AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Assemblymember Ira Ruskin, Chair

WEDNESDAY, MAY 2ND, 2007
STATE CAPITOL, ROOM 447
9:00 AM

Hearing Items

CONSENT CALENDAR

3940	State Water Resources Control Board	Finance Letter: Technical adjustments for local assistance grants for Propositions 13, 40, and 50.
3910	Integrated Waste Management Board	$129,000 for the Implementation of the Medical Waste management Act
3910	Integrated Waste Management Board	$552,000 (Special Fund) for Landfill Closure/Post Closure Maintenance
3910	Integrated Waste Management Board	$255,000 (Reimbursements) for the Pyrethoid Pesticide Project Reimbursement
3910	Integrated Waste Management Board	$716,000 (Integrated Waste Management Account) to work with and provide grants to local governments to develop universal waste collection infrastructure. Additionally, this request will increase the Household Hazardous Waste Grant program from $4.5 million to the statutory limit of $5 million.
3960	Department of Toxic Substances	$120,000 for the California Environmental Contaminant Biomonitoring Program. This proposal is part of a larger $1.5 million coordinated effort with the Department of Public Health, the Department of Toxic Substances, and OEHHA.

3940 STATE WATER RESOURCES CONTROL BOARD
4260 DEPARTMENT OF PUBLIC HEALTH

ISSUE 1: INFORMATIONAL ISSUE – DRINKING WATER QUALITY

Throughout the state, many water systems are dependent on groundwater sources for drinking water where surface water is neither available nor economically feasible. In general, groundwater basins are charged through the percolation of water through the earth's substrate. Above ground, water percolating into groundwater aquifers can be fed from multiple sources such as precipitation, river seepage, irrigation, groundwater recharge projects, and salt water intrusion from the delta or the ocean. With water percolation, contaminants found in the water or in the soil also filter through the ground and into the aquifer. Underground, aquifer formation varies greatly with the earth's geography and factors such as location, depth, connectivity and volume determine how contaminants filtering into the basin affect overall groundwater quality.

Many small communities and their water systems that do not have access to surface water are dependent on treating groundwater for their drinking water. As the subcommittee discussed on April 11th, 2007, there is concern that groundwater contamination and a lack of proper treatment pose serious health risks to these communities. In those cases where water delivered by a small water system is not safe for human consumption, it is required by law that rate payers be notified that they should drink water from other sources – usually bottled water purchased by the resident.

Role of State Water Resources Control Board. As a general rule, the State Water Resources Control Board (SWRCB) is, through its regional water boards, responsible under the Porter-Cologne Act to maintain the quality of both surface and groundwater in the state through monitoring and regulatory actions. Unlike surface water where dischargers can be easily identified, the Regional Boards in the Central Valley and Central Coast have struggled to identify and regulate point and non-point source pollution since water percolating into aquifers can be generated from many different sources.

Role of the Department of Public Health. While Regional Water Boards are responsible for ensuring surface and groundwater quality through monitoring and regulation, the Department of Public Health (DPH) is responsible for testing water coming from wells and ensuring that treatment methods produce safe drinking water.

Department of Public Health Findings. It was requested in the April 11, 2007 Assembly Subcommittee 3 hearing that staff work with departments to identify on a map those water systems serving small communities that are not able to meet DPH standards for safe drinking water. At the request of staff, DPH has compiled maps (Appendix A) that show water systems with less than 200 service connections in the San Joaquin Valley with contaminant issues. At the hearing the subcommittee requests that DPH share its findings with the subcommittee and address options that the legislature has to address these problems.

