

**ACTIONS****ASSEMBLY BUDGET SUBCOMMITTEE No. 3****RESOURCES AND TRANSPORTATION****Assemblymember Richard S. Gordon, Chair****MONDAY, FEBRUARY 7TH, 2011****STATE CAPITOL, ROOM 444****1 P.M.**


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**REGIONAL CONSERVANCIES AND WILDLIFE CONSERVATION BOARD**

The Wildlife Conservation Board serves as a major allocator of Bond and Special Funds for conservation purposes. Additionally, there are 9 different regional conservancies within the Resources Agency with the mission to conserve land, improve habitat, provide education and motivate economic growth in the region. Regional conservancies are largely funded through Resources Bond funds but also work with local partnerships to leverage non-state funds.

Below are all of the state's different regional conservancies:

1. California Tahoe Conservancy
2. State Coastal Conservancy
3. Santa Monica Mountains Conservancy
4. San Gabriel and Los Angeles Rivers and mountain Conservancy
5. San Joaquin River Conservancy
6. Baldwin Hills Conservancy
7. San Diego Conservancy
8. Coachella Valley Mountains Conservancy
9. Sierra Nevada Conservancy

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**ISSUE 1: WILDLIFE CONSERVATION BOARD PROPOSALS**

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**Governor's Budget:** The Wildlife Conservation Board (WCB) is requesting the following 4 capital outlay proposals:

1. **Funding for Development Program:** \$1 million from the Wildlife Restoration Fund to support grants for the board's Public Access Program.
2. **Habitat Conservation Fund:** \$21 million from the Habitat Conservation Fund for the Board to carry out mandates of the California Wildlife Protection Act of 1990.
3. **Habitat Conservation Fund Reappropriation:** Reappropriation of \$21 million from the 2007-08 budget act.
4. **San Joaquin River Conservancy Acquisitions and Public Access, Recreation and Environmental Restoration Proposition 84 Reappropriation:** Reappropriates the unencumbered balance of the Conservancy's 2008 appropriation.
5. **Proposition 84 NCCP Implementation- Reappropriation:** Reappropriation of the unencumbered balance of a \$25 million appropriation made from Proposition 84 in 2008.
6. **San Joaquin River Conservancy Proposition 40 Reappropriation:** Reappropriation of the unencumbered balance of the San Joaquin River Conservancy's Proposition 40 appropriation from 2003.

**Staff Comments:** Staff has no issues with these proposals. They are either technical in nature or appropriate funds that must be used for the purposes detailed above.

**Staff Recommendation:** Approve as budgeted.

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**ISSUE 2: REGIONAL CONSERVANCY PROPOSALS**

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The following proposals have been submitted by the different regional conservancies:

- 1. California Tahoe Conservancy – Implementation of the Environmental Improvement Program for the Lake Tahoe Basin:** \$15.8 million (\$393,000 Habitat Conservation Fund, \$594,000 Lake Tahoe License Plate Revenues, \$828,000 Prop 40 reversion, \$501,000 Prop 50 reversion, \$3.4 million reimbursements; and \$10 million from Federal Trust Fund) to continue the implementation of the Environmental Improvement Program. This program will include Water Quality/Stormwater Grants, Land Acquisitions, Watershed/Habitat Restoration, Urban Forestry and Fuels Management, and Public Access and Recreation.
- 2. Coastal Conservancy – Public Access Program:** \$1.6 million (Coastal Access Account, California beach and Coastal Enhancement Account, Violations Remediation Account in the State Coastal Conservancy Fund) to continue implementation of the Conservancy's Public Access, Education, and related Programs. Funds would be used to develop, operate and maintain public access-ways, including accepted offers to dedicate. Funds would be allocated as grants for educational and interpretive facilities, materials and events. Funds would also be used for studies, surveys and other activities needed to identify and evaluate resource enhancement, restoration or other Conservancy goals.
- 3. Coastal Conservancy – Federal Trust Fund Authority:** \$4 million increase in Federal Trust Fund authority to allow for the Conservancy to receive and expend anticipated Federal Funds.
- 4. Coastal Conservancy – Ocean Protection Council:** Reappropriation of unencumbered funds from the Conservancy's 2008-09 appropriation for the Ocean Protection Council.
- 5. Coastal Conservancy – Conservancy Programs; Reimbursement –** Reappropriation of all remaining unencumbered balances of funds that were originally appropriated to the Coastal Conservancy by the Budget act of 2008-09.
- 6. Santa Monica Mountains Conservancy – Capital Outlay and Local Assistance Grants:** Reappropriation of unencumbered balances of funds originally appropriated from the Conservancy Fund in 2006.
- 7. Santa Monica Mountains Conservancy – Acquisition and Local Assistance Grants:** \$578,000 from previously reverted Proposition 50 funds, reappropriation of Proposition 50 funds and \$997,000 from Proposition 84 funds for Acquisition and Local Assistance for the Upper Los Angeles River Watershed and Santa Monica Bay and Ventura County Coastal Watersheds.

8. **Santa Monica Mountains Conservancy – Santa Monica Mountains Zone and Rim of the Valley:** Appropriation of \$820,000 from the Conservancy Fund and a reappropriation of Proposition 50 funds originally appropriated in 2004 for Santa Monica Mountains Zone and Rim of the Valley Trail Corridor Projects.
9. **San Gabriel and Los Angeles Rivers and Mountain Conservancy – Proposition 84 Capital Outlay Grants:** \$6.7 million from Proposition 84 to implement authorized programs at the conservancy.
10. **Coachella Valley Mountains Conservancy – Land Acquisition:** \$8.8 million from Proposition 84 bond funds to implement land acquisition programs authorized at the conservancy.
11. **San Joaquin River Conservancy – Reimbursement Authority:** \$1 million in reimbursement authority to allow the Conservancy to expend funds granted to the Conservancy by the Wildlife Conservation Board.
12. **Baldwin Hills Conservancy – Acquisition and Improvement Program:** Reappropriation of the remaining balance of 2005 Proposition 40 funds and a reversion of \$504,000 of that appropriation.
13. **Sierra Nevada Conservancy – Proposition 84 Reappropriation:** Reappropriation of unencumbered Proposition Funds appropriated in the 2008-09 and 2009-10 budget acts.
14. **San Diego River Conservancy – No Proposals.**

**Staff Comments:** Staff has no issues with these proposals. Many of these requests are to reappropriate or appropriate anew bond funds to fund ongoing projects. For new appropriations, they are from either Bond funds or other special funds for their designated uses.

**Staff Recommendation:** Approve as budgeted

## 3790 – DEPARTMENT OF PARKS AND RECREATION

The mission of the California Department of Parks and Recreation is to provide for the health, inspiration, and education of the people of California by helping to preserve the state's extraordinary biological diversity, protecting its most valued natural, cultural and historical resources, and creating opportunities for high-quality outdoor recreation for current and future generations to enjoy.

As shown in the Charts below, the Budget for the Department is decreasing by roughly \$194 million while positions remain largely unchanged. This is primarily as a result of the spending down of available bond funds.

### Expenditures by Program

Code	Program	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
10	Support of the Department of Parks and Recreation	\$354,600	\$468,748	\$415,540
80	Local Assistance Grants	52,028	408,190	266,824
<b>Total Expenditures (All Programs)</b>		<b>\$406,628</b>	<b>\$876,938</b>	<b>\$682,364</b>

### Positions by Program

Code	Program	Actual 2009-10	Estimated 2010-11	Proposed 2011-12
10	Support of the Department of Parks and Recreation	3,094.6	3,264.5	3,267.3
80	Local Assistance Grants	-	-	-
<b>Total Personnel Years (All Programs)</b>		<b>3,094.6</b>	<b>3,264.5</b>	<b>3,267.3</b>

### Expenditures by Fund

Fund Code	Fund	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
0001	General Fund	\$120,720	\$121,170	\$118,966
0005	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund	15,108	21,797	4,085
0140	California Environmental License Plate Fund	2,875	3,157	3,131
0235	Public Resources Account, Cigarette and Tobacco Products Surtax Fund	7,818	10,980	9,024
0262	Habitat Conservation Fund	3,493	7,876	4,289
0263	Off-Highway Vehicle Trust Fund	75,240	112,300	94,267
0392	State Parks and Recreation Fund	118,080	122,049	136,203
0449	Winter Recreation Fund	297	371	369
0516	Harbors and Watercraft Revolving Fund	1,166	1,761	2,101
0786	California Wildlife, Coastal and Park Land Conservation Fund of 1988	-	11	-
0858	Recreational Trails Fund	6,450	23,613	8,726
0890	Federal Trust Fund	9,524	22,183	16,672
0995	Reimbursements	19,217	38,531	33,182
3077	California Main Street Program Fund	-	175	175

3117	Alternative and Renewable Fuel and Vehicle Technology Fund	1,206	-	-
6029	California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund	2,550	27,688	38,136
6031	Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002	222	445	371
6051	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006	22,611	362,607	212,545
6052	Disaster Preparedness and Flood Prevention Bond Fund of 2006	51	214	122
8017	California Missions Foundation Fund	-	10	-
<b>Total Expenditures (All Funds)</b>		<b>\$406,628</b>	<b>\$876,938</b>	<b>\$682,364</b>

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**ISSUE 1: PROPOSED BUDGET REDUCTIONS**


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**Governor's Budget:** The Governor's Budget is proposing to reduce the Department's budget by \$11 million 2011-12 and \$22 million ongoing. It is expected that this cut will result in the closure, or partial closure of various parks – the amount is unknown at this time. The Department is currently working with stakeholders and local communities to explore partnership opportunities.

**Staff Comments:** At the time of preparing this agenda, details on the Department's closure plan were not available. If these details continue to be unavailable at the hearing, the Department should be prepared to discuss the general approach and methodologies that they are taking when preparing this plan.

