

## AGENDA

### ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MARCH 11

9:00 A.M. - STATE CAPITOL ROOM 447

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**VOTE-ONLY****3930 DEPARTMENT OF PESTICIDE REGULATION**

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**VOTE-ONLY ISSUE 1: SB 1405 IMPLEMENTATION**

The Governor's Budget requests \$412,000 Department of Pesticide Regulation Fund (DPR Fund) and three positions to implement Chapter 848 of the Statutes of 2014 (SB 1405, DeSaulnier). SB 1405 requires the development and administration of comprehensive training courses that anyone using pesticides at a school site must take, and a template for a written IPM plan for school districts and child care centers that use certain pesticides (excluding antimicrobials). DPR must also process additional reporting of school pesticide use by school employees, resulting in approximately 40,000 additional records to be processed. Funding to meet these requirements will come annually from the DPR Fund. This request includes ongoing funding of \$125,000 DPR Fund for contracts associated with developing and administering the training courses, making them accessible to the public through an online portal, and to update the courses as appropriate, host the courses through a third party, and track course completion.

DPR will add a Senior Environmental Scientist, an Environmental Scientist, and a Program Technician III (\$287,000 staff costs) to meet the new requirements.

**STAFF COMMENTS**

Staff has no concerns with this proposal.

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**Staff Recommendation: Approve as Budgeted**

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**3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL**

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**VOTE-ONLY ISSUE 2: Alternative Management Standards for metal Shredding Facilities**

The Governor's Budget requests an augmentation from the Hazardous Waste Control Account of \$527,000 and 2.5 positions in fiscal year (FY) 2015/16; \$311,000 and 2.0 positions in FY 2016/17; \$322,000 and 2.5 positions in FY 2017/18; and \$128,000 and 1.5 positions in FY 2018/19 ongoing to implement Senate Bill (SB) 1249 (Hill, Chapter 756, Statutes of 2014). SB 1249 requires DTSC to evaluate the risks and threats posed by metal shredders and the management of metal shredder waste, and to either develop alternative management standards that govern metal shredding activities, or rescind its 1987 era decisions that have allowed metal shredders to be managed as nonhazardous waste. SB 1249 also authorizes DTSC to assess a fee on the metal shredders to cover its costs in implementing the bill and for ensuring compliance with its standards in the future.

**STAFF COMMENTS**

Staff has no concerns with this proposal.

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**Staff Recommendation: Approve as Budgeted**

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**3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY**

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**VOTE-ONLY ISSUE 3: PROVISIONAL BBL CHANGE FOR 2-YEAR GRANT APPROPRIATIONS**

The Governor's Budget seeks provisional budget language to increase the encumbrance availability of two CalRecycle grant program funds to two years. These relatively small grant programs are funded out of the Farm and Ranch Solid Waste Cleanup and Abatement Account and the Integrated Waste Management Account, Integrated Waste Management Fund (IWMA). This change will maximize grant benefits, enhance grant administration, and provide for more successful projects.

**STAFF COMMENTS**

Staff has no concerns with this proposal.

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**Staff Recommendation: Approve as Budgeted.**

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**8570 DEPARTMENT OF FOOD AND AGRICULTURE****VOTE-ONLY ISSUE 4: DROUGHT: ECONOMIC IMPACT AND SOLUTIONS FOR AGRICULTURE**

The Governor's Budget requests \$200,000 in one-time General Fund authority to validate and conduct economic analysis studies to determine the ongoing economic impacts of California's drought on the state's agriculture sector and identify potential solutions.

**VOTE-ONLY ISSUE 5: ORGANIC WASTE**

The Governor's Budget requests a General Fund increase of \$211,000 and 1.5 permanent positions in 2015-16 and \$229,000 and 2.0 permanent positions, ongoing, to increase enforcement and licensing activities for the Rendering Program to implement AB 1826, Chapter 727, Statutes of 2014. The requested funding will support 1.0 Special Investigator and 1.0 Office Technician (Typing) (.5 PY in 2015-16), to provide outreach and training to local jurisdictional authorities, to investigate unlicensed and uninspected businesses recycling inedible animal material and inedible kitchen grease (IKG), and to facilitate licensing and inauguration of inspection of these businesses.

Inedible animal materials include carcasses of animals that died other than by slaughter (dead or fallen livestock); packinghouse waste from livestock and poultry slaughter and processing plants; meat scraps, fat and bones from butcher shops; meat and poultry products discarded by retail stores, such as spoiled or outdated products; and plate waste. The disposal of all of these materials, except plate waste, is regulated by the Department's Meat, Poultry and Egg Safety Branch Rendering Program.

**VOTE-ONLY ISSUE 6: CERTIFIED FARMER'S MARKETS**

The Governor's Budget requests \$1.046 million in fiscal year 2015-16 and \$1.042 million ongoing in Department of Food and Agriculture Fund authority and four permanent positions to enhance the existing Certified Farmers' Market (CFM) Program. Chapter 9 of the Food and Agricultural Code (FAC) provides the CDFA with the authority to adopt regulations that include provisions to ensure that the selling activities at CFMs are conducted without fraud, deception, or misrepresentation and to take actions to enforce these regulations. AB 1871 (Dickinson), Chapter 92, Statutes of 2014, increased the existing vendor fee to generate the revenue necessary to carry out these responsibilities. The CFM Program requires increased expenditure authority to contract with county agricultural commissioners and support the additional CFM staff required to carry out the requirements of Chapter 9 of the FAC.