Prior and Available Bond Funds. In prior years, state resources bond have allocated funding for drinking water infrastructure. Often the demand for funding outweighs what is provided in the bond act. Below is a brief list of what funding has been made available in recent bonds:

- **Proposition 13 -** $70 million for DHS for the state match of the safe drinking water revolving fund loan program.
- **Proposition 40 -** $10 million for the State Water Board for Drinking Water Infrastructure.
- **Proposition 50 -** $435 million for DHS, most of which has gone to southern CA by statute (no less than 60%)
- **Proposition 84** $10 million for Safe Drinking Water Emergency Grants
  $180 million for Small Community Infrastructure grants
  $80 million for DHS for Loans and Grants to Prevent or Reduce Groundwater Contamination

Staff Comments. The state does not have sustainable funding to support a program to identify point and non-point pollution sources for groundwater and treat those aquifers so that they are safer for human consumption. Because smaller disadvantaged communities are often completely reliant on groundwater, they are required to complete treatment actions so that water is safe for human consumption.

In general, treatment facilities are expensive to build and equally expensive to maintain. Through the last three bonds, funding has been made available for the capital costs of building treatment facilities but because smaller disadvantaged communities lack staff to complete grant applications, it has been a challenge to direct funding to those communities. If funding is accessed to repair systems or improve treatment so that water is safe for consumption, smaller communities suffer from the added problem of an inability to fund expensive ongoing maintenance of treatment facilitates. In some cases where a community is unable to maintain a system, the DHS has informed staff that it works within regions to rebuild older water systems so that they can be consolidated into larger water systems that have larger ratepayer bases to support maintenance costs.

At the hearing, it is requested that the State Water Resources Control Board and the Department of Public Health address how the state plans on addressing the issue of providing safe drinking water to its residents. In the absence of safe drinking water, the board and the department may wish to comment on:

- What are the requirements for notification of a resident if their water is not safe to drink?
- If a water system is not safe, what options do residents have to access clean drinking water?
- What are the costs for the resident that has to purchase drinking water?
- Is their any funding available to assist those that have to purchase bottled water?

STAFF RECOMMENDATION. Hold Open

3940 STATE WATER RESOURCES CONTROL BOARD

Issue 1: NORTH COAST WATER BOARD TOTAL MAXIMUM DAILY LOAD (TMDL) WORKLOAD

Within their jurisdictions, Regional Water Boards are responsible for setting water quality standards that are suitable for desired uses of the body of water (i.e. recreation, drinking water, etc.). Once a desired use is established, and standards are set, the Regional Boards use monitoring data to determine the general health of the water body with respect to the desired use. If it is found that water quality of a body does not meet the requirements of the desired use, the water body is determined impaired and a process is enacted to set Total Maximum Daily Load (TMDL) criteria to determine appropriate contaminant levels.

TMDL Workload in the North Coast. Within the North Coast Water Board's jurisdiction, it has 47 bodies of water that are declared "impaired" that require a total of 85 individual TMDLs – of which only 29 have been completed to date. Because TMDLs are established on a watershed basis and cover an entire watershed for all listed pollutants, the process to implement them is lengthy from start to finish. This process involves extensive staff hours in monitoring, modeling, and work with the various watershed groups, landowners, counties and cities to develop plans to reduce the pollutant loadings. Early implementation is an important feature of the work, but a final TMDL and implementation plan must be adopted as a Basin Plan amendment and approved by the SWRCB, OAL, and USEPA.

In the North Coast, TMDL priorities have been set by a consent decree between USEPA and environmental plaintiffs that require the Board to establish TMDLs for the Klamath main stem, Mad, and Lost Rivers. The North Coast Water Board is completing the modeling work on the Klamath and is beginning work on the implementation plan that will be completed 2008-09. USEPA will complete technical TMDLs without implementation plans for the Mad and Lost Rivers this year.

Staff Comments. Staff has received concern from the public that needed TMDLs are not being completed in timely fashion chiefly because there is not enough staff to handle the TMDL workload at the North Coast Water Board. As was stated before, of the 85 TMDLs the Board is required to complete, only 29 have been completed to date. Compounding the workload issue, staff understands that because of the consent decree and the technical and political complexity, the Klamath River and related TMDLs are consuming a considerable percentage of available staff time.