**Staff Recommendation:** Hold open.



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**ISSUE 2: EMPIRE MINE EROSION AND STORM WATER MEASURES**

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**Governor's Budget:** The Department is requesting a one year appropriation of \$11.595 million (\$7.4 million in State Park Recreation Fund, \$2.7 million in Proposition 84, and \$1.5 million in General Fund) and 8 permanent positions for the continued evaluation, analysis and implementation of remediation alternatives required at Empire Mine State Historic Park.

**Background:** Empire Mine SHP is the site of one of the oldest, largest, deepest, longest, and richest gold mines in California. Closed in 1956, the mining operations left the land contaminated with various dangerous chemicals, including arsenic, cyanide, mercury, thallium, manganese, and iron. In order to create a park, the state purchased the mine property from Newmont Mining Corporation in 1974 and assumed all rights and responsibility to the title, interest and responsibility for the free flowing of water from the Magenta Drain tunnel running beneath. The park consists of 856 acres containing many of the mine's buildings and the entrance to 367 miles of abandoned and flooded mine shafts.

As the owner of the Empire Mine lands, Parks was sued for alleged violations of the Federal Clean Water Act. The lawsuit was settled on January 13, 2006, through a consent decree in federal court. The consent decree requires Parks to immediately implement corrective measures to mitigate the impacts from toxic soils and contaminated surface water discharges to the local watershed. The project is also under order by the Department of Toxic Substances Control (DTSC) and the Central Valley Regional Water Quality Board.

Beginning in FY 2005-06, the state began providing funding to determine the presence of contaminants at the mine, and each year since has funded corrective measures. For the current FY, Parks was provided \$4.5 million to continue remediation efforts.

**Staff Comments:** Staff has no issues with this proposal. The Department is under order of the courts and the Department of Toxic Substances to remediate the site. To meet the court order, the Department entered into a mediation with the prior owner, Newman Mining Company, and discussion has now reached a point where Newmont seems willing to consider offering a lump sum settlement leaving the completion of the remediation work to the Department. In order to determine an accurate amount necessary to complete the remediation, the Department needs to conduct testing and analysis to develop a complete remediation action plan for which a final cost can be allocated.

**Staff Recommendation:** Approve as budgeted.

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**ISSUE 3: VEHICLE FLEET EMISSIONS RETROFIT**

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**Governor's Budget:** The Department is requesting a one year appropriation of \$1.8 million from the State Park and Recreation Fund to continue addressing the air quality standards on older diesel vehicles as set forth by the California Air Resources Board's On and Off Road Diesel Regulations.

Currently the Department has 22 vehicles, shown below, that need to be brought into compliance. Because of their age, the Department is proposing to replace, rather than retrofit, these vehicles.

<b>Number of Vehicles</b>	<b>Engine Model Years</b>
9	1960-1987
3	1988-2002
10	2003-2006

**Staff Comments:** While funding for this proposal can be used for general parks operations, staff recognizes that this proposal is appropriate to meet the requirements of the regulations. However, the Subcommittee may want to defer action without prejudice consistent with actions in other Departments on diesel regulatory compliance regulations.

**Staff Recommendation:** Deny without prejudice.

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**ISSUE 4: PROPOSITION 12 RELATED PROPOSALS**

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**Governor's Budget:** The Department is requesting two proposals funded from Proposition 12:

**Cultural Stewardship Program:** \$617,000 for critical projects to preserve and restore cultural resources in the State Park System. Grants from this program must be consistent with the Proposition and provide, "archaeological site stabilization or emergency excavation due to problems resulting from erosion, vandalism, or catastrophic impacts." This represents the balance of funding allocated for cultural stewardship from Proposition 12.

**Natural Heritage Stewardship Program:** \$21,000 for Natural Heritage Stewardship Grants for projects that restore and protect the natural features of the State Park System. These funds represent amounts previously reverted that are still earmarked for stewardship projects at California State Parks.

**Staff Comments:** Staff doesn't have any concerns with these proposals. These funds would be used for competitive grants in ongoing programs within the guidelines of the Bond. Additionally, these appropriations represent the final remaining funds from Proposition 12 and are available because prior projects either did not expend all of their funds or were not pursued.

**Staff Recommendation:** Approve as budgeted.

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**ISSUE 5: REAPPROPRIATIONS**

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**Governor's Budget:** The Department is requesting a reappropriation for all funds appropriated from Proposition 84 for deferred maintenance in 2007-08 and 2008-09. The Department states that this reappropriation is needed because projects funded by these appropriations were delayed by the Bond Freeze and will not be completed before the appropriations expire. The Department estimates that it has over \$1 billion in deferred maintenance need. Proposition 84 authorized \$100 million to be used by the Department to address some of these needs. Deferred maintenance type projects can range from repainting buildings to fixing leaking roofs.

**Additional Reappropriations:** Staff has been made aware by local governments that the following extensions of liquidation, reappropriations or appropriations anew are also needed:

- El Monte, Gibson neighborhood park -- \$600,000
- County of Inyo, Tecopa Hot Springs Park -- \$1,040,245
- City of Encinitas, Leucadia State Beach -- \$5,241,562 (2 separate requests)
- City of Encinitas, Recreational Grants -- \$426,471
- Boys and Girls Club of Hollywood -- \$2,153,000
- County of Sacramento, Recreational Grants -- \$671,396
- Rio Linda/Elverta RPD, Recreational Grants -- \$168,858
- Lassen County, Recreational Grants -- \$692,099
- Sutter County, Recreational Grants -- \$58,837
- City of San Jose, Per Capita Grants -- \$29,526
- City of San Jose, Roberti.Z'berg Harris Grants -- \$2,391,777
- Sierra County, Per Capita Grants -- \$817,000
- Los Angeles, Recreational Grants -- \$1,563,000
- Los Angeles, Local Projects -- \$2,365,000
- Los Angeles, Roberti-Z'berg Harris -- \$203,245
- Modoc County, Historical Courthouse Renovation -- \$559,707
- Modoc County, Canby Park -- \$99,000
- Modoc County, Adin Park -- \$173,250
- Amador County, Per Capita Grants -- \$628,866

**Staff Comments:** Staff has no concerns with the proposed reappropriations, extensions of liquidation, or appropriations anew. Due to the Bond Freeze, many projects experienced delays due to financing and/or construction times. By allowing these extensions, projects that are currently in process will be allowed to continue.

**Staff Recommendation:** Approve all listed reappropriations as budgeted.

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**ISSUE 6: OFF HIGHWAY VEHICLE RELATED PROPOSALS**

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**Governor's Budget:** The Department is requesting the following three proposals related to Off Highway Vehicles (OHV):

1. **Off-Highway Motor Vehicle Recreation (OHMRV) Storm Water Compliance:** \$2.0 million (\$1.8 million one-time and \$200,000 ongoing) from the OHV Trust Fund to fund compliance efforts for storm water pollution management, planning and compliance.

This proposal will develop systematic storm water management program guidelines, a statewide level storm water management plan, storm water training for management and staff, and individual storm water management plans for each State Vehicular Recreation Area (SVRA).

2. **OHMVR—General Plans:** \$7.4 million (OHV Trust Fund) in 2011-12 and \$1.75 in 2012-13 for consulting contracts to initiate and/or update general plans and Environmental Impact Reports for State Vehicular Recreation Areas and OHV park areas.

3. **OHMVR—Land Surveys and Acquisition Feasibility Studies:** \$1.2 million (OHV Trust Fund) to initiate and complete land surveys for State Vehicular Recreation Areas.

Funding for these surveys allows the Department to identify potential conflicts between SVRAs and neighboring communities and helps resolve discrepancies over land ownership and mineral and geothermal leasing rights on SVRA lands.

**Background:** The OHMVR Division of the Department is funded from gas tax revenues collected from fuel that is used in off-road vehicles for off road recreation. These funds can only be used for the benefit of off road recreation.

**Staff Comments:** Staff doesn't have any issues with these proposals. These funds can only be used for the benefit of off-road recreation and their proposed uses are consistent with efforts to reduce the impacts of SVRAs on the landscape and on neighboring communities.

**Staff Recommendation:** Approve as budgeted.

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**ISSUE 7: INCREASE PUBLIC RESOURCE ACCOUNT, CIGARETTE AND TOBACCO SURTAX FUND - PROPOSITION 99**

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**Governor's Budget:** The Department is requesting an increase of \$1.13 million in the Public Resources Account (PRA) Cigarette and Tobacco Products Surtax Fund. This increase will support statewide Resource Management Program activities that were previously supported by the State Parks and Recreation Fund (SPRF)-- which receives revenues generated by State.

**Background:** Parks' Proposition 99 funding supports statewide Resource Management Programs. From 2008-09 and 2009-10, Parks Proposition 99 funding was reduced by \$2.6 million. As a result of these reductions, other resources including State Parks and Receptions funds were used to support the Resource Management Program. In the 2010-11 budget year, there is a need to shift back to the use of Proposition 99 funds for this program so that park revenues can be dedicated to core activities.

**Staff Comments:** Staff has no concerns with this proposal as the increased appropriation of Proposition 99 funds will allow the Department to continue funding from SPRF for core Parks operations.

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**ISSUE 8: LOCAL ASSISTANCE RELATED PROPOSALS**

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**Governor's Budget:** The Department is requesting the following proposals related to their local assistance programs:

1. **Local Assistance Program:** The Department is requesting \$233.4 million for the local Assistance Programs from special, bond, and federal funds for grants to various agencies as follows:
  - a. **Habitat Conservation Fund - \$4.3 million:** Provides funding for grants for projects that are within the requirements of the Wildlife Protection Act of 1990;
  - b. **Off-Highway Vehicle Trust Fund - \$27.1 million:** Provide OHV gas tax funds for acquisition, development, planning, operation, maintenance, resource management, and restoration grants for off road vehicle areas;
  - c. **Recreational Trails Fund -- \$8.7 million:** Provides Federal funds for the Development of non-motorized trails;
  - d. **Federal Trust Fund -- \$9.3 million:** Provides Federal funds for statewide planning, and acquiring/developing outdoor recreation areas and facilities; and,
  - e. **Proposition 84 -- \$184 million:** Provides funding for competitive grants for local and regional parks.
2. **Reversion/Appropriations Anew Language for Proposition 40:** The Department is requesting various technical reversions and appropriations anew to allow existing Proposition 40 projects to continue.
3. **Reversion Language for Habitat Conservation Fund:** The Department is proposing to revert a portion of unencumbered balances in the Habitat Conservation fund appropriations for Fiscal years 2007-08 and 2008-09 that are no longer available for encumbrance or allocation. This proposal will allow the Department to use these funds for future local assistance expenditures.