**BACKGROUND**

AB 1871 increased the CFM fee to two dollars for most CFM vendors and requires payment of the fee by all vendors participating and selling goods under the authority and management of the CFM operator, and created the funding mechanism necessary for counties to be reimbursed for enforcement activities outside of the certification process and for state staff to provide increased oversight for the CFM Program.

This proposal implements AB 1871 by giving CDFA the resources to increase enforcement efforts statewide. This additional authority will allow the CDFA to expend \$586,000 for contracts with county agricultural commissioners to provide extensive local enforcement activities including, but not limited to CFM and production site inspections, investigations into fraudulent activity, and cross county enforcement throughout the state. It will also provide \$460,000 for four additional staff and associated operating costs.

**STAFF COMMENTS**

Staff has no concerns with issues 4-6.

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**Staff Recommendation: Approve as budgeted Issues 4-6.**

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## ITEMS TO BE HEARD

### 3930 DEPARTMENT OF PESTICIDE REGULATION

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The Department of Pesticide Regulation's budget is \$90.9 million, which represents a three percent increase from last year. The Department receives no General Funds.

#### ISSUE 1: PRODUCT REGISTRATION DATA SYSTEM

The Governor's Budget requests \$1,958,000 in 2015-16, \$1,962,000 in 2016-17, \$400,000 in 2017-18, and \$163,000 in 2018-19 (Department of Pesticide Regulation Fund) and ongoing to develop and implement a fully integrated information management system for the pesticide product and device registration process. Once completed, the system will offer online functionality and allow for online submission of registration-related materials and electronic payment.

#### BACKGROUND

Pesticide Registration Branch (PRB) currently maintains registration for approximately 13,000 pesticide products containing 1,000 different active ingredients (AI) and 7 devices. PRB receives and processes approximately 5,000 registration submissions each year, as well as managing license renewals and product label and data storage for existing products. In addition to responsibility for the evaluation and registration of pesticides and certain devices, PRB also processes exemptions from registration; tracks adverse effects submissions regarding pesticide products; issues research authorizations for the testing of new products; coordinates reevaluations of registered pesticide products, and is responsible for tracking the status and providing communication with the regulated community regarding human health risk assessment and mitigation programs. Currently, PRB completes these tasks manually, with some information technology support.

Faced with business issues arising from a paper-intensive registration process, DPR performed a Pesticide Product Registration Business Process Assessment and Design effort to evaluate current PRB operations. DPR's analysis identified several problems, including:

- Paper-based, manual-intensive registration processes result in cumbersome processing, bottlenecks, inefficiencies; lengthy registration timelines and can result in the use of other pesticides that are potentially more harmful to people and the environment;
- Because PRB cannot accept electronic payment of registration and renewal fees, it relies on a cumbersome, unsecured paper check processing process;
- Hard-copy product labels limit the ability to efficiently evaluate pesticide product labels and impact stakeholders in the field needing the information; and
- Disparate, stand-alone systems limit visibility of workload per station and no single data source exists to register products.

In October 2013, DPR issued a Request for Information (RFI) to the vendor community. The RFI solicited information about solutions that could satisfy the Product Registration Data Management System (PRDMS) business, functional, and technical requirements. Through the RFI solicitation process, DPR received seven vendor responses, representing a range of solution alternatives: commercial-off-the-shelf (COTS); modified-off-the-shelf (MOTS); and, custom developed. Through the RFI responses, DPR identified viable custom developed and COTS solutions, however it was determined that a custom developed IT solution would allow DPR to most completely meet the requirements of PRDMS to address identified PRB business problems.

The PRDMS will be developed and implemented by an external vendor and maintained by DPR IT staff. It is estimated that the cost to construct the application will be approximately \$2.9 million. DPR expects to be using the Independent Project Oversight Contract (IPOC) services provided by CalTech to monitor project progress and risk throughout the project. The anticipated costs for these services are \$112,560/year. CalTech also recommended Independent Verification and Validation services be procured to verify vendor compliance to appropriate State standards and perform software assurance processes. CalTech's recommended estimate for these services is \$530,000 over two years.

DPR expects pesticide and device registrants, CA agricultural growers and consumers to support the PRDMS project as the new system will be streamlining and improving the pesticide product registration, amendment, and renewal processes. In order to insure input and participation by pesticide registrants, PRB has established an advisory committee made up of registrants, representatives from registrant organizations and consultants (individuals hired to navigate the CA registration process on the behalf of registrants). Streamlined processes will allow products to be brought to market sooner, allowing CA agricultural growers and consumer's access to potentially better and reduced risk products sooner. DPR also expects support from pest control companies as having easy public access to the labels of currently registered pesticide products will make their jobs easier and assist with compliance.