Russian River TMDL. In addition to concerns over workload and board staffing levels, staff has received specific commentary on the need to complete the TMDLs for the Russian River and the Laguna de Santa Rosa. The Laguna de Santa Rosa, a wetland complex which is largest tributary of the Russian River has been 303(d) listed under the Clean Water Act for more than 20 years, within which its contaminant listings have increased from two to six with limited work done to identify pollutant sources and levels. Staff understands that because of the complexity of the TMDL, understaffing and legal requirements placed on the board to complete the Klamath, the board expects that the Russian River TMDL to be completed at

the earliest in 2011 but it is not scheduled for completion until 2019. Without a TMDL, this and other bodies of water do not have a clear framework their restoration.

At the hearing, the North Coast Water Board should be prepared to comment on:

1. What are the expectations to complete the Klamath and related TMDLs as scheduled?
2. What are the barriers to completing the Russian River and other high priority TMDLS?

STAFF RECOMMENDATION. Hold open.

3360 ENERGY RESOURCES AND DEVELOPMENT COMMISSION

ISSUE 1: PUBLIC INTEREST ENERGY RESEARCH PROGRAM

Governor's Budget. In the 2007-08 budget year, the California Energy Commission is proposing $80.5 million from the Public Interest Research Program (PIER) account to funds research and development (RD&D) projects for electricity ($62.5 million) and natural gas ($18 million). This funding is in addition to nearly $400 million in active projects

Staffing Proposals. The Governor's Budget is proposing increased staffing for both the electricity and natural gas PIER programs. For the electricity program, $418,000 is requested from the Public Interest Research, Development, and Demonstration Funds for three permanent positions for the PIER electricity program. These positions would work on climate change, renewables, and electricity distribution research.

For the natural gas program, $471,000 from the Gas Consumption Surcharge Fund is requested for four permanent positions to conduct research related to transportation, climate change, and air quality.

Background. Established in 1996 by the Legislature, the PIER program is funded by payments from electricity and natural gas rate payers and works to develop energy efficiency research and technologies. In 2007, AB 1250 (Perata) reauthorized the PIER program for five years and set upon it a new direction, focus and priority for the Energy Commission to follow. Specifically, SB 1250 (Perata) reaffirmed that energy efficiency should be the primary focus of the PIER program emphasizing priorities in: 1) cleaner transportation; 2) Increased building, appliance, lighting, and other electricity efficiency; 3) advanced electrical generation that are more efficient and reduce greenhouse gas emissions.

PIER Program Areas. The implement the interrelated policies and goals established by the legislature, the PIER Program is organized into the following seven coordinated program areas **(Figure 1):**

Figure 1

Program Area	2002-06 Percentage of Research Funding
• Buildings End Use Efficiency -	18%
• Industry, Agriculture and Water	8%
• Renewable Energy Resources	16%
• Environmentally Preferred Advanced Generation	8%
• Transportation	0%
• Environmental Research	26%
• Energy Systems Integration	24%

In addition to these research areas, the CEC also operates and Energy Innovation Small Grants Program which provides early seed money for new ideas in all of the above areas.

PIER Project Approval Process. SB 1250 (Perata) directed the Commission to take a portfolio approach to managing RD&D spending in order to minimize risk and provide and increase diversity among investments. The Commission's current approach is to allocate RD&D dollars to span near term, mid term, and long term planning goals and to coordinate its activities with other state investment and regulatory activities.

The portfolio of the PIER program represents approximately $400 million in RD&D investments. The CEC prioritizes this funding according to California's "loading order" for new electricity resources as established in the state's Energy Action Plan and the CEC's Integrated Energy Policy Reports and places first priority on energy efficiency and demand response resources first in line to meet new demand and supply needs, followed by renewable energy resources, and then clean fossil fuel and distributed generation technologies.

In order to determine which RD&D projects receive funding from the PIER program, CEC staff first determines whether proposals are within the public's interest to pursue. This review is conducted in consultation with project advisory groups within each of the seven program areas that are comprised of representatives of the programmatically relevant industries and applies the following three phased test **(Figure 2)**.