**Staff Comments:** Staff has no issues with these three proposals. They generally make technical changes necessary to keep existing projects moving, allow for the Department to use existing funding for new projects or, appropriate Federal, special or bond funds for their required purposes.

**Staff Recommendation:** Approve as budgeted.

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**ISSUE 9: CAPITAL OUTLAY**

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**Governor's Budget:** The Department is requesting a total of \$23.4 million in non-general funds for the following parks related capital outlay projects:

1. **Statewide Budget Development.** The Governor requests \$150,000 (Proposition 84) to fund initial capital outlay project development phases.
2. **Donner Memorial State Park—Enhance Museum Exhibits.** The Governor requests \$169,000 (Proposition 84) to build an enhanced interpretive exhibit at Donner Memorial State Park.
3. **Statewide Opportunity to Purchase Pre-Budget Schematics.** The Governor requests \$250,000 (OHV Trust Fund) for purchase of property, appraisals, and capital outlay project development costs near current State Vehicular Areas.
4. **Heber Dunes SVRA Initial Development.** The Governor requests \$5.3 million (OHV Trust Fund) for initial phase for administration, maintenance and recreational facilities.
5. **Carnegie State Vehicular Recreation Area Road Construction.** The Governor requests \$6.6 million (OHV Trust Fund) to reconstruct and rehabilitate unpaved roads to meet current law requirements.
6. **Hollister Hills Vehicular Recreation Area Infrastructure and Rehabilitation.** The Governor requests \$416,000 (OHV Trust Fund) to rehabilitate campgrounds including installation of water and electrical system upgrades.
7. **State Park System Minor Capital Outlay Program.** The Governor requests \$508,000 (Proposition 12) for minor rehabilitation of parks including rehabilitation of the Emerald Bay State Park Eagle Point campground.
8. **Statewide Recreation Trails (Minor).** The Governor requests \$380,000 (Proposition 84) to improve trails within various units of the State Park System.
9. **Volunteer Enhancement Program—Minor Projects.** The Governor requests \$638,000 (Proposition 84) for rehabilitation and construction of various volunteer facilities including volunteer host sites within the State Park System.
10. **OHV Minor Capital Outlay Program.** The Governor requests \$9 million (OHV Trust Fund) to fund sixteen minor capital outlay projects at various State Vehicular Recreation Areas. These projects are for enhancements and improvements and include park operations, public access, energy efficiency and restoration (among others).

**Staff Comments:** Staff has no issues with these proposals. The proposals are consistent with the requirements of their funding sources and staff recommends that they be approved.

However, in light of the proposed closure plan, the Subcommittee may want to revisit this issue and amend their action if any of the projects on this list are from parks that will be closed.

**Staff Recommendation:** Approve as budgeted.



## 3860 – DEPARTMENT OF WATER RESOURCES

The Department of Water Resources protects, conserves, develops, and manages California's water. The Department evaluates existing water resources; forecasts future water needs and explores future potential solutions to meet ever-growing needs for personal use, irrigation, industry, recreation, power generation, and fish and wildlife. The Department also works to prevent and minimize flood damage, ensure the safety of dams, and educate the public about the importance of water and its efficient use.

### Expenditures by Program

Code	Program	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
10	Continuing Formulation of the California Water Plan	\$110,617	\$1,003,436	\$126,560
20	Implementation of the State Water Resources Development System	870,363	1,041,984	1,084,181
30	Public Safety and Prevention of Damage	413,360	1,063,496	317,082
35	Central Valley Flood Protection Board	4,802	5,363	5,561
40	Services	3,213	9,397	9,560
45	California Energy Resources Scheduling	3,724,335	3,357,057	2,057,862
50.01	Management and Administration	67,155	67,776	67,776
50.02	Distributed Management and Administration	-67,155	-67,776	-67,776
99	Loan Repayment Program	-2,752	-1,982	-1,988
<b>Total Expenditures (All Programs)</b>		<b>\$5,123,938</b>	<b>\$6,478,751</b>	<b>\$3,598,818</b>

### Personnel Years

Code	Program	Actual 2009-10	Estimated 2010-11	Proposed 2011-12
10	Continuing Formulation of the California Water Plan	306.2	335.5	335.5
20	Implementation of the State Water Resources Development System	1,733.0	1,678.1	1,784.1
30	Public Safety and Prevention of Damage	479.5	496.0	499.4
35	Central Valley Flood Protection Board	25.4	34.5	34.5
40	Services	21.5	25.9	25.9
45	California Energy Resources Scheduling	46.4	48.2	48.2
50.01	Management and Administration	481.2	505.0	503.0
50.02	Distributed Management and Administration	-	-	-
99	Loan Repayment Program	-	-	-
<b>Total Personnel Years (All Programs)</b>		<b>3,093.2</b>	<b>3,123.2</b>	<b>3,230.6</b>

### Expenditures by Fund

Fund Code	Fund	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
0001	General Fund	\$99,514	\$108,616	\$115,341
0115	Air Pollution Control Fund	-	296	315
0140	California Environmental License Plate Fund	300	299	318
0404	Central Valley Project Improvement Subaccount	702	709	709
0445	Feasibility Projects Subaccount	4	7	7

0446	Water Conservation and Groundwater Recharge Subaccount	-	125	125
0465	Energy Resources Programs Account	2,295	2,401	2,509
0502	California Water Resources Development Bond Fund	591,237	917,291	954,398
0506	Central Valley Water Project Construction Fund	-937	-237	-237
0507	Central Valley Water Project Revenue Fund	274,358	138,848	144,681
0543	Local Projects Subaccount	-	101	101
0544	Sacramento Valley Water Management and Habitat Protection Subaccount	7,578	8,024	26
0744	1986 Water Conservation and Water Quality Bond Fund	-	1,795	1,795
0790	1988 Water Conservation Fund	-	8,974	8,974
0793	California Safe Drinking Water Fund of 1988	472	2,315	2,315
0890	Federal Trust Fund	8,634	18,347	18,405
0940	Bosco-Keene Renewable Resources Investment Fund	-	20	-
0995	Reimbursements	25,722	47,099	48,971
3057	Dam Safety Fund	9,674	10,660	11,282
3100	Department of Water Resources Electric Power Fund	3,724,335	3,357,057	2,057,862
6001	Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Fund	668	1,027	1,027
6005	Flood Protection Corridor Subaccount	3,371	8,971	149
6007	Urban Stream Restoration Subaccount	-	2,207	32
6010	Yuba Feather Flood Protection Subaccount	1,870	2,370	1,724
6023	Water Conservation Account	1,156	21,051	1,238
6025	Conjunctive Use Subaccount	37	500	350
6026	Bay-Delta Multipurpose Water Management Subaccount	8,259	30,374	1,686
6027	Interim Water Supply and Water Quality Infrastructure and Management Subaccount	228	6,729	245
6031	Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002	11,750	89,843	8,278
6051	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006	162,849	801,703	40,805
6052	Disaster Preparedness and Flood Prevention Bond Fund of 2006	189,862	891,229	175,387
<b>Total Expenditures (All Funds)</b>		<b>\$5,123,938</b>	<b>\$6,478,751</b>	<b>\$3,598,818</b>

**ISSUE 1: FLOOD SAFE CALIFORNIA PROGRAM**

**Governor's Budget Proposal:** The Department is requesting a total appropriation of \$64,932,000 from Propositions 1E and 13 to fund ongoing FloodSAFE programs. This request includes three new permanent full-time positions and extension of three existing limited term positions through FY 2011-12.

Table 1 below is a summary of requested dollars and positions (in thousands). Funding requested in this proposal is in addition to FY 2011-12 baseline funding approved from the FY 2010-11 BCP.

	<b>Proposition 1E</b>	<b>Proposition 13</b>	<b>Total Funding (in Thousands)</b>
State Operations	\$11,625	N/A	\$11,625
Local Assistance	\$52,000	\$1,307	\$53,307
<b>Total Funding</b>	<b>\$63,625</b>	<b>\$1,307</b>	<b>\$64,932</b>
<b>Positions</b>	<b>6.0</b>	<b>0.0</b>	<b>6.0</b>

**Request Details:** The Flood SAFE program is divided between the following 4 different "functional areas" that focus on different areas of flood protection. As is noted below, this proposal requests funding for some of these functional areas.

- *Functional Area 1 – Emergency Response:* The goal of this functional area is to improve the state's flood forecasting and provide adequate materials and improved coordination with locals to quickly respond to flooding events. Examples of expenditures in this area include the deployment of rock material in the delta to be ready in the occurrence of levee failure; levee inspection improvements; improved flood forecasting; and outreach to local responders. To-date, this area has been appropriated \$82.2 million.

**There are no proposals in this area in the budget.**

- *Functional Area 2 – Operations and Maintenance:* The goal of this functional area is to make sure that levees, flood corridors, channels and other flood management facilities are maintained and are in working order. Examples of expenditures include inspections of 293 miles of DWR maintained levees, repair of 114 critical flood-damage sites, conducting vegetation management activities on the Sacramento River flood control projects, completion of sediment removal in the Yolo Bypass and Tisdale Bypass, and control system upgrades at the

Sutter Bypass Pumping Plants. To-date, this area has been appropriated \$10.9 million.