<b>STAFF COMMENTS</b>
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This proposal will reduce manual processes and implement an integrated solution to better serve employees, registrants, applicants, and other stakeholders. It will likely make DPR more efficient with accepting, evaluating, processing, and managing pesticide product and device registration materials. Further, funding this proposal will also allow the public, including medical professionals, poison control centers, and pesticide enforcement agencies, to access critical product and management information such as ingredient information, first aid and medical treatment information of pesticide product labels.

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**Staff Recommendation: Approve as Budgeted**

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## **3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL**

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The Department of Toxic Substances Control's budget is \$208 million, which represents a six percent decrease from last year. This decrease is primarily due to carry-overs of unspent funds from the past year to the current year. Most of the Department's budget is special funds, with \$27 million of the proposed total funding coming from General Fund.

### **ISSUE 1: EXIDE 2014 ENFORCEMENT ORDER**

DTSC is requesting 5.5 positions and \$734,000 for a limited-term of three years from the Hazardous Waste Control Account to implement the 2014 Enforcement Order (Order) against Exide Technologies (Exide or Facility). Among other things, the Order establishes that Exide is liable for all costs incurred by DTSC in reviewing work plans and overseeing the work required by the Order including all California Environmental Quality Act (CEQA) costs. The work required by the Order includes: 1) Cleanup of 215 off-site residential properties in an environmental justice community; 2) Investigation and possible cleanup of additional off-site residential properties impacted by Exide operations; 3) Investigation of industrial properties adjacent to the Exide operations; and 4) Development of a Corrective Measure Study and Remedy Selection document. DTSC's costs will be recovered from Exide Technologies.

### **BACKGROUND**

Exide Technologies is located in the City of Vernon, about five miles southeast of downtown Los Angeles. The Facility occupies 15 acres in a heavy industrial region with surrounding residential areas about ¾-mile to the North and South. Facility operations include recycling lead-bearing scrap materials obtained from spent lead-acid batteries to produce marketable lead ingots.

The recycling process of the batteries requires authorization from DTSC, which was granted by the former California Department of Health Services (currently the DTSC) in 1981. The authorization (technically called Interim Status) is a means to allow facilities to operate pending approval or denial of a full permit to ensure their operations are protective of public health and the environment. In addition to the requirement for its hazardous waste operations, the facility is required to control its air emission of Toxic Air Contaminants. The South Coast Air Quality Management (SCAQMD) has various programs that apply to Exide to ensure air emissions are controlled.

In response to contamination caused by the Facility, DTSC issued a Corrective Action Consent Order, Docket No. P 3-01-02-010 in February 2002 ("2002 Corrective Action Consent Order") that required Exide to conduct corrective action (i.e., investigation and cleanup). Exide remains subject to the requirements of the 2002 Corrective Action Consent Order.

On March 1, 2013, SCAQMD announced that the Exide operations had a significant potential health impact on the surrounding communities. Subsequently in April 2013, DTSC issued an order to Exide that required Exide to immediately suspend its operations pending an administrative hearing. Exide responded by filing a complaint in superior court seeking to enjoin DTSC's suspense order. The superior court granted a temporary restraining order against

DTSC's suspension order in June 2013, and subsequently granted a preliminary injunction against the suspension order in July 2013.

In early 2014, sampling results from the two nearest residential neighborhoods showed elevated levels of lead in the top six inches of soils in all 39 homes sampled. As a consequence of the elevated lead levels found, DTSC required Exide to develop a work plan in accordance with the 2002 Corrective Action Consent Order to remediate soil contamination at homes in those areas as well as offer additional sampling to the 215 off-site residential properties located in the two residential areas. DTSC required Exide to provide upfront funding to ensure that cleanup occurs and the community is protected during remediation of off-site residential properties in these generally low income neighborhoods. To do this, Exide received approval on November 20, 2014 from the Bankruptcy Court to comply with the Order to set aside funding to clean-up off-site contamination in the areas surrounding Exide operations.

#### **STAFF COMMENTS**

Funding this proposal will help ensure the protection of public health and the environment by overseeing the timely remediation of lead-contaminated residential properties and by addressing on-site contamination at the Exide Facility. DTSC's costs are cost recoverable.

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#### **Staff Recommendation: Approve as budgeted**

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#### **ISSUE 2: BIOMONITORING**

The Governor's Budget requests DTSC requests \$600,000 and 2.0 limited-term positions for two years from the Toxic Substances Control Account (TSCA) (\$520,000) and the Birth Defects Monitoring Program Fund (BDMPF) (\$80,000) to support the Biomonitoring California Program. Under the Program's enabling legislation, DTSC is collaborating with the Office of Environmental Health Hazard Assessment (OEHHA) and the California Department of Public Health (CDPH) to implement Biomonitoring California. CDPH is the program lead. CDPH is submitting a companion proposal.

#### **BACKGROUND**

Recognizing the importance and feasibility of identifying and reducing exposures to harmful chemicals, the Legislature established the tri-departmental Biomonitoring California program in 2006 SB 1379, Perata and Ortiz, Chapter 599, Statutes of 2006. Biomonitoring California's principal mandates are to measure and report levels of specific environmental chemicals in biological specimens from a representative sample of Californians, conduct studies of communities, and help assess the effectiveness of public health and environmental programs in reducing exposures.