Figure 2

PIER Screening Process to Ensure Projects are Within "Public Interest"

Test 1	Test 2	Test 3
Energy services and products that provide value to California citizens	Developing technology and advancing scientific knowledge	Research not adequately provided by the competitive and regulated markets.

Those projects that meet public interest criteria are submitted to the RD&D committee for review. The RD&D committee was established by the Commission to review proposals and make recommendations to the five member commission for their approval. The RD&D Committee is chaired by the Engineer/Scientist member of the Commission with a second member appointed by the Chairman.

To reach their final recommendations to the commission, the RD&D Committee first conducts an annual budget review that examines the status and progress of earlier investments and establishes budget year targets for the seven program areas. Budget year projects moved forward by the different programs are then evaluated on their integration into the investment targets and recommendations are made to the commission for their approval.

The PIER portfolio is organized by 10 main categories and more than 70 subcategories that are displayed in Figure 3.

Figure 3

PIER RD&D Portfolio Organization

Environmental Effects of Energy Activities

Main Category	Sub Category
Aquatic Resources	Improving Forecasting for Enhanced Hydropower Generation Improving water and Energy Management Reducing the impacts of Electricity Generation
Air Quality	Distributive Generation Indoor Air Quality Modeling Natural Gas Interchangeability
Land Use and Habitat	Avian Electrocution and Collision Effects of Renewable Generation Habitat Impacts Siting Facilitation Urban Planning and Sustainable Communities
Global Climate Change	Climate Monitoring, Analyses, and Modeling Impact and Adaptation Studies Inventory Methods Options to Reduce Greenhouse Gas Emissions The Economics Climate Change Transportation

Energy Systems

Economic and Policy Research

Demand Response

Distributed Energy Resources

Reliability

Security

Customer Energy Use

Agriculture	
Commercial and Residential	Building Design Building Envelope Codes and standards Support Equipment and Appliances Heating, Ventilation, and Air Conditioning Lighting Data Processing and Laboratories Energy Use Benchmarks
Industrial	Load Management and Peak Demand Reduction Motors, Pumps, and Drives Power Quality Process Heating (Boilers, Furnaces, and Heat Exchangers Refrigeration and Cooling
Transportation	
Water Transportation	

Electricity Transmission, Distribution and Storage

Electricity Transmission
Electricity Distribution
Electricity Storage

Energy Production from Renewable Resources

Economic, Policy and Technology Transfer Research
Biogas, Biomass, and Landfill Gas
Geothermal
Hydropower
Ocean
Solar
Wind

Renewable resources Processing and Fuel Transmission, Distribution, and Storage

Alternative Transportation fuels

Renewable Resources Exploration and Extraction

Geothermal
Ocean
Wind

Energy Production from Non Renewable Resources

Economic and Policy Analysis of Potential Energy Resources
Combined, Cooling, Heat and Power (Cogeneration, CHP, CCHP)
Fuel Cells
Internal Combustion Engines
External Combustion Engines
Turbines
Power Plants

Non Renewable Resources Processing and Fuel Transmission Distribution, and Storage

Alternative Transportation Fuels
Natural gas Transmission, Distribution and Storage

Staff Comments. The broad spectrum of the PIER portfolio and the inherent risk in RD&D makes it a challenge for the legislature to evaluate the effectiveness all of the individual investment decisions made by the PIER program. As is displayed in Figure 3, there are many different categories and subcategories that PIER investment dollars can be spread across. In recent years, the legislature has been working with the CEC to work within existing structures to tighten the focus of investment dollars around established energy efficiency priorities with performance measured at the macro, portfolio wide level.

At the hearing, the Energy Commission should report to the subcommittee on what measures it has taken and whether it has been able to meet the goals outlined in SB 1250.

With respect to ongoing activities to implement AB 32 (Núñez), the Energy Commission should comment to the subcommittee how the PIER program interrelates to the AB 32 (Núñez) and how proposed staffing requested in the Governor's Budget will assist that effort.