**There are no proposals in this area in the budget.**

- *Functional Area 3 – Floodplain Risk Management:* The goal of this functional area is to reduce the consequences of flooding by rivers by identifying floodplains to better inform local planning decision making. Examples of prior expenditures include floodplain mapping program, technical assistance to local agencies, building code updates, and 100/200 year Sacramento-San Joaquin floodplain maps. To date, this area has been appropriated \$11.1 million.

The Governor's budget is requesting \$6 million to continue floodplain evaluation and delineation studies in the Central Valley. With this proposal, total funding to this functional area to-date is \$11.1 million.

- *Functional Area 4 – Flood Projects and Grants:* This functional area contains the majority of FloodSAFE expenditures. The goal of this area is to repair, rebuild or construct new flood protection projects. Prior expenditures of the program include: urban area early implementation projects on the Feather River, Natomas Basin, Star Bend and Bear River; flood protection corridor program; Sacramento River Flood Control System and Delta Levee Flood Protection Program.

The Governor's Budget is requesting \$53.3 million (Propositions 1E, 13) to support: State-Federal Flood Control System Modifications (\$40 million); Floodway Corridor Program (\$7 million); Yuba Feather Flood Protection Program (\$1.3 million); North Delta Flood Control and Ecosystem Restoration Project (\$5 million). All of the funding in this proposal is for an ongoing expense. With this proposal, total to-date funding for the functional area is \$727 million.

- *Functional Area 5 – Evaluation and Engineering:* The goal of this functional area is to perform evaluations and assessments of the State-Federal Flood Control System in the Central Valley and the Delta. Prior expenditures in this area include the development of a GIS data base of the system, performing core samples of urban project levees, and various levee and hydrological analyses.

The Governor's budget is requesting a total of \$2 million in contract support for follow up efforts for the Delta Risk Management Strategy study. This proposal is an ongoing expense. To-date, total funding for this functional area including this proposal is \$63.3 million.

- *Functional Area 6 – Integrated Flood Management Planning:* The Goal of this functional area is to assess how to integrate all of the different flood facilities, operations and other projects into one system. Some examples of this area

include the issued draft of the California Water Plan Update 2009, five regional central valley flood protection planning forums, and working groups with local agencies. Funding for this functional area has been in place since 2007-08, primarily for the update of the California Flood Plan.

The budget is proposed to continue funding for the development of the FloodSAFE Conservation Strategy (\$575,000) which will provide a comprehensive environmental mitigation plan for the Central Valley Flood Protection Project. Additionally, the budget proposes \$3.1 million and 3 positions for ongoing staffing and costs associated with the development of the Central Valley Flood Protection Plan.

**Staff Comments:** To date, the Department has been appropriated roughly \$1.5 billion from various bond funds to support the different functional areas of FloodSAFE, with the majority of the funding being allocated for capital projects. All of the programs that are being proposed in this year's budget have had funding approved for them in prior years and this proposal represents a continuation of their activities. Funding in this proposal is spread state-wide and will drive improved flood protection for urban and rural areas. Staff does not have concerns with this proposal as the State is generally liable for damages incurred from flooding within the State Plan of Flood Control.

At the hearing, the Department should be prepared to present on the Program's to-date achievements and effectiveness in bringing regions throughout the state to acceptable flood control levels.

**Staff Recommendation:** Approve as budgeted.

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**ISSUE 2: IMPLEMENTATION OF BIOLOGICAL OPINIONS**

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**Governor's Budget:** The Department is requesting 18 new permanent full-time positions in FY 2011-12 which will be funded by the State Water Project at an estimated cost of \$2.550 million. Of this request, thirteen positions will be related to Sacramento-San Joaquin Delta Facilities, and will provide support to various program activities performed within the Bay-Delta Office (BDO) Fish Improvement Section. The remaining five positions are needed to carry out various program activities performed by the Department's Division of Environmental Services (DES), including two positions for Suisun Marsh Facilities and three positions for regulatory and operational compliance.

**Background:** The Bay-Delta Office (BDO) Fish Improvement Section requests 13 positions to implement new requirements under the National Marine Fisheries (NMFS) and US Fish and Wildlife Service (USFWS) Biological Opinion (BO) for the State Water Project (SWP) and Central Valley Project (CVP) Operations Criteria and Plan (OCAP) and the Department of Fish and Game (DFG) Incidental Take Permit (ITP). The requirements to improve survival of fish resources in the Delta-Suisun Marsh, and at SWP facilities must be implemented to address fish agency concerns with fish losses in order to continue export operations at the SWP and CVP. The requested positions will also support forthcoming activities of the Bay Delta Conservation Plan (BDCP) and the Delta Stewardship Council that are focusing on habitat conservation and alternative conveyance systems to improve fish protection and minimize the risk of system disruption due to levee failure.

For the Suisun Marsh, the Department requests two positions to implement new requirements under the NMFS and USFWS BOs, DFG ITP, the Central Valley Regional Water Quality Control Board (RWQCB) Basin Plan, the update to the Revised Suisun Marsh Preservation Agreement, and the California/Federal ESA. The EPI Branch is requesting two full-time Environmental Scientist positions. The request for these new positions is in response to the increased workload associated with permitting, mitigation, monitoring, restoration, and coordinating in the Suisun Marsh.

Lastly, for regulatory compliance, the Department requests three positions to provide support to DWR Legal, DWR O&M, Executive, and the State Water Contractors by connecting science generated through the Interagency Ecological Program (IEP) and other science programs to various legal and regulatory processes, and ensure compliance with all laws and regulations, including implementation of the Operations Criteria and Plan (OCAP). Two full-time Staff Environmental Scientist positions and one full-time Environmental Scientist staff position will provide support to DWR Legal, Operations and Maintenance (O&M), Executive, and the State Water Contractors by connecting science generated through the Interagency Ecological Program (IEP) and other science programs to various legal and regulatory processes, and ensure

compliance with all laws and regulations, including implementation of the Operations Criteria and Plan (OCAP).

**LAO Comments:** In their analysis of the Budget, the LAO is recommending that the Subcommittee reject 14 of 18 positions proposed in the Governor's January budget for improving State Water Project (SWP) compliance with wildlife-related regulations, for a savings of \$1.9 million (SWP funds). The LAO found that the SWP has generally been able to comply with these regulations at existing staffing levels up to now, and a limited number of additional staff is needed to address workload requirements associated with the regulations going forward.

**Staff Comments:** Staff feels that the LAO raises important issues and a more in-depth review of the proposal is warranted. Because this proposal does not directly impact the state of the General Fund, staff feels that it would be appropriate to defer action on this proposal until the spring.

**Staff Recommendation:** Deny without prejudice so that it can be considered again in the spring.

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**ISSUE 3: DELTA HABITAT CONSERVATION AND CONVEYANCE PROGRAM**

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**Governor's Budget:** The Department is requesting \$2.8 million from State Water Project funds to convert 15 limited-term positions provided in the 2009-10 budget for the Delta Habitat Conservation and Conveyance Program (DHCCP) activities to permanent full-time positions.

The Department originally had planned to complete an Environmental Impact Report (EIR) by December 2010; however, due to additional analysis being conducted for the Bay Delta Conservation Plan (BDCP), the planning and environmental phase is anticipated to conclude in late FY 2012. As a result, the design, construction, and operation and maintenance phases have been delayed. However, the existing 15 positions are required to continue with the efforts in support of the BDCP and eventual design and construction of DHCCP projects. Additional positions will be requested in a future BCP as the project moves into the design, construction, and operation and maintenance phases.

**Background:** The DHCCP was established in 2008 to implement a gubernatorial directive to address both water supply issues and environmental concerns related to the Delta through a conservation plan for the entire Delta. Specific goals of DHCCP include protecting and restoring Delta habitat and studying improved methods to reduce the impact of water conveyance on the Delta.

**LAO Comments:** LAO feels that it is premature to approve these positions on a permanent basis, since staffing requirements for the implementation phase beginning in 2012-13 are not yet known. Delaying the decision to make these positions permanent allows the Legislature and DWR to more accurately evaluate the staffing required for the implementation stage. As such, the LAO recommends that the existing 15 positions be reauthorized on a one-year limited-term basis to allow for completion of the planning stage. The Administration could then submit a budget request with the Governor's 2012-13 budget to address the staffing requirements for the implementation phase which will have by that time been more thoroughly evaluated and able to be justified.

**Staff Comments:** Staff generally agrees with the LAO's comments that permanent staffing may be premature since the Department will have a better idea of what their long range staffing needs are in 2012. Additionally, because the implementation of programs to improve the Delta is a top priority of the Legislature and these programs don't impact the immediate General Fund condition, staff feels that it would be appropriate to defer action on this proposal so that it can be reviewed more in depth in the spring with other Delta related proposals.

**Staff Recommendation:** Deny without prejudice so that it can be reconsidered in the spring.



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**ISSUE 4: MERCURY AND METHYL MERCURY MONITORING**

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**Governor's Budget:** The Department is requesting 4 new permanent positions at an estimated cost of \$900,000 funded by the State Water Project (SWP) for the Division of Environmental Services (DES). These positions are needed to carry out various activities for a Mercury Monitoring and Evaluation Group to support the Mercury Total Maximum Daily Load (TMDL) and Basin Plan Amendment (BPA) requirements imposed by the Central Valley Regional Water Quality Control Board (CVRWQCB).

Activities to be performed under this program include: develop in-house mercury expertise to support the evaluation of and minimization of mercury loading associated with DWR wetland restoration and water management activities and support a consolidated mercury evaluation and control program that will coordinate DWR programs and participate in collaborative studies with other agencies/project proponents.