Biological monitoring or “biomonitoring” is the science of measuring chemicals in people’s blood, urine, breast milk, or other biological specimens. Biomonitoring California generates information that helps scientists, public health practitioners, and policymakers answer such questions as the following:

- What chemicals are found in people’s bodies and at what levels?
- Are these levels changing over time?
- Do certain groups or potentially-vulnerable subpopulations have higher exposures to specific toxic chemicals than the general population?
- Do regulations or public health interventions actually reduce exposures?
- Do specific chemicals contribute to the development of chronic diseases or conditions?

Biomonitoring California has focused on chemicals of specific interest and concern to California, such as perchlorate and perfluorooctyl sulfonates (PFOS) (contaminants in the state’s groundwater), flame retardants (used in furniture and other consumer products), mercury (from abandoned gold mines; through consumption of fish), and arsenic (naturally occurring in drinking water in some areas of California). Additional focus has been placed on numerous chemicals present in every day consumer products. Many of these chemicals have been linked to cancer, birth defects, hormone disruption, immune toxicity, obesity, heart disease, and DNA damage. Participants in Biomonitoring California are selected to represent California’s population or potentially vulnerable communities.

#### **STAFF COMMENTS**

Staff concurs that the requested resources are needed for the Program to measure chemical contaminants in California. The Program will use the data, along with information from Cal/EPA’s CalEnviroScreen, to prioritize investigations in communities disproportionately-impacted by health and environmental factors; assess the effectiveness of regulations in reducing exposures; and identify new chemicals of concern. Data derived from the Program will also be used to identify the most critical exposures to toxic chemicals of concern identified through State programs, such as DTSC’s Safer Consumer Products Program, OEHHA’s Proposition 65, and CDPH’s Safe Cosmetics Program.

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**Staff Recommendation: Approve as budgeted**

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**ISSUE 3: PERMITTING COORDINATION AND BACKLOG SUPPORT**

The Governor requests \$1,632,000 from the Hazardous Waste Control Account (HWCA) and 16 limited-term positions for two years to address the increased workloads for the Enforcement Division (4 positions), Policy and Program Support Division' Financial Responsibility Unit (2 positions), Office of Planning and Environmental Analysis (3 positions), Office of Legal Counsel (2 positions), and Office of Environmental Information Management (3 positions) in support of the Office of Permitting's initiative to reduce DTSC's inventory of backlogged hazardous waste facility permit applications and streamline and enhance protections in the enforcement and permitting processes. The request also includes two additional limited-term clerical positions for the Office of Permitting. This proposal will build on the Department's existing Permit Enhancement Work Plan.

**BACKGROUND**

The Office of Permitting has undertaken a sustained effort to reduce a backlog of applications from facilities operating with "continued" hazardous waste facility permits that must be reviewed before they are renewed. To address this backlog, DTSC submitted and received approval in the 2014/15 Budget for 6.0, two-year, limited-term positions to reduce the backlog of permit application reviews and 2.0, two-year, limited-term positions to update cost estimates to ensure needed funds will be available in the future to pay for the decontamination and decommissioning of hazardous waste facilities and \$1.2 million HWCA for the Office of Permitting. The backlog of permit applications includes some of the most complex sites that require significant DTSC resources to review and process. These sites are also likely to garner the most public attention and participation. DTSC is on track to complete eight permits in the current year and the remaining nine permits by June 30, 2016.

DTSC also submitted and received approval for a Spring Finance Letter for FY 2014/15 that provided 5.0 two-year limited-term positions and \$699,000 HWCA to develop and implement comprehensive improvements to the permitting process as detailed in the Permitting Enhancement Work Plan (Work Plan). Work Plan deliverables include streamlining the permitting process to limit permit processing time to an average of two years. For instance, DTSC has already revised the technical review portion of the permitting process to ensure that the review is completed in 13 months for 80 percent of applications. Prior to the Work Plan improvements, DTSC met that goal only 20 percent of the time.

As DTSC has developed and begun implementation of its Work Plan, it has identified additional unanticipated workload for the Enforcement Division, the Policy and Program Support Division, OPEA, OLC, and OEIM in supporting the backlog reduction and permit process improvement initiatives.

According to the Department, work on the current backlog by these other units cannot be absorbed with current resources. Taking staff from other critical projects would lessen DTSC's ability to deal with ongoing mandated workload such as inspections, investigations, enforcement actions, and hazardous waste cleanups. Of particular concern is the potential for impact on the State's most vulnerable communities.

**STAFF COMMENTS**

Over the past three years, the Department has initiated substantial reforms to core programs through its "Fixing the Foundation" initiative. This proposal is intended to build on these initiatives.

The Permitting Office's backlog reduction and permit process improvement initiatives have temporarily increased workload in the various program areas of the Department that are also involved in the review of a permit application such as the Legal Office, Office of Planning and Environmental Analysis, Office of Environmental Information Management and the Financial Responsibility Unit within the Hazardous Waste Management Program.