STAFF RECOMMENDATION. Approve budget change proposals for PIER Natural Gas and Electricity Programs.

ISSUE 2: IMPLEMENTING THE RENEWABLE PORTFOLIO STANDARD

Governor's Budget. The Governor's Budget proposes $336,000 from the Renewable Resource Trust Fund for three permanent positions to implement expanded mandates of the California Renewable Portfolio Standard.

Background. SB 107 (Simitian, 2006) accelerated the state's Renewable Portfolio Standard (RPS) program to reach 20 percent of electricity retail sales through renewable energy by 2010, rather than 2017. The funds for the RPS come from AB 1890 (Brulte, 1996), an authorized system benefit charge on utility ratepayers to support existing, new, and emerging renewable resources among other public goods.

To address the requirements of SB 107, the CEC is proposing to:

- Track the RPS performance of California's 36 publicly owned utilities.
- Certify renewable energy credits based on eligibility criteria.
- Develop and implement a process to certify incremental generation from the repowering, expansion, or refurbishing of eligible existing out-of-state facilities.
- Provide supplemental energy payments to cover the above market costs of RPS-eligible procurement, subject to caps that the CEC can impose.

Staff Comments. Staff does not have any issues with the proposed funding. At the hearing, the CEC should be prepared to give the subcommittee an update on the state's ability to achieve the Renewable Portfolio Standard.

STAFF RECOMMENDATION. Hold Open.

ISSUE 3: IMPLEMENTATION OF THE SOLAR ROOF INITIATIVE

Governor's Budget. The Governor's Budget proposes $486,000 from the Renewable Resource Trust Fund for four permanent positions to implement the Million Solar Roofs Program.

Background. SB 1 (Murray, 2006) expanded the California Solar Initiative to include all municipal utilities; allowed consumers to sell back solar power that is produced on their solar panels beyond what they use themselves; required homebuilders to offer solar as an option in new homes; and required the California Energy Commission (CEC) to evaluate adding solar power to building codes.
SB 1 establishes the following new requirements for CEC:

- Beginning January 1, 2011, sellers of production homes must offer the option of a solar energy system to all their customers. The CEC must develop an offset program that allows a developer or seller of production homes to forgo the offer-requirement of a project by installing solar energy systems on other projects.

- By July 1, 2007, the CEC must initiate a public proceeding to study and make findings whether and under what conditions, solar energy systems should be required on new residential and non-residential buildings.

- By January 1, 2008, the CEC must, in consultation with the Public Utilities Commission and local publicly owned electric utilities, establish eligibility criteria for solar energy systems and to establish conditions for ratepayer funded incentives for all installations of solar energy systems on all types of buildings and facilities administered through all programs in the Million Solar Roofs Initiative.

- By January 1, 2008, the CEC must determine reasonable and cost-effective energy efficiency improvements in existing buildings as a condition of providing incentives for eligible solar energy systems, with appropriate exemptions or limitations to accommodate the limited financial resources of low-income housing.

- By January 1, 2010, the CEC must report to the Governor and Legislature on the costs and benefits of net energy metering and other topics.

- Requires the CEC to evaluate the costs and benefits of having an increased number of operational solar energy systems as part of the electrical system.

- Requires the CEC to conduct research related to its delivery of the rebate program for new homes.

- Requires the CEC to make information available to consumers, to provide educational materials and technical assistance to buildings and contractors, and to conduct random audits of solar energy systems to evaluate their operational performance.

Staff Comments. Some of the tasks that the four employees would be assigned to complete are short-term assignments. Thus staff recommends that two of the positions be made temporary two-year positions.

STAFF RECOMMENDATION. Staff recommends that the subcommittee approve two permanent positions and approve two 2-year temporary positions, for $486,000 total, of which $236,000 is on-going.