**Background:** In April 2010, the CVRWQCB adopted a TMDL and BPA for the Control of Methylmercury and Total Mercury in the Sacramento-San Joaquin Delta Estuary (including the Yolo Bypass and the Cache Creek Settling Basin). The TMDL and BPA will become effective after USEPA approval in 2011. The implementation program focuses on reducing sources of both methylmercury and inorganic mercury which in turn should result in the reduction of fish methylmercury levels. Methylmercury sources include tributary inputs from upstream watersheds and within-Delta sources such as methylmercury flux from sediments in wetlands and open-water habitats, municipal and industrial wastewater, agricultural drainage, and urban runoff. The proposed amendments add site-specific fish tissue objectives for the Delta and Yolo Bypass north of the Delta and include a methylmercury and inorganic mercury control and evaluation program.

To achieve the fish tissue objectives, the implementation plan for the Delta Mercury Control Program consists of two phases. Phase 1 (which will begin immediately after USEPA adoption in 2011) includes unfunded mandates that require project proponents, including DWR, to complete characterization and control studies and undertake pilot projects to identify potential methylmercury control methods and evaluate the effectiveness, cost, and potential environmental effects of identified methylmercury control methods. Phase 1 is expected to last approximately nine years and includes a formal review of the program after seven years. Phase 2 begins after the Phase 1 Delta Mercury Control Program review and will require project proponents to implement management practices to reduce sources of both methylmercury and inorganic mercury. Full compliance with the methylmercury allocations and attainment of the new fish tissue objectives is required by 2030.

DWR is specifically identified in the Mercury TMDL implementation plan and will be required to participate in methylmercury monitoring and studies, evaluate practices to minimize methylmercury discharges, and implement newly developed management practices as feasible. These requirements touch on all areas of DWR water management. In particular, control studies are required for projects that discharge water to the Yolo Bypass, and Delta subareas; including wetland restoration, dredging operations; and water management such as flood conveyance, operations to maintain current or future salinity standards, and water deliveries. Open water allocations are assigned jointly to the State Lands Commission, the DWR, and the Central Valley Flood Protection Board. Open water allocations apply to the methylmercury load that fluxes to the water column from sediments in open-water habitats within channels and floodplains in the Delta and Yolo Bypass. New wetland, floodplain, and other aquatic habitat restoration and enhancement projects will be required to comply with the Program.

**Staff Comments:** This proposal does not clearly establish why the State Water Project is the most appropriate source of funding to fulfill this remediation. However, staff does note that aside from the General Fund, there are very limited funding options for this activity. In order to further consider what funding source is most appropriate for this proposal, staff feels that the Subcommittee should defer action on this item at this time.

**Staff Recommendation:** Deny without prejudice so that it can be considered again in the spring.

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**ISSUE 5: GROUNDWATER MONITORING PROGRAM**

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**Governor's Budget:** The Department is requesting \$3,963,000 to fund 5.0 existing positions for three years (\$1,321,000 each year for fiscal years 2011-12, 2012-13, and 2013-14) from Proposition 50, Chapter 7, Section 79550(d). The positions were established to implement the provisions for the groundwater monitoring program pursuant to enactment of SBX7 6 (Steinberg and Pavley) in November 2009.

DWR will conduct the following activities as specified in SBX7 6:

- Implement the prescribed procedures for determining responsible groundwater monitoring entities for purposes of monitoring and reporting groundwater elevations in all basins or sub-basins;
- Develop and refine standards for reporting of groundwater elevation data;
- Identify the extent of groundwater elevation monitoring occurring in each basin and sub-basin;
- Work with local agencies to develop and improve groundwater monitoring plans;
- Post and update on the Department's website the designated monitoring entities, extent of groundwater elevation monitoring, and the reported groundwater elevation data for each basin and/or sub-basin; and,
- Conduct an investigation of the state's groundwater basins and report its findings to the Governor and Legislature by January 1, 2012, and years ending in 0 and 5 thereafter.

**Staff Comments:** Staff doesn't have any issues with this proposal since it funds existing staff for activities required by SB X7 6.

**Staff Recommendation:** Approve as budgeted.

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**ISSUE 6: INFRASTRUCTURE REHABILITATION PROGRAM**

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**Governor's Budget:** This proposal requests \$966,000 in Local Assistance Groundwater Recharge Project Loan (Chapter 8, Article 4) and Infrastructure Rehabilitation Grant Program (Chapter 8, Article 5) funding from the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act (Proposition 13). This appropriation will provide the balance of loan and grant funding for DWR's construction contracts with the Pajaro Valley Water Management Agency and the City of Sanger.

**Background:** The following reversion was included in the Budget Act of 2006:

\$2,933,000: Fund 6023 – Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Act (Prop 13) – Water Conservation Account (3860-101-6023 Program 10.29).

This reversion exceeded the amount remaining from the Fiscal Year 2004-05 appropriation by \$569,000. All invoices have been paid, but Pajaro Valley and City of Sanger contract retentions are still outstanding. These retention amounts cannot be paid without a new appropriation.

DWR received an appropriation of \$6,908,000 for the Infrastructure Rehabilitation Program in the Budget Act of 2005. This funding was inadvertently allowed to revert on June 30, 2010. DWR still owes the City of Sanger a balance of \$397,000 for work on their Water Distribution System Improvement Project. This project will replace and upsize leaking, failing steel water lines in various locations throughout the City.

**Staff Comments:** Staff doesn't have any issues with this proposal. The request provides a technical reversion to align appropriations with actual need. Further, there is an additional appropriation for the City of Sanger that will allow the Department to pay in full the balance of a project that was initiated in 2005 with Proposition 13 funds.

**Staff Recommendation:** Approve as budgeted.

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**ISSUE 7: CALIFORNIA/NEVADA WATER ALLOCATION OF THE TRUCKEE RIVER**

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**Governor's Budget:** The Department is requesting \$1,450,000 in Federal Trust Funds over the 5 years – \$250,000 per year for the first four fiscal years (2011-12 through 2014-15) and \$450,000 in the fifth year, 2015-16. This reimbursement authority would allow the Department of Water Resources (DWR) to receive anticipated Truckee River Operating Agreement (TROA) grant funds to supplement funds from two prior federal appropriations. These funds will be used to pay DWR's share of any further TROA litigation and to support implementation of TROA in order to fulfill California's responsibilities under this agreement. At the request of the U.S. Bureau of Reclamation, DWR submitted a draft application for this grant, but it has not yet been finalized.

**Background:** The negotiation of a TROA was a continuation of many years of effort to resolve interstate Truckee River water disputes between interest groups in California and Nevada. Congress enacted Public Law 101-618, the Truckee-Carson-Pyramid Lake Water Rights Settlement Act, in 1990 as a Congressional apportionment of Truckee River waters among all water interests. Among other conditions, this Act required the parties on the river to negotiate a new operating agreement (TROA) before the provisions of PL 101- 618 can take effect. Five mandatory signatories were designated for negotiation and approval of TROA: the States of Nevada and California, the federal government (U. S. Department of Interior), the Pyramid Lake Paiute Indian Tribe, and the Truckee Meadows Water Authority.

The State of California and its four partners in TROA have agreed to begin preparation work in advance of the court's decision so that implementation can begin immediately upon conclusion of the case. If litigation is resolved in the next 5 years, the funding from this and prior federal grants will be used to support implementation activities in compliance with the mandatory provisions of TROA. When TROA goes into effect, DWR will also contribute 20% of the funding needed to support the TROA Administrator. This funding would come from a third grant that the U.S. Bureau of Reclamation anticipates will be designated for this purpose in this year's federal appropriations bill.

**Staff Comments:** Staff doesn't have any concerns with this proposal. The requested expenditure authority is for Federal funds that the Department anticipates that it will receive for Truckee River water allocation purposes.

**Staff Recommendation:** Approve as budgeted.

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**ISSUE 8: CRITICAL SUPPORT FOR THE CALIFORNIA STATE WATER PROJECT**

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**Governor's Budget:** The Department is requesting 123 new permanent full-time positions. All funding for these positions will be provided by the State Water Project (SWP) through the State Water Project Contractors (SWPC) at an estimated cost of \$14,669,000. Of that amount, approximately \$1,300,000 will be paid to the SWP by the United States Bureau of Reclamation (USBR) under the terms of the existing San Luis Joint Use Contract (for their share of expenses directly or indirectly related to the San Luis Joint Use Facilities, and for Suisun Marsh operations and maintenance under the Suisun Marsh Preservation Agreement). Additionally, an annual savings of at least \$10,000,000 will be realized by reversing the declining operational performance of the SWP.

The requested increase in staffing will be implemented over a planned 3-year period beginning with FY 2011-12. These additional positions will: 1) provide the Department of Water Resources (DWR) with the means for meeting new and expanded operational requirements mandated by various State and federal regulatory agencies, 2) help DWR maintain the aging State Water Project (SWP) infrastructure, and 3) improve State Water Project public and employee safety. As a result, these positions will help the SWP to remain in operation and deliver water to and for the benefit of the people of California in an environmentally responsible, safe, dependable, secure and cost-effective manner.

The Department cites a need for these positions because DWR faces regulatory challenges such as those imposed by the Federal Energy Regulatory Commission (FERC) on SWP water/energy operations and facility licensing. In addition, DWR faces physical challenges such as: 1) the age of SWP facilities, 2) the addition of new SWP facilities in Southern California, 3) diminishing and unpredictable water resources, and 4) increasing water demand.

**LAO Comments:** In their analysis of the Budget, the LAO has recommended that the subcommittee reject 33 positions requested for future years and deny without prejudice 84 of 90 positions requested for budget year because there has been limited explanation of how those positions would achieve regulatory compliance goals and serve to improve State Water Project (SWP) performance. Lastly, the LAO recommends approval of six positions requested to perform new activities required by the recent relicensing of the SWP's Oroville facilities.

**Staff comments:** The Department has demonstrated to staff that the proposed increase in staff could improve the ability of the Department to manage the State Water Project and prevent shut-downs that are the direct result of a lack of maintenance. By

improving management of the Project, the public would directly benefit from increased water deliveries.

