLOOD CONTROL PROJECT

Background

The Pajaro River which runs through Santa Cruz, Monterey, San Benito and Santa Clara Counties currently has less than 10 year flood protection for its system. Local municipalities have identified state sponsored projects to raise the level of protection to 100 year level that would be eligible for state flood control subvention funding and funding from the Army Corps of Engineers. Although, funding is available for this project from the Flood Control Subventions Program at DWR, the district cannot initiate planning or construction until the Army Corps of Engineers is appropriated funding for the project. During the time that the District is waiting for funding from the Federal government, they are liable for any flooding and related damage that may occur.

Staff Comments

In last year's budget, the Subcommittee attempted to solve this problem by approving budget bill language that would have allowed DWR to loan Proposition 1E funds to the Pajaro River Flood Control District to be then advanced to the Federal Army Corps of Engineers to begin planning for the project. This language was later found to be contrary to bond law because the state cannot loan proceeds of a General Obligation bond and was subsequently taken out of the budget.

In SB X2 1 (Perata), Statutes of 2008-09, \$150 million was appropriated for the State's Stormwater Management Program. This funding is being disbursed through the Integrated Regional Water Management Grant Program (IRWM) to local government agencies for storm water management projects outside of the state plan of flood control that reduce flood damage and provide a 50 percent cost match. While Stormwater funding can be used for the Pajaro River Project, under this SB X2 1 appropriation funding was restricted to be used for projects that address seismic issues, provide groundwater recharge and water quality benefits and address municipal stormwater systems that are connected to sewage systems.

Staff feels that if the Subcommittee wants to take action to move the project forward, it would be preferable to directly appropriate funding from Proposition 1E to fund this project as the next round of IRWM grants will not be focused on flood protection and funding under SB X2 1 (Perata) was not intended for this type of project. This approach would get the projects moving and would count toward the state share of the nonfederal share of cost for the purposes of cost allocation

Staff Recommendation: In order to begin the planning stages of this project, staff recommends that the Subcommittee approve a direct appropriation of \$5 million from Proposition 1E Stormwater Management funds with needed budget bill language that would allow funds to be allocated directly to the planning phase of the project.

3910 – INTEGRATED WASTE MANAGEMENT BOARD

ISSUE 1: USED OIL RECYCLING PROGRAM

Governor's budget

In the Governor's budget, the Administration reduced funding for used oil block grants within the used oil recycling program from \$10 million in 2008-09 to \$6 million in 2009-10. Current statute requires that the Used Oil Recycling Program provide \$10 million a year to Used Oil Block Grants. This proposal provides budget bill language that would allow the Waste Board flexibility to provide less funding due to reduced revenue going into the fund.

Background

The California Oil Recycling Enhancement Act was approved in 1991 and required the Board to administer a statewide used oil recycling program to promote and develop alternatives to the illegal disposal of used oil. The funds for the program are derived from a \$.016 per gallon fee paid by oil manufacturers. Under the program, revenue collected from the fee is directed by statute to various recycling, enforcement, outreach and administrative functions.

When the program was established in 1991, allocations of the funding were fixed with no revenue growth for inflation built in. Overtime, administration costs for the program have increased from the statutorily required amount of \$3 million to \$5 million, creating a need for budget bill language to provide the Waste Board with the flexibility to request higher appropriations for administration costs.

Currently, the Waste Board is experiencing declining funds due to the slowing of the economy and the fact that people generally are waiting longer to change their oil. At the same time, oil recycling rates have increased causing increasing pressures on the fund due to more payments going out in recycling incentives. The Waste Board's proposal would attempt to balance the fund by only reducing block grants that go out to statewide local organizations to fund oil recycling programs.

Staff Comments

Staff has concerns that because expenditures and fee levels were set in statute without inflationary increases when this program was developed in 1991, that currently there is not enough revenue to support the current program. Costs in general have increased over the last eighteen years while revenues have dramatically fallen. This lack of alignment between statutory expenditures and current revenues have resulted in a proposal to temporarily waive statutorily guarantees for block grants funding and reduce them from \$10 million per year to \$6 million.

Staff understands that when local organizations are provided block grants on an annual basis to fund local oil recycling programs, some organizations do not expend appropriations in the year that they are provided, holding on to those funds for future use. In some cases, staff understands that reserves held by local organizations are sufficient to sustain operations for multiple years at current levels of operation. As proposed, this proposal would not take into account how much each local organization is holding in reserves and would distribute the \$4 million cut proportionally among all of the 250 statewide block grants.

As a result, this proposal will have an unequal impact on those organizations that have reserves from prior year grants and those that do not. As a short term solution to minimize the impacts of these funding shortfalls on those organizations that do not have reserved block grant funds, staff recommends that the Subcommittee adopt trailer bill language that would require the board to prioritize block grants to those recipients that do not have reserves. Staff recommends that this language sunset after two years to provide adequate time for policy bills currently in the process to better align program revenues with expenditures. Under this proposal, the board would not be directly reverting any funding that a local agency holds from prior year block grants.

Additionally, under statute, the program currently directs the Waste Board to place up-to \$1 million in a reserve account within their program expenditures that would cover any contingencies or emergencies such as supply contaminations or spills. While some public information makes it appear that this reserve is in addition to the projected fund balance of \$1.09 million in the budget year, the Waste Board has clarified that these two numbers are the same. At this time, staff feels that it would be appropriate to direct \$500,000 from the fund balance to the local assistance block grant program.

Staff Recommendation: Staff recommends that the Subcommittee augment local assistance block grants by \$500,000 from the fund balance and adopt trailer bill language in concept that would direct the Waste Board for two years to allocate block grant funding in a manner that distributes reductions equitably among all grantee operations.

In order to minimize impacts on local grantees, this allocation method shall consider the amounts of prior year block grants that local organizations are holding in reserves as available resources for grantees to use in their operations during 2009/10 and 2010/11.