ISSUE 4: TRANSMISSION CORRIDOR ZONE DESIGNATION PROCESS

Governor's Budget. The Governor's Budget proposes $536,000 from the Energy Resources Program Account for four permanent positions in 2007-08, and proposes $1,019,000 from the Energy Resources Program Account for four additional permanent positions in 2008-09.

Background. In its 2003 Energy Report, the California Energy Commission (CEC) noted that existing transmission planning and permitting processes lack important elements to assure that critically needed transmission infrastructure is approved and constructed in a timely manner to meet the state's growing demand for electricity. SB 1059 (Escutia, 2006) provided CEC with the authority to designate transmission corridor zones for future use to accommodate the needed electric transmission lines. The CEC can designate a transmission corridor zone on its own motion or by an application from an entity planning to construct a high-voltage electric transmission line within California.

In order to ensure that it can move forward with designating transmission corridor zones, the CEC intends to:

- Identify the long-term needs for electric transmission corridor zones within the state.
- Work with federal, state, and local agencies; stakeholders; and the public to study transmission corridor zone alternatives and designate appropriate transmission corridor zones for future use to ensure reliable and efficient delivery of electricity for California's residents.
- Integrate transmission corridor zone planning and designation at the state level with local land use planning processes, so that designated transmission corridor zones are considered by cities and counties when they are making land use decisions.

Staff Comments. Staff has received concern from the public on the placement of transmission corridors in state parks and other protected natural landscapes. At the hearing, the CEC should comment to the subcommittee on what actions are taken to incorporate these concerns into the transmission corridor designation process. Additionally, the CEC should comment on whether these landscapes are threatened by eminent domain once a corridor is identified.

Staff Recommendation. Approve as budgeted.

3910 CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD

The California Integrated Waste Management Board (Waste Board) promotes the following waste management practices: (1) source reduction, (2) recycling and composting, (3) reuse, and (4) environmentally safe transformation and land disposal.

The Governor's budget proposes a total of $199.1 million in total funds for the waste board, which are nearly equal to 2006-07 levels.

ISSUE 1: IMPLEMENTATION OF AB 32 (NÚÑEZ)

Governor's budget. The California Integrated Waste Management Board is requesting one position and $618,000 in contracting funds to continue their program to reduce GHGs through increasing the recovery of recyclables from landfills implement new recycling programs and improve methane capture from solid waste landfills.

Landfill Gas Recovery. The IWMB is jointly developing a regulatory measure that will be implemented by ARB and will require landfill gas recovery systems on the few dozen small to medium landfills that do not have them and upgrade the requirements at landfills with existing systems to represent best capture and destruction efficiencies. Going forward this will be considered as an ARB measure.

The California Integrated Waste Management Board (CIWMB) estimates that about 94 percent of the total waste-in-place in California is contained in landfills having active gas collection systems in which the gas is collected and routed to a control device, such as a flare or engine where the methane is combusted. About 41 landfills were identified by CIWMB as not having emissions controls. As part of the Climate Action Team's strategy for reducing GHG emissions from MSW landfills CIWMB proposed: 1) the installation of emission control systems, 2) increasing energy recovery from landfill methane, and 3) increasing landfill methane capture efficiencies.

Increased Recycling. The CWIB will also look to increasing commercial and Multi-Family Recycling levels as a method of reducing statewide GHG emissions. While increased recycling is noted in the Climate Action Team's report on early action measures, there is not increased funding requested in the budget specifically for this purpose.

Staff Comments. At the hearing, the board should be prepared to comment on what role increased recycling will play in its future GHG reduction activities and whether it is coordinating is recycling efforts with the Department of Conservation.

STAFF RECOMMENDATION. Hold open.

ISSUE 2: LAO ISSUE: TIRE RECYCLING

Governor's Budget. The budget proposes a total of about $39.3 million from CTRMF for the board's waste tire recycling program in 2007-08—roughly the same as estimated expenditures in the current year. The $39.3 million is proposed largely for market development and research, permitting, enforcement, clean up, and remediation.