Additionally, staff understands that the Department has considerable difficulty in retaining staff in these positions because salaries are not competitive with other utilities. Further challenging the Department, the statewide hiring freeze, personnel cap and furloughs that were instituted by the prior Administration all directly impact SWP staff. At the hearing, the Department should discuss how salaries and personnel directives have impacted retention of SWP staff and how this impacts current operations. The Department should also comment on whether their staffing needs could be addressed with existing staff if retention issues were resolved.

Because of the size of the request staff recommends that the Subcommittee hold off action until spring so that it can look at what would be the most effective strategy to improving the management of the State Water Project. This review should include retention issues such as hiring freezes and compensation levels along with the larger request to increase staff.

**Staff Recommendation:** Deny without prejudice so that it can be considered again in the spring.

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**ISSUE 9: DRINKING WATER QUALITY PROGRAM – PILOT PROJECTS**

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**Governor's Budget:** The Department requests \$5.0 million in local assistance funds from Proposition 50, Chapter 6, Water Code §79545 (b&c) [collectively as Chapter 6 (b) and (c)] for the Drinking Water Quality Program – Pilot Projects. This funding is for competitive grants for pilot and demonstration projects for treatment and removal of seven specific contaminants, as well as for drinking water disinfection projects using ultraviolet technology and ozone treatment.

This proposal also requests that local assistance funds be appropriated as multi-year funds (2 years to encumber and 2 years to liquidate). This approach provides the Department of Water Resources (DWR) some flexibility to address the complex nature of this program and its scheduling and funding time frame concerns.

DWR's Safe Drinking Water Office (SDWO) has been delegated to implement Proposition 50, Chapter 6 (b) & (c) that provides \$50 million to fund competitive grants for projects as follows:

**Background:** Chapter 6 (b) - Pilot and demonstration projects for treatment or removal of the following contaminants:

- (1) Petroleum products, such as MTBE and BTEX;
- (2) N-Nitrosodimethylamine (NDMA);
- (3) Perchlorate;
- (4) Radionuclides, such as radon, uranium, and radium;
- (5) Pesticides and herbicides;
- (6) Heavy metals, such as arsenic, mercury, and chromium; and,
- (7) Pharmaceuticals and endocrine disrupters (includes nitrate)

CDPH, as the financing and administrative agency for Proposition 50, Chapter 3 (Water Security) and Chapter 4 (Safe Drinking Water), contracts with DWR staff to provide administrative and fiscal support programs through an interagency agreement. Correspondingly, DWR serves as the financing and administrative agency for Chapter 6 (b) and (c), and the technical and environmental review of applications and claims for payment are contracted with CDPH through an interagency agreement.

**Staff Comments:** Staff doesn't have concerns with this proposal. Drinking water contamination is fundamental statewide problem and these funds are dedicated by the bond act to fund competitive grants for pilot and demonstration drinking projects.

**Staff Recommendation:** Approve as budgeted.



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**ISSUE 10: CAPITAL OUTLAY**

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**Governor's Budget:** The Department is requesting a total of \$121.7 million in funding for the following flood related capital outlay projects:

1. **Feather River Early Implementation Project:** \$11.1 million from Proposition 1E for one of the four remaining years of construction on the project. An additional \$136.8 million is estimated for the rest of the remaining three years of the project. This proposal will provide 200 year flood protection for significant portions of the Sutter-Yuba basin.
2. **American River Flood Control Project Common Elements:** \$9.7 million from Proposition 1E and Reimbursements for one of the remaining five years of construction for the American River Flood Control Project common Elements. Total project cost is estimated to be \$358.6 million and will improve the level of flood protection for Sacramento.
3. **West Sacramento Project:** \$2.9 million from Proposition 1E and Reimbursements for the north slip repair of the West Sacramento Project in participation with the U.S. Army Corps of Engineers. This request will secure \$7 million in federal funds and \$700,00 in local funds.
4. **West Sacramento Project (General Reevaluation Report):** \$2 million from Proposition 1E and Reimbursements to fund the non-federal share of participation with the West Sacramento Area Flood Control Agency and the U.S. Army Corps of Engineers through completion of the West Sacramento Project General Reevaluation Report to reevaluate the feasible flood protection alternatives which fit into the State Plan of Flood Control and provide 200 year flood protection for West Sacramento.
5. **Mid Valley Levee Reconstruction Project:** \$3.95 million from Proposition 1E and Reimbursements to fund the Mid Valley Area, Phase III Levee Reconstruction Project. This request will secure \$10.95 million in federal funds and 41.09 million in local funds.
6. **Yuba River Basin Project:** \$728,000 from Proposition 1E and Reimbursements to fund the reevaluation of the feasible flood protection alternatives which fit into the state plan of flood control and provide 200-year flood protection for the communities of Marysville, Linda, Olivehurst, Arboga, and surrounding agricultural areas.
7. **Marysville Ring Levee Reconstruction Project:** \$2 million from Proposition 1E and Reimbursements to fund Yuba river basin, Marysville Ring Levee Project design and construction, phases 2 through 4.

8. **South Sacramento County Streams:** \$5.38 million from Proposition 1E and Reimbursements to fund the South Sacramento County Streams Project that will improve South Sacramento's flood protection from 50 year to 200 year.
9. **Sutter Basin Feasibility Study:** \$1.28 million from Proposition 1E and Reimbursements to fund a feasibility study for Sutter Basin Project that would provide 200 years of flood protection to the urban areas within Sutter county.
10. **Rock Creek-Keefer Slough Feasibility Study:** \$290,000 from Proposition 1E and Reimbursements to fund a feasibility study for improved flood protection for the County of Butte.
11. **West Stanislaus County, Orestimba Creek Project:** \$1.89 million from Proposition 84 and Reimbursements to fund flood protection improvements for the city of Newman to increase their flood protection from a 25 to a 200 year level.
12. **Folsom Dam Modifications Project:** \$39.1 million from Proposition 1E and Reimbursements to continue construction of the Folsom Dam Modifications Project. The Project will enhance the flood release capability of Folsom Dam and increase the level of protection from flooding to Sacramento. The Federal, State, and local shares of the estimated costs are \$543.9 million, \$205 million, and \$87.8 million respectively. This request secures \$72 million in federal and \$11.7 million in local funds.
13. **Frazier Creek/Strathmore Creek Feasibility Study:** \$290,000 from Proposition 1E and Reimbursements to fund flood protection feasibility study for the City of Strathmore and surrounding areas in Tulare County.
14. **White River/Deer Creek Feasibility Study:** \$302,000 from Proposition 1E and Reimbursements to fund 200 year flood protection feasibility study for urbanized areas within the Country of Tulare and an appropriate level for surrounding areas. This study also investigates opportunities for ecosystem restoration and recreation facilities in Tulare County.
15. **Merced County Streams Project, Bear Creek Unit:** \$676,000 from Proposition 1E and Reimbursements to reevaluate the feasible flood protection alternatives within Merced County.
16. **Lower San Joaquin River:** \$2.2 million from Proposition 1E and Reimbursements to fund to conduct a feasibility study for providing 200 year protection for the Stockton, Lathrop, and Manteca areas, and a level appropriate for the surrounding vicinity within San Joaquin County.
17. **Systemwide Levee Evaluations and Repairs:** \$38 million from Proposition 1 to continue funding for repairs of known levee defects and erosion sites and new sites

where deficiencies are found. Of this funding, \$8.6 million will support 43 existing positions.

**Staff Comments:** Staff doesn't have any concerns with these proposals. The Department's capital outlay budget generally represents the on-the-ground work that the Department is doing to improve flood protection in the State. Furthermore, all of these projects fit within the intended uses of their respective bond funds and also leverage local and federal funds.

**Staff Recommendation:** Approve as budgeted.

## 8570 – DEPARTMENT OF FOOD AND AGRICULTURE

The California Department of Food and Agriculture protects and promotes California's \$37 billion agriculture industry. California's farmers and ranchers produce a safe, secure supply of food, fiber, and shelter. These commodities are marketed fairly for all Californians and produced with responsible environmental stewardship.

The goals of the California Department of Food and Agriculture are to:

- Ensure that only safe and quality food reaches the consumer;
- Protect against invasion of exotic pests and diseases;
- Promote California agriculture and food products both at home and abroad;
- Ensure an equitable and orderly marketplace for California's agricultural products; and,
- Build coalitions supporting the state's agricultural infrastructure to meet evolving industry needs.

As shown by the charts below, the Governor is proposing to reduce the Department's budget by a total of \$18 million over last year's budget. This includes a General Fund Reduction of nearly \$25 million partnered with increases in special and federal funds.

### Expenditures by Program

Code	Program	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
11	Agricultural Plant and Animal Health; Pest Prevention; Food Safety Services	\$188,832	\$221,146	\$232,346
21	Marketing; Commodities and Agricultural Services	49,713	61,272	60,426
31	Assistance to Fair and County Agricultural Activities	35,744	37,611	5,701
41.01	Executive, Management and Administration Services	15,824	13,186	15,252
41.02	Distributed Executive, Management and Administration Services	-14,876	-12,045	-14,076
51	General Agricultural Activities	56,383	61,869	65,102
<b>Total Expenditures (All Programs)</b>		<b>\$331,620</b>	<b>\$383,039</b>	<b>\$364,751</b>

### Personnel by Program

Code	Program	Actual 2009-10	Estimated 2010-11	Proposed 2011-12
11	Agricultural Plant and Animal Health; Pest Prevention; Food Safety Services	1,097.6	1,344.5	1,299.0
21	Marketing; Commodities and Agricultural Services	326.7	501.1	501.1
31	Assistance to Fair and County Agricultural Activities	18.5	19.6	19.6
41.01	Executive, Management and Administration Services	196.8	205.6	205.6
41.02	Distributed Executive, Management and Administration Services	-	-	-
51	General Agricultural Activities	13.9	14.8	14.8
<b>Total Personnel Years (All Programs)</b>		<b>1,653.5</b>	<b>2,085.6</b>	<b>2,040.1</b>