For example, when a permit application is submitted, DTSC's Enforcement Division is responsible for several tasks. Enforcement staff must research the violations/compliance/inspection history of the applicant and provide a report and recommendations on the application to the permit writer. Also, Enforcement staff must review the entire draft permit for enforceability and request revisions if necessary, attend public hearings to address stakeholder concerns and questions and respond to public comment on permit applications. Enforcement's job also extends to permit modifications and emergency permits.

Currently, the Department has a backlog of 37 "continued permits." "Continued permits" are permits that have gone past their expiration date and the permit is "continued" until there is a final permit decision on their permit application. The continued permits are still in effect and the facility continues to comply with the permit and hazardous waste laws and regulations. The 2014/15 Budget request for 6 positions was approved to address 17 continued permits in the backlog (8 permits in 14/15 and 9 permits in 15/16).

The number of continued permits has increased since the 2014/15 Budget request because additional facilities have reached the end of their 10-year permit and have submitted their renewal applications, thereby adding to the total number of facilities with continued permits. The 16 new positions requested in the 2015/16 Budget will support the work of processing nine permits in 2015/16 and 15 permits in 2016/17.

Given the considerable Legislative interest in reducing the current backlog of hazardous waste facility permit applications and the detailed workload analysis contained in the proposal, staff believes the request for positions is reasonable.

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**Staff Recommendation: Approve as budgeted**

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**ISSUE 4: HAZARDOUS WASTE REDUCTION**

The Governor's Budget requests \$840,000 and 6.0 positions from the Toxic Substances Control Account for two years to develop, implement, and evaluate projects that reduce the generation of hazardous wastes that are treated or disposed in California. This Community Protection and Hazardous Waste Reduction Initiative will select up to three pilot-scale projects to reduce hazardous wastes that are generated in significant quantities in California, can pose substantial risks or hazards to human health or the environment, and are treated or disposed in California communities that are disproportionately burdened by multiple sources of pollution. The Administration will also select individuals to sit on an advisory panel that will provide guidance on the Initiative.

According to the Administration, this Initiative is designed to effectively leverage DTSC's goal of a 50 percent reduction of hazardous waste by 2025 through using the best available technologies and systems to reduce such waste. This Initiative is a pilot program to reduce hazardous waste generated in California, enhance protections and to help build more sustainable business practices and communities.

**BACKGROUND**

The generation and disposal of hazardous wastes in California presents an equity issue for communities where hazardous wastes are generated and where hazardous waste landfills are operated. While hazardous waste is generated throughout California, there are only two available disposal facilities in the state. Therefore, California communities where hazardous waste disposal facilities are sited can bear a disproportionate burden of the safe and legal disposal of such wastes.

In 2013, DTSC approved the expansion of one of California's two operating hazardous waste landfills, and the Department will soon begin to review an application for a renewed permit at the other landfill. When issuing the permit to expand the hazardous waste landfill, DTSC recognized the need to address the ongoing equity concerns around the generation and disposal of hazardous wastes. To help respond to this need, DTSC announced an ambitious goal of reducing by 50 percent the amount of hazardous waste disposed of in California landfills by 2025.

With this BCP, DTSC will select up to three pilot-scale projects to reduce hazardous wastes that are generated in significant quantities, can pose substantial risks or hazards to human health or the environment, and are treated or disposed in communities that are disproportionately burdened by multiple sources of pollution.

In the remainder of the current fiscal year, DTSC intends to carry out a number of meetings with interested stakeholders to initially develop a common understanding of the problem statement and the unique challenges faced by all stakeholders that are affected by the generation of hazardous wastes and their ultimate treatment and disposal in California. The culmination of this stakeholder effort will be to garner agreement on identifying specific hazardous wastes generated and disposed in California that will be included in the Initiative.

**STAFF COMMENTS**

This proposal would support pilot projects that address hazardous wastes generated in significant quantities, posing the most significant public risks, and that disproportionately affect disadvantaged communities. The Administration states that this pilot program is designed to effectively leverage the Department's goal of a 50-percent reduction of hazardous waste by 2025 by using the best available technologies and systems to reduce such waste, and will be guided by a public advisory panel to improve public participation, especially in disadvantaged communities.

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**Staff Recommendation: Approve as budgeted**

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## **3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY**

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The Department of Resources Recycling and Recovery's budget is \$1.53 billion, which represents less than a one percent decrease from last year. The Department receives no General Funds.

### **ISSUE 1: TIRE RECYCLING MANAGEMENT FUND – TIJUANA RIVER VALLEY PILOT PROJECT**

#### **BACKGROUND**

The Tijuana River is an east-to-west flowing river which originates in Mexico but its estuary meets the ocean in Imperial Beach, California. The Tijuana River Valley is a significant natural resource; it is the largest coastal wetland in Southern California and is an essential feeding and breeding ground for over 370 species of migratory birds.

The Tijuana River Valley is constantly threatened by unmitigated solid waste in Tijuana. Unmitigated solid waste on the Mexican side of the watershed eventually flows into California, as seasonal rains carry it into the river. The River has three main culverts, known as the Main Channel, Smugglers Gulch, and Goat Canyon, which are homes to one of many lines of solid waste intercepts. However, unacceptable amounts of solid waste continues to wash into California and become buried deep underneath the ground as sediment rich ephemeral streams dry out.