Persistently Large Waste Tire Fee Fund Balance. The CTRMF, which funds the board's waste tire management activities, has carried a persistently large balance for several years, as shown in Figure 4. (The fund balance does not reflect a roughly $17 million loan made from CTRMF to the General Fund in 2003-04, which has yet to be paid back.)

Figure 4
Tire Recycling Management Fund Balance
(In Millions)

Years	Balance
2003-04	$12.5
2004-05	$23.0
2005-06	$35.8
2006-07	$30.6
2007-08	$25.6

Although the fund balances have built up to substantial levels, the board's program expenditures have remained relatively stable over the last several years. The 2007-08 budget proposal for the tire program does not reflect any significant program changes or initiatives. Absent such program enhancements and initiatives, it is likely that the fund balance would stay at relatively high levels in the future.

LAO Comments. While CIWMB currently undertakes a variety of efforts to encourage the diversion of waste tires from landfills to productive end uses, the amount and proportion of waste tires that are not diverted from landfills is still large (10.2 million, or about 25 percent of waste tires generated annually). The waste tire program appears to be in a "holding pattern." Despite large initial gains in waste tire diversion, in recent years, both the diversion rate and the number of waste tires deposited into the state's landfills each year have remained relatively constant.

The LAO believes that the large fund balance presents the board with the opportunity to increase the waste tire diversion rate. In recent years, the Legislature has taken the lead by giving statutory direction on the use of the tire fund in an effort to increase the diversion rate.

The LAO thinks that there are opportunities to draw down the CTRMF balance by enhancing program activities and thereby increasing the diversion rate. For example, the board could increase expenditures on its activities designed to encourage the productive end use of waste tires, such as:

- Research Efforts and Demonstration Projects. Continue to fund CEC's research into replacement tire efficiency, or expand its testing and certification of new tire-derived products. Similarly, CIWMB could expand its sponsorship of demonstration projects that use tire-derived materials for civil engineering projects.
- Marketing and Outreach. Continue and expand efforts to communicate to end users the viability and long-term cost effectiveness of tire-derived products and to provide technical assistance to them.

LAO Recommendations. The LAO thinks that the board is best positioned to identify those additional efforts most likely to increase the number of waste tires diverted from the state's landfills, as well as to advise the Legislature of the policy choices that may be inherent in such efforts warranting legislative evaluation. Therefore, the LAO recommends the adoption of the following supplemental report language:

Item 3910-001-0226. The California Integrated Waste Management Board shall submit a report to the Legislature by January 10, 2008, that identifies the following:

- *A history of revenues, expenditures, and balances of the California Tire Recycling Management Fund since its inception, and projection of such information for 2008-09 and the subsequent two fiscal years.*
- *A history of waste tire diversion rates and end uses, and projection of such rates and uses for 2007 and the subsequent three years.*
- *Identification and assessment of the costs and effectiveness of options to increase the rate of diversion of waste tires from disposal in landfills.*
- *Any statutory changes that would assist the board's efforts to increase the diversion rate.*

Staff Comments. Staff concurs with the LAO's recommendation that the Waste Board report to the legislature on additional options to increase tire recycling rates. Additionally, staff would like the Waste Board to respond to the following:

- What is the Waste Board doing to promote tire recycling in road construction? What are the major barriers to the use of crumb rubber in roads?
- What has the Waste Board been doing to address the issue of tire piling and illegal tire dumping? Has the state been successful in prosecuting unlawful tire disposals? How does the Waste Board's permitting tire manifest system help with enforcement?

STAFF RECOMMENDATION. Approve LAO proposed supplemental reporting language.

ISSUE 3: E-WASTE AND FRAUD PREVENTION

Governor's Budget. The Governor's budget proposes in the Electronic Waste Recycling program $435,000 (Electronic Waste Recovery and Recycle Account) and five new positions – three positions to analyze claims and two positions for compliance assistance and fraud prevention.