**Expenditures by Fund**

<b>Fund Code</b>	<b>Fund</b>	<b>Actual 2009-10*</b>	<b>Estimated 2010-11*</b>	<b>Proposed 2011-12*</b>
0001	General Fund	\$122,747	\$124,089	\$99,146
0044	Motor Vehicle Account, State Transportation Fund	5,431	6,533	6,612
0111	Department of Agriculture Account, Department of Food and Agriculture Fund	93,877	122,416	123,322
0124	California Agricultural Export Promotion Account	4	10	10
0191	Fair and Exposition Fund	4,218	4,766	4,876
0192	Satellite Wagering Account	473	1,978	1,993
0422	Drainage Management Subaccount	-	1,178	1,178
0516	Harbors and Watercraft Revolving Fund	3,162	3,309	3,749
0601	Department of Agriculture Building Fund	-4	-	-
0890	Federal Trust Fund	78,540	99,005	107,187
0995	Reimbursements	8,821	12,614	9,852
3010	Pierce's Disease Management Account	13,292	5,928	5,595
3034	Antiterrorism Fund	529	519	537
3101	Analytical Laboratory Account, Department of Food and Agriculture Fund	530	500	500
8055	Municipal Shelter Spay-Neuter Fund	-	194	194
<b>Total Expenditures (All Funds)</b>		<b>\$331,620</b>	<b>\$383,039</b>	<b>\$364,751</b>

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**ISSUE 1: GENERAL FUND REDUCTIONS FOR THE DEPARTMENT**

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**Governor's Budget.** The Governor's Budget is proposing the following two significant reductions for the Department that total \$47 million in General Fund Savings.

- First, the Governor's Budget reduces the Department General Fund support by \$15 million. The details of this reduction are not specified at this point and there is direction by the Administration to the Secretary of Agriculture to hold a consortium with stakeholders to determine how these reductions will be achieved; and,
- Second, the Budget proposes to eliminate state support, \$32 million (General Fund), from the statewide network of California fairs. In total, there are 78 fairs, comprised of 52 District Agricultural Associations, 23 county fairs, two citrus fruit fairs and the Cal-Expo-State Fair.

**Staff Comments:** The Department has commented to staff that it is working on its plan to meet the proposed \$15 million cut but details for the plan most likely will not be public by the time of the hearing. The majority of the Department's General Fund expenditures are located in their Agricultural Plan and Animal Health: Pet Prevention and Food Safety Programs. This program is essentially dedicated to preventing the introduction of serious plant and animal pests and disease to California and to protect California's dairy industry. At the hearing, the Department should discuss how it is approaching this reduction and whether there are some programs currently funded by the General Fund that could be partially or fully supported by beneficiaries to offset these reductions.

Furthermore, California's network of County Fairs and Agricultural Associations are funded primarily from two sources: First, fairs are able to use 100% of the revenues that they generate for their activities. These funds are considered "off-budget" and aren't appropriated by the Legislature; Second, California has recently begun to support the fairs with \$32 million from the General Fund. This funding had historically been provided from horse racing revenues but a policy action taken in the 2009-10 budget to improve the fiscal state of horse racing enterprises shifted this cost to the General fund. The Department has commented that they estimate that 50-70 fairs would be in jeopardy of closing from this cut.

Staff notes that the Subcommittee would have to take an affirmative action to add back General Fund if they wanted to reject the cuts. Because there is still limited information on the proposed General Fund reduction to the Department's budget, staff recommends that the Subcommittee take no action on this part of the proposal so that this issue can be decided upon once a full plan is presented.

With regards to the proposed reduction to California fairs, staff recommends that the Subcommittee adopt the proposed reduction. While this proposal will create hardships for many of the state's fairs, this reduction is appropriate in light of the general fund condition and since many of these fairs have some ability to generate their own revenue.

**Staff Recommendation:** Approve elimination of General Fund for Country Fairs as budgeted.

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**ISSUE 2: VARIOUS PEST RELATED PROPOSALS**

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**Governor's Budget.** The Department is requesting \$637,000 in ongoing Federal Fund authority to fund support increased Country for Origin Labeling reviews as required, and funded by the Federal Government.

Additionally, the Department is requesting a total of \$34.5 million in Federal Fund expenditure authority and a total of 48 3-year limited term, and 61 temporary positions to support the following pest eradication activities:

- 1. Asian Citrus Psylid and Guanglonging Mitigation Program:** \$15 million in Federal Funds to support 38, 3-year limited term positions and 61 temporary positions.
- 2. The European Grapevine Moth Mitigation Campaign:** \$12 million in Federal Fund authority and 10 3-year limited term positions to continue the European Grapevine Moth mitigation campaign.
- 3. Light Brown Apple Moth:** \$7.5 million in Federal Fund authority to continue surveys, delimitation, control and regulatory activities to contain the Light Brown Apple Moth.

**Staff Comments:** Staff has no issues with these proposals. These federal funds are available for what often becomes a General fund expense. Additionally, the Department has confirmed with staff that this funding will fund no aerial spraying activities.

**Staff Recommendation:** Approve as budgeted.

## 3930 DEPARTMENT OF PESTICIDE REGULATIONS

The Department of Pesticide Regulation (DPR) administers programs to protect the public health and the environment from unsafe exposures to pesticides. The Department: (1) evaluates the public health and environmental impact of pesticides use; (2) regulates, monitors, and controls the sale and use of pesticides in the state; and (3) develops and promotes the use of reduced-risk practices for pest management. The Department is funded primarily by an assessment on the sale of pesticides in the state.

The Governor's Budget includes \$82.1 million (no GF) for support of the DPR, an increase of approximately \$6.6 million, or 8 percent, over current year expenditures. This increase is almost entirely in special funds.

### Expenditures by Program

Code	Program	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
10	Pesticide Programs	\$66,696	\$75,515	\$82,142
20.01	Administration	8,875	9,977	10,366
20.02	Distributed Administration	-8,875	-9,977	-10,366
<b>Total Expenditures (All Programs)</b>		<b>\$66,696</b>	<b>\$75,515</b>	<b>\$82,142</b>

### Positions by Program

#### PERSONNEL YEARS BY PROGRAM [Back to Top](#)

Code	Program	Actual 2009-10	Estimated 2010-11	Proposed 2011-12
10	Pesticide Programs	285.5	315.4	315.4
20.01	Administration	84.0	83.4	83.4
20.02	Distributed Administration	-	-	-
<b>Total Personnel Years (All Programs)</b>		<b>369.5</b>	<b>398.8</b>	<b>398.8</b>

### Expenditures by Fund

#### EXPENDITURES BY FUND [Back to Top](#)

Fund Code	Fund	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
0106	Department of Pesticide Regulation Fund	\$63,818	\$67,849	\$74,352
0140	California Environmental License Plate Fund	458	461	469
0168	Structural Pest Control Research Fund	-	180	138
0399	Structural Pest Control Education and Enforcement Fund	-	382	390
0775	Structural Pest Control Fund	-	4,058	4,195
0890	Federal Trust Fund	1,971	2,269	2,282
0995	Reimbursements	449	316	316
<b>Total Expenditures (All Funds)</b>		<b>\$66,696</b>	<b>\$75,515</b>	<b>\$82,142</b>



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**ISSUE 1: ENHANCEMENT OF THE CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE ANALYTICAL CHEMISTRY SERVICES.**

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**Governor's Budget:** The Department requests \$2.6 million from the Department of Pesticide Regulations Fund (DPR Fund) to enhance the California Department of Food and Agriculture's (CDFA) pesticide analysis capabilities. Of this amount, \$603,000 is one-time and \$1.9 million is ongoing.

**Background:** The Department utilizes the laboratory to conduct chemical analysis of pesticide residues on in produce and in the environment (such as indoor or outdoor locations, in fields). The results of these analyses serve not only as the basis for registration and enforcement actions, but for the development of mitigation

**Staff Comments:** Staff doesn't have any concerns with this proposal since the Department of Food and Agriculture has traditionally provided services for the Department. Staff understands that current equipment is outdated and the proposed augmentation will help replace current equipment but also add analysis capacity to the lab for the Department. At the hearing, the Department might want to comment on how this new equipment will improve their analysis capabilities. Additionally, the Subcommittee may want the Department of Food and Agriculture to be present during this hearing since this augmentation will increase their lab's capacity to provide analysis for DPR.

**Staff Recommendation:** Approve as budgeted.

## 3360 – CALIFORNIA ENERGY RESOURCE CONSERVATION AND DEVELOPMENT COMMISSION

The Energy Resources Conservation and Development Commission (commonly referred to as the California Energy Commission or CEC) is responsible for forecasting energy supply and demand; developing and implementing energy conservation measures; conducting energy-related research and development programs; and siting major power plants.

**Governor's Budget:** The Governor's Budget includes \$386.2 million (No GF) for support of the CEC, a decrease of approximately \$196 million, due primarily to decreases in special funds.