One solid waste challenge facing the Tijuana River Valley is ensuring the proper disposal of waste tires. CalRecycle's report on "The Flow of Used and Waste Tires in the California-Mexico Border Region" found that California produced 2.7 million tires for reuse within the California-Baja California region in 2006. Of this amount, 2.1 million tires were reused within the state of California and 637,500 tires were exported to Baja California through formal trade mechanisms. In addition to this formal flow of used tires in the region, there is an informal flow of such tires from California to Mexico which is estimated to be twice as much as the formal flow of used tires. As a result, Baja California is faced with the disposal of 1.5 million waste tires annually. While approximately two-thirds of these waste tires are utilized as either fuel for cement kilns or for civil engineering projects, the remaining tires are either landfilled or illegally dumped. Illegally dumped waste tires in this region have the potential to flow back into California through the Tijuana River.

Existing Statute. Current law authorizes CalRecycle to address environmental problems arising from storage, cleanup, and abatement of used tires and waste tires. An element of CalRecycle's waste tire program directs the department, in coordination with CalEPA, to develop projects in Mexico in the California-Mexico border region, as defined by the La Paz Agreement, that include education, infrastructure, mitigation, cleanup, prevention, reuse, and recycling projects that address the movement of used tires from California to Mexico that are eventually disposed of in California.



Further, the Legislature has authorized, until January 1, 2024, the imposition of a charge on purchasers of new tires in California of \$1.75 per new tire, which is collected by the retailer seller. Of that charge, approximately \$1.00 per tire is designated to fund the waste tire program.

#### STAFF COMMENTS

The California Tire Recycling Act of 1989 (AB 1843) authorized the creation of the Tire Recycling Program and the California Tire Recycling Management Fund. As noted above, a fee is assessed on the sale of new tires, and collected revenue is deposited quarterly into the tire fund for the purpose of mitigating the impact of waste and reusable tires in California. According to the Department, fewer than an estimated 50,000 waste tires remain stockpiled., and In 2013 over 87 percent of tires in California were diverted from landfills through various means including export of waste and used tires (29%), retreading and other reuse (16%), products using ground or crumb rubber (19%), and combustion using tire-derived fuel (20%).and reuse. Though CalRecycle has been successful in mitigating large stockpiles in most of California, waste tires continue to threaten the Tijuana River Valley due to the illegal dumping of waste tires on the Mexico side of the border.

Staff notes that several technical experts and nonprofit organizations believe that the best and most effective way to mitigate the effect of waste tires upon the Tijuana River Valley is by mitigating waste tires in Mexico before they become filled with trash, infested by disease carrying vectors and carried into California by seasonal rains.

The State has previously funded the mitigation of environmental issues in Mexico that affect California, in particular staff points to the Los Laureles Canyon Feasibility Study. The Coastal Conservancy funded this feasibility study for the restoration of riparian habitat in the Mexican Los laurels Canyon to improve the hydrology of the Tijuana River and reduce the amount of sediment traveling into California following a flash flood event.

Staff suggests that the Subcommittee may wish to approve placeholder trailer bill language to make the necessary statutory changes to allow CalRecycle to undertake a pilot project to mitigate waste tires in areas of the Tijuana River Valley Watershed that could eventually flow into California.

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**Staff Recommendation: Approve placeholder trailer bill language to fund a pilot project to be administered by CalRecycle that allows CalRecycle to work with third-parties, including non-profits, to identify waste tire flows and to conduct cleanup on both sides of the border.**

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**INFORMATIONAL ITEM: BEVERAGE CONTAINER RECYCLING FUND - UPDATE ON FUND CONDITION****BACKGROUND**

California Beverage Container Recycling Fund. The BCRF is a depository for processing fees, fines, and redemption values paid by the certain bottle distributors subject to the California Beverage Container Recycling and Litter Reduction Act. Generally, the funds are used to administer litter reduction and recycling efforts. Due to the state's high recycling rate (85 percent) and mandated program payments, expenditures for the BCRF have exceeded revenues by \$100 million in three of the last four fiscal years and by nearly \$29 million in the past fiscal year. The Governor's proposal this past year to make substantial reforms to the program lacked stakeholder consensus and ultimately failed.

**STAFF COMMENTS**

Because the most recent Department estimates for when the cash balance of the BCRF will permanently fall below the prudent reserve have been extended to after 2017-18, the Administration did not re-introduce another major reform in the 2015-16 budget. The Committee may wish to ask the Department for an update on the Fund Condition and the status of discussions with stakeholders on a longer term fix to the problem.

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**Staff Recommendation: Informational Item**

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## **8570 DEPARTMENT OF FOOD AND AGRICULTURE**

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The Department of Food and Agriculture budget is \$384 million, which represents less than a two percent decrease from last year. Most of the Department's budget is special funds, with \$76 million of the proposed total funding coming from General Fund.

### **ISSUE 1: CALIFORNIA ANIMAL HEALTH AND FOOD SAFETY LABORATORY SYSTEM AUGMENTATION**

The Governor's Budget requests \$4,250,000 in General Fund authority for 2015-16 and \$4,374,000 ongoing for the California Animal Health and Food Safety (CAHFS) laboratory system's baseline deficiency, and additional resources required to operate the new South Valley Animal Health Laboratory (SVAHL) in Tulare, to prevent, detect, and respond to animal health disease outbreaks.