Background. Under the Electronic Waste Recycling act, consumers are charged a fee upon the purchase of certain electronics. The IWMB and the Department of Toxic Substances then takes that fee to develop E-Waste programs and reimburse E-waste recyclers in the form of payments for e-waste recycling. Currently the combined payment rate is a total of $.48 per pound of properly processed and documented E-Waste, $.20 of which is passed on to the approved collector.

It is estimated that the E-Waste program will collect roughly $70 million in annual revenue from e-waste fees. In 2005, the first year of system operation, the Waste Board received over $31 million in payment claims and in the first quarter of 2006, the Waste Board received $16 million in claims from certified recyclers. The Waste Board expects the payment of claims to be around $60 million by the end of 2006.

The greatest challenge in implementing this program is to ensure that payments are made only for properly documented material generated in California. To prevent fraudulent claims from receiving payment, the Waste Board has worked with the Department of Conservation to replicate its auditing and investigation programs for the bottle and can recycling program. Additionally, the Waste Board has been working with an auditor from the Department of Finance to improve regulations, payment systems and procedures. The funding and positions requested in this proposal would bring the total of fraud prevention staff for this program to six positions.

Staff Comments. As stated in their proposal, California is one of the first states in the nation to operate an E-Waste Recycling program. While many of the local recycling operations are advancing their programs, the staff has concern that staffing levels for this program are not adequate to maintain proper fraud prevention controls while achieving the other performance measures that were built into the Act, such as:

1. Eliminate electronic waste stockpiles and legacy devices by December 31, 2007
2. Ending the illegal disposal of CEDs
3. Phasing out the hazardous materials in electronic devices
4. Increasing the use of recycled materials in production of CEDs
5. Providing cost free and convenient opportunities for the public to return E-Waste
6. Reducing the cost burden on local government to recycle and properly manage E-waste.

At the hearing, the Waste Board should be prepared to comment on how it plans on achieving these identified measures and how the Board plans on incorporating E-waste recycling into its GHG reduction activities.

STAFF RECOMMENDATION. Approve as budgeted.

3960 DEPARTMENT OF TOXIC SUBSTANCES

The Department of Toxic Substances Control (DTSC) protects public health and the environment by: (a) regulating hazardous waste management activities, (b) overseeing and performing cleanup activities at sites contaminated with hazardous substances, (c) encouraging pollution prevention and the development of environmentally protective technologies, and (d) providing regulatory assistance and public education.

ISSUE 1: IMPLEMENTATION OF AB 32 (NÚÑEZ)

Governor's budget. The Department of Toxic Substances Control (DTSC) is requesting one PY and $115,000 to work with the ARB to reduce GHG emissions from hazardous waste facilities.

DTSC is responsible for permitting and authorizing the treatment of hazardous wastes facilities that are emitters of GHGs. DTSC will use this authority and its scientific expertise to identify and develop strategies to meet the objectives of reducing the sources of GHGs.

STAFF RECOMMENDATION. Hold open.

ISSUE 2: REDUCING EXPOSURE TO TOXIC CHEMICALS: POLLUTION PREVENTION AND COMPLIANCE

Governor's budget. The Governor's budget is proposing $439,000 on going and $12,000 one time funds and 3.5 positions (Toxic Substance Control Account) to develop and implement pollution prevention concepts, best management practices, training and outreach to proactively reduce the use of chemicals of concern which affect humans, wildlife, and the environment. Specific concerns are metals in packaging and lead in children's jewelry.

Under this program, DTSC will work with California business to prevent pollution exposure by identifying which products are made with chemicals of concern and informing businesses of available alternatives for production. Specifically, this proposal will:

- Identify where and how much of these products are used.
- Work directly with California industries to identify pollution prevention opportunities.
- Promote green chemistry in California's industries.
- Research alternative materials and processes.
- Provide a clearinghouse of relevant pollution prevention and green chemistry information.

Staff Comments. Staff concurs with the need for this proposal and recommends that it be approved as budgeted.

STAFF RECOMMENDATION. Approve as budgeted.

APPENDIX A