### Expenditures by Program

Code	Program	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
10	Regulatory and Planning	\$32,636	\$41,182	\$40,503
20	Energy Resources Conservation	312,060	104,040	68,729
30	Development	267,879	440,238	280,050
40.01	Policy, Management and Administration	15,963	21,760	22,621
40.02	Distributed Policy, Management and Administration	-15,963	-21,760	-22,621
99	Loan Repayments	-8,800	-2,921	-3,067
<b>Total Expenditures (All Programs)</b>		<b>\$603,775</b>	<b>\$582,539</b>	<b>\$386,215</b>

### Positions by Program

Code	Program	Actual 2009-10	Estimated 2010-11	Proposed 2011-12
10	Regulatory and Planning	126.8	142.4	139.4
20	Energy Resources Conservation	110.6	124.4	117.7
30	Development	172.3	183.6	179.8
40.01	Policy, Management and Administration	156.9	176.2	172.6
40.02	Distributed Policy, Management and Administration	-	-	-
99	Loan Repayments	-	-	-
<b>Total Personnel Years (All Programs)</b>		<b>566.6</b>	<b>626.6</b>	<b>609.5</b>

### Expenditures by Fund

Fund Code	Fund	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
0033	State Energy Conservation Assistance Account	\$15,727	\$6,632	\$1,422
0044	Motor Vehicle Account, State Transportation Fund	139	141	140
0381	Public Interest Research, Development, and Demonstration Fund	77,371	126,304	43,300
0382	Renewable Resource Trust Fund	48,090	72,282	69,814
0429	Local Jurisdiction Energy Assistance Account	-	1,577	-
0465	Energy Resources Programs Account	52,140	65,911	69,004
0479	Energy Technologies Research, Development and Demonstration Account	-1	2,411	447

0497	Local Government Geothermal Resources Revolving Subaccount, Geothermal Resources Development Account	202	6,008	1,557
0890	Federal Trust Fund	279,278	85,837	57,594
0995	Reimbursements	653	5,820	5,820
3062	Energy Facility License and Compliance Fund	2,510	8,699	7,003
3109	Natural Gas Subaccount, Public Interest Research, Development, and Demonstration Fund	23,628	42,220	24,000
3117	Alternative and Renewable Fuel and Vehicle Technology Fund	104,038	158,697	106,114
<b>Total Expenditures (All Funds)</b>		<b>\$603,775</b>	<b>\$582,539</b>	<b>\$386,215</b>

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**ISSUE 1: EXTEND LIMITED TERM SEP-ARRA POSITIONS.**


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**Governor's Budget:** The Governor requests to an additional 10 month extension of 9 limited term positions. Extending the term of these positions will enable the Energy Commission to continue to manage and close out activities implementing the State Energy Program (SEP), funded under the American Recovery and Reinvestment Act of 2009 (ARRA). The positions provide administrative and technical support to implement and administer the SEP portion of ARRA. In order to meet all federal requirements for funding oversight, staff will be needed to monitor activities and close out various programs to provide adequate information to federal oversight agencies.

**Staff Comments:** Staff has no issues with this proposal since these positions are supported by federal funds and will serve oversight roles for the expenditure of ARRA funds.

**Staff Recommendation:** Approve as budgeted.

## 8660– PUBLIC UTILITIES COMMISSION

The California Public Utilities Commission (PUC) is responsible for the regulation of privately owned "public utilities," such as gas, electric, telephone, and railroad corporations, as well as certain video providers and passenger and household goods carriers. The PUC's primary objective is to ensure adequate facilities and services for the public at equitable and reasonable rates. The PUC also promotes energy conservation through its various regulatory decisions.

The Governor's Budget proposes \$1.4 billion to support the CPUC in the budget year. This is approximately \$170 million more than estimated expenditures in the current year. This is due to a large increase in the Universal Lifeline Telephone Service Trust Administrative Committee Fund, a special fund. The Commission does not receive any General Fund support.

### Expenditures by Program

Code	Program	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
10	Regulation of Utilities	\$637,011	\$722,158	\$758,577
15	Universal Service Telephone Programs	440,743	514,670	648,081
20	Regulation of Transportation	21,366	21,207	21,463
30.01	Administration	26,191	30,362	30,573
30.02	Distributed Administration	-26,191	-30,362	-30,573
<b>Total Expenditures (All Programs)</b>		<b>\$1,099,120</b>	<b>\$1,258,035</b>	<b>\$1,428,121</b>

### Positions by Program

Code	Program	Actual 2009-10	Estimated 2010-11	Proposed 2011-12
10	Regulation of Utilities	658.6	660.4	669.1
15	Universal Service Telephone Programs	25.3	14.7	17.6
20	Regulation of Transportation	167.0	166.5	166.5
30.01	Administration	137.1	134.5	134.5
30.02	Distributed Administration	-	-	-
<b>Total Personnel Years (All Programs)</b>		<b>988.0</b>	<b>976.1</b>	<b>987.7</b>

### Expenditures by Fund

Fund Code	Fund	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
0042	State Highway Account, State Transportation Fund	\$3,764	\$3,562	\$3,610
0046	Public Transportation Account, State Transportation Fund	3,909	4,008	4,055
0412	Transportation Rate Fund	2,314	2,665	2,695
0461	Public Utilities Commission Transportation Reimbursement Account	11,294	10,972	11,103
0462	Public Utilities Commission Utilities Reimbursement Account	81,619	84,549	83,750
0464	California High-Cost Fund-A Administrative Committee Fund	39,969	57,570	56,339

0470	California High-Cost Fund-B Administrative Committee Fund	39,640	49,897	47,711
0471	Universal Lifeline Telephone Service Trust Administrative Committee Fund	227,942	280,067	375,006
0483	Deaf and Disabled Telecommunications Program Administrative Committee Fund	59,546	60,000	69,028
0491	Payphone Service Providers Committee Fund	-	73	72
0493	California Teleconnect Fund Administrative Committee Fund	73,147	42,000	75,094
0890	Federal Trust Fund	2,265	3,029	3,947
0995	Reimbursements	19,760	64,669	62,869
3015	Gas Consumption Surcharge Fund	510,122	546,929	584,763
3089	Public Utilities Commission Ratepayer Advocate Account	23,330	22,982	23,248
3141	California Advanced Services Fund	499	25,063	24,831
<b>Total Expenditures (All Funds)</b>		<b>\$1,099,120</b>	<b>\$1,258,035</b>	<b>\$1,428,121</b>

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**ISSUE 1: CALIFORNIA ADVANCED SERVICES FUND EXTENSION/EXPANSION.**

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**Governor's Budget:** The Governor requests an increase of 3 positions and \$24.8 million from the California Advanced Services Fund (CASF) to extend the existing CASF program of grant awards for broadband deployment projects (previously the CASF program was due to sunset at the end of 2012).

The proposal would (1) establish a new Regional Broadband Consortia Grant Account within CASF to fund efforts to encourage broad band deployment activities throughout the state; and, (2) expand the CASF by establishing a new Broadband Infrastructure Revolving Loan Account Program to help program applicants fund capital costs of broad band facilities not funded by federal or state grants.

**Staff Comments:** Staff has no issues with this proposal since it implements SB 1040 (Padilla) and has no General Fund cost.

**Staff Recommendation:** Approve as budgeted.

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**ISSUE 2: STATE BROADBAND DATA AND DEVELOPMENT GRANT PROGRAM AMERICAN REINVESTMENT AND RECOVERY ACT (ARRA) GRANT**

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**Governor's Budget:** The Governor requests an increase of 4 limited-term positions and \$1.6 million from the Federal Trust Fund pursuant to augmentations of CPUC's ARRA grant for the State Broadband and Development Grant Program. The total augmented grant award is \$5.6 million for a performance period set to end in September 2014.

**Staff Comments:** Staff has no issues with this proposal since requested positions are supported by Federal Funds and are needed to implement the increased ARRA grant received by the Department.

**Staff Recommendation:** Approve as budgeted.

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**ISSUE 3: DIABLO CANYON SEISMIC STUDY PEER REVIEW PANEL.**

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**Governor's Budget:** The Governor requests an increase of \$500,000 in reimbursable consultant services, which will be reimbursed by PG&E. This will allow the CPUC to enter into a limited-term contract with a technical consultant to perform analysis of seismic studies at Diablo Canyon Power Plant per recommendations of Chapter 722 of 2006 (AB 1632, Blakeslee).

**Staff Comments:** This proposal would have the Commission contract with a private entity to support an analysis of seismic issues at Diablo Canyon Power Plant. The Subcommittee may want consider having the PUC return in the spring with a proposal to contract with the Department of Conservation for this purpose since they have expertise on the issue and likely could perform the functions for a lower cost than a private entity.

**Staff Recommendation:** Deny. Request the CPUC return in spring with a proposal that includes a proposal to include other state agencies in the peer review panel as well as options for using state expertise for the seismic study contract.

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**ISSUE 4: NATURAL GAS DISTRIBUTION SAFETY PROGRAM.**

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**Governor's Budget:** The Governor requests the an increase of 4 positions and \$498,000 (\$249,000 Public Utilities Reimbursement Account and \$249,000 Federal Trust fund) to improve the safety of natural gas distribution systems in California. This request is in response to the September 9, 2001 pipeline failure in San Bruno as well as new regulations enacted by the Federal Department of Transportation, Pipeline, Hazardous Material Safety Administration.

**Staff Comments.** Following the San Bruno accident, the Commission was granted the positions requested in the proposal for the current year only through a Section 28 Letter to the Joint Legislative Budget Committee. While this proposal would make these positions permanent, questions remain about the appropriate level of funding for this program. The Subcommittee may wish to approve this proposal now, but revisit the issue in the spring to see if additional positions might be necessary.

**Staff Recommendation:** Approve as budgeted.

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**ISSUE 5: MODERNIZATION OF THE ELECTRIC GRID (ADVANCE ENERGY STORAGE).**

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**Governor's Proposal:** The Governor requests 2 positions and \$229,000 to develop and implement advanced energy storage (AES) to serve the state's peak demand more cost-effectively as part of the need to comply with the Federal Government's Energy Independence and Security Act of 2007 (EISA). Title XIII of EISA requires states consideration of new standards and protocols for smart grid technologies including AES technologies. Implementing a Smart Grid system with energy storage will move the electric grid and customer service from a "static" to "dynamic" state to improve the efficiency and reliability of the electric delivery systems. AES technologies will support the modernization of the grid and the integration of renewable energy resources such as wind and solar into a Smart Grid Infrastructure to achieve the 33-percent renewables goal by 2020.

**Staff Comments.** Legislation in 2010 (AB 2514, Skinner) required the commission to open a rulemaking procedure on advanced energy storage. This proposal was submitted prior to the signing of that bill and therefore does not include the full legislative intent of the bill. For example the bill analysis estimated that additional positions and about \$1 million would be required to implement the legislation.

Staff doesn't have any issues with this proposal as there is clear workload justification following the passage of AB 2514.

**Staff Recommendation:** Approve as budgeted.