Specifically, the funding request is as follows:

- \$3,074,000 in 2015-16 and ongoing for the CAHFS laboratory system to address its existing baseline deficiency caused by unfunded University of California (UC) personnel cost increases for health care, pensions and salaries; and
- \$1,176,000 in 2015-16 and \$1,300,000 ongoing to fund additional operating expenses and seven UC staff needed for the new SVAHL in Tulare, which is scheduled to open in February 2016.

### **BACKGROUND**

Chapter 1536, Statutes of 1982 (Assembly Bill 2772) required the Secretary of CDFA to contract with the UC Regents and the UC Davis School of Veterinary Medicine to establish and operate poultry and livestock disease diagnostic laboratories for the purpose of conducting tests and examinations for, and diagnoses of, livestock and poultry diseases. This was done to ensure that California maintained an accurate and rapid diagnostic testing capability for foreign and emerging animal diseases. This agreement also ensured that the laboratory system was accountable to the CDFA and California's livestock and poultry industries, and that the priorities within the laboratory system would not shift to other areas with different objectives, such as research funded by other government agencies and private entities.

Today, CAHFS is comprised of a network of four veterinary diagnostic laboratories with 137.2 positions located statewide. The main laboratory, located on the UC Davis campus, provides oversight for the entire laboratory system. The Turlock and Tulare laboratories provide testing services to thousands of animal-producing farms throughout the San Joaquin Valley, and the San Bernardino laboratory provides diagnostic services to Southern California, including surveillance for high-consequence diseases that enter from Mexico. In addition, all laboratories provide services to thousands of hobby and backyard animal owners, as this is the population most at risk for introduction of an emerging or foreign animal disease.

As part of the UC system, CAHFS is subject to the UC's policies and procedures, including decisions made by the Regents of the University which affect the costs associated with laboratory operations (these include employee compensation, benefits, and mandatory

expenditure surcharges). Funding for CAHFS is budgeted as a line item in the CDFA's Budget Act appropriation. Although CAHFS is subject to UC mandated cost adjustments, there is no current mechanism in place for making these adjustments to the CDFA's Budget Act appropriation for CAHFS. Consequently, CAHFS has been forced to absorb UC mandated staff and faculty employee compensation and benefit increases.

Unfunded salary and benefit increases are a net reduction to CAHFS' overall budget. In 2009-10, CAHFS experienced a projected \$2 million shortfall due to unfunded cost increases. In an effort to remain within the budget, CAHFS was forced to close the Fresno laboratory and reduce services at the Davis and San Bernardino laboratories, resulting in the elimination of 29 positions and 22 personnel layoffs. In 2014-15, CAHFS received a one-time General Fund augmentation of \$1,000,000 as a temporary measure to help offset some of these costs while a long-term funding solution was developed.

CDFA's Division of Animal Health and Food Safety Services (AHFSS) Division, which includes the CAHFS laboratory system, provides the state's only resource to prevent, detect, contain, and eliminate livestock and poultry disease outbreaks of greatest concern. Outbreaks of concern are limited to those that an individual producer and their veterinarian cannot contain, will devastate animal and/or human health, and will result in a complete disruption of trade to animal and animal product movement.

The resources required to meet this mission are not found at the local level or in any other state or federal agency, but rather, are consolidated at the state level within the CDFA and CAHFS. These resources are highly specialized and respond to fairly rare, but extremely high consequence events such as outbreaks of avian or swine influenza that carry genetic markers indicating they can mutate to a pandemic form of the virus; anthrax which can occur naturally in livestock but if handled incorrectly, can lead to very serious public health consequences; foot and mouth disease which is currently the most contagious virus in the world; or one of the other 61 emergency conditions that trigger an immediate state response. The laboratory and response staff, with the unique skill set required to deal with these emergencies, do not exist at the local level or in any other state agency.

AHFSS must respond to events that could occur anywhere in the state, so laboratory facilities must be adequate to provide service to the entire state. The need for immediate detection is particularly true for viruses carried in large populations of animals or animals with close contact to humans because of rapid replication, risk of mutation, and public health threats.

Because pathogens that trigger a state emergency can replicate exponentially and can be easily moved with their host, on product, by carriers (fomites), and even be windborne, detection and initial containment must occur rapidly, making strategic prepositioning of certain assets, like laboratory facilities and foreign disease diagnosticians, critically important.

While animal agriculture, particularly backyard, local, and community-based agriculture, has grown in California, CAHFS costs related to salaries, health care, retirement, technology, diagnostic supplies, and equipment have also increased, forcing lay-offs and the closure of the CAHFS Fresno laboratory. These reductions, coupled with ongoing and increasing disease and contamination concerns, have jeopardized CAHFS' ability to detect diseases found in livestock and poultry that can have devastating impacts on human health, animal health, and the economy.

**STAFF COMMENTS**

This proposal requests \$3,074,000 in ongoing funding to address CAHFS' existing baseline deficiency due to unfunded UC cost increases. CAHFS, operating within the UC via a contractual agreement, is the state's only veterinary diagnostic laboratory system which provides critical services essential to California's early warning system to safeguard public health from food-borne pathogens, toxins, and diseases common to animals and humans. Although CAHFS is subject to the UC's policies and procedures, including UC mandated staff and faculty employee compensation adjustments, there is no mechanism to adjust the budget for these costs within either the UC system or the CDFA since CAHFS is budgeted as a line item within the CDFA's budget. As such, UC cannot pay for cost increases out of its operations budget because CAHFS is not part of its structure. The CDFA cannot include these UC mandated costs in its annual employee compensation and retirement adjustments because the positions are not budgeted within the CDFA.

UC mandated salary and benefit increases can no longer be absorbed by CAHFS' existing resources. CAHFS has redirected operating expense and equipment funds to absorb unfunded personnel cost increases. The inability to fund UC mandated personnel cost increases is a major contributing factor to the rapid erosion of this critical animal health and food safety infrastructure and resulted in layoffs and the ultimate closure of the Fresno Laboratory in 2009-10. Despite additional CDFA budget reductions in 2011-12 and 2012-13, CAHFS was able to avoid closing a second laboratory by not filling open positions, eliminating three permanent positions, deferring equipment purchases and facility maintenance, and drastically reducing efforts to develop new diagnostic methods or assays for new diseases. Industry reserves can no longer help leverage unfunded personnel costs, and CAHFS can no longer continue to defer maintenance and equipment purchases without directly impacting its ability to achieve its mission.

According to the Administration, without this augmentation, the Turlock Laboratory will be closed in 2015-16 to keep the system solvent. Loss of the Turlock laboratory could severely jeopardize the CDFA's ability to protect the safety and security of meat, poultry, dairy products and foods of animal origin; as well as to protect public and animal health through the detection and eradication of livestock and poultry diseases and dairy contamination incidents. Without the Turlock laboratory, California will lose animal disease surveillance in the northern and central San Joaquin Valley, an area with more than 270 million head of livestock and poultry, valued at over \$2.2 billion annually.

According to CDFA, the Secretary and staff has spent extensive time evaluating whether or not to re-open the CDFA contract with the UC Regents and the UC Davis School of Veterinary Medicine. CDFA concluded that the privileges the Department gets by the grandfathered nature of the contract (e.g., no overhead), the public safety benefits, and market confidence outweigh any potential costs savings or assumption of control.

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**Staff Recommendation: Approve as Budgeted**

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**ISSUE 2: FAIRS AND EXPOSITIONS - ALLOCATION AND TRAINING PROGRAM**

The Governor's Budget requests \$3,091,000 in General Fund authority for 2015-16 and \$3,086,000 on-going, and two positions for the Division of Fairs and Expositions (F&E) to sustain California's network of 78 fairs by providing operational and training support. Funding will provide operational support for 64 small to medium fairs class sizes I to IV+ and support an audit component to ensure fairs are adhering to state rules and regulations.

**BACKGROUND**

The aging inventory of fairground infrastructure in California includes more than 3,000 buildings on nearly 6,295 acres at various locations throughout the state. Most of the property was donated to the state or county to create the fair and to safeguard the property for the local community. Current market estimates of California's fairground property indicate the aggregate value of real estate and improvements exceeds \$1 billion.

For 76 years prior to 2009-10, funding support for fairs was generated through pari-mutuel horse racing licensing fees, a funding source established in 1933 that legalized gambling on horse racing. In addition to providing funding for the CDFA administration and oversight, fairgrounds' deferred maintenance, and training, funding was allocated to fairs via a fair allocation process administered by the CDFA's F&E Division. In 2009-10, the source of funds deposited in the F&E Fund changed from horse racing licensing fees to the General Fund due to the continuing decline of horse racing revenues. General Fund support sustained the fair industry until it was eliminated in 2011-12.

With the loss of \$32 million in General Fund support in 2011-12, oversight and support to fairs has been reduced due to lack of resources. With the lack of General Fund support, fairs are exploring all options to reduce expenses and increase revenues, including non-traditional business models.

The CDFA has a "Fairs on the Watch" program that monitors fairs that are fiscally challenged. While there are currently 15 fairs in the "Fairs on the Watch" program, without state support, it is expected that more fairs will be added due to their poor financial condition, increasing the possibility that fairgrounds may close.

**STAFF COMMENTS**

According to the Administration, without additional funding to help maintain operations, fairs may close. A fair closure will have financial impacts to the state, and local communities. In the event of a closure, state funding and resources will be required to cease operations and maintain the closed property. In addition to the loss of local jobs, abandoned facilities could result in deteriorated and blighted properties which would negatively impact local communities.

Due to their locations and facilities, many of the 76 fairgrounds are used for local and statewide emergency services including fire camps, cooling centers, and evacuation sites for humans and animals. During catastrophic events, agencies such as the Department of Forestry and Fire Protection, Governor's Office of Emergency Services, Bureau of Land Management, Department of Public Health, American Red Cross, and other emergency support groups utilize fairgrounds. Loss of these fairgrounds would jeopardize access to safe facilities needed to perform emergency service operations.

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**Staff Recommendation: Approve as budgeted**

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