

**ACTIONS****ASSEMBLY BUDGET SUBCOMMITTEE NO. 3****RESOURCES AND TRANSPORTATION****PART II****Assemblymember Richard S. Gordon, Chair****WEDNESDAY, MAY 25, 2011****9:00 A.M. - STATE CAPITOL ROOM 444**

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**CONSENT****(4-0)****Department of Forestry and Fire Protection (CAL FIRE)**

1. **Prop 40 Reappropriation, Technical Correction.** The Governor requests reappropriation of Proposition 40 funds (Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund) for hazardous fuels reduction and urban forestry projects. This funding was originally appropriated in the 2008 Budget Act. However, because of the bond freeze, the Department of Forestry and Fire Protection was unable to fully expend the funds. A BCP was approved for FY 2010/2011 to reappropriate the funds, but a technical error in the Budget Act language only indicated the funding to be available for liquidation. Due to this error, CAL FIRE has been unable to expend or encumber these funds. (April Finance letter)
2. **Capital Outlay-acquisition of the Blanchard Forest Fire Station.** The Governor requests \$300,000 for the acquisition of the Blachard Forest Fire Station and adjacent property. CAL FIRE has operated the Blachard Forest Fire Station since 1944 under a long-term lease, which is set to expire on December 31, 2012. The owner of the property is putting the property up for sale. Acquisition of this site is needed to maintain the current level of emergency response service in this area. (April Finance letter)
- 3.
4. **Capital Outlay-relocation of Shasta-Trinity Unit Headquarters.** The Governor requests \$200,000 for acquisition of a purchase option for a new site for the relocation of the Shasta-Trinity Unit Headquarters. The Shasta-Trinity Headquarters was constructed in 1938 on state-owned property located outside the City of Redding, but due to urbanization, is located in the city's core. This has resulted in increased response times. The Department recently located a site that would appear to be well-suited for the relocation. A purchase option for a new site is needed while the necessary project evaluations are completed and future funding is secured. (April Finance letter)

**Department of Fish and Game**

1. **Reimbursements, Capital Outlay.** The Governor requests \$1,404 million in Reimbursement Authority for the first phase of a new Salmon Conservation and Research Facility, which consists of preliminary plans and working drawings. This facility will contribute to the reintroduction of Chinook salmon to the San Joaquin River (SJR) and fulfill the Departments commitment under a State-Federal MOU for the SJR Restoration Program. Funding would be provided by Prop 84. (Governor's May Revision proposal.)

## Coastal Conservancy

- 1. Conforming Supplemental Reporting Language.** The Subcommittee approved the Governor requests to decrease funding from the State Coastal Conservancy Fund of 1976 (Fund 0565) by \$2.4 million and provide an equivalent increase from Proposition 84 bond funds (split between two accounts) for support funding. The Senate approved this item with the following supplemental reporting language:

*On or before January 10, 2013, the State Coastal Conservancy shall submit a long-term plan for the State Coastal Conservancy spanning a 10-year period starting in 2013-14. The plans shall include funding needs should no new bond funds be made available, staffing reduction plans, and options for continued support for core functions (including the Ocean Protection Council).*

**Staff Comments.** The use of bond funds to supplant support costs raises concerns about the long-term viability of the State Coastal Conservancy when bond funds inevitably run out. Without a long-term funding source, the Coastal Conservancy may not be able to support its current staffing levels and activities, including those related to the Ocean Protection Council.

**Staff Recommendation:** Approve Senate SRL.

## Public Utilities Commission

- 2. Public Safety Risk Assessment.** The Governor requests an increase of \$1,072,000 from the PUC Reimbursement Account and redirection of 4 positions from the Workforce Cap Reduction to develop, implement, and maintain a risk analysis-based public safety program to review and identify public safety risks in the gas and electric utilities sector. CEC's regulatory approach to safety has focused on compliance with state and federal mandates through spot inspections, near-misses, and after-the-fact investigations. This proposal would instead develop a model that applies risk analysis, plus independent and objective measures to reduce safety risks, and test the likely success rate of a risk management strategy. In light of the San Bruno natural gas transmission pipeline failure, staff supports PUC's request to develop and implement a risk-based safety program for gas and electric utilities. No increase in current utility fees will be required to fund the Public Safety Risk Assessment and Analysis Unit. (Governor's May Revision proposal.)

1.

**Department of Toxic Substances Control**

- 1. Clandestine Drug Lab Cleanup Fund Shift.** The Governor is proposing a one-time reduction of \$802,000 General Fund for the Clandestine Drug Lab Cleanup (CDLC) Program in fiscal year 2011-12. According to the Department, there is sufficient expenditure authority in the pending Budget Bill to support the CDLC Program on a one-time basis with funds in the Illegal Drug Lab Cleanup Account. This reduction is necessary to address the remaining budget shortfall. The DTSC Emergency Response Program (ERP) provides hazardous materials emergency response support to state and local agencies. One Key element of ERP provides emergency cleanup of hazardous materials and contaminated lab equipment found at illegal drug labs (primarily methamphetamine labs). The number of lab responses conducted has substantially dropped since 2002 due to federal legislation funding enhanced enforcement activity and establishing tight restrictions on the availability of drug lab equipment and drug precursor chemicals need to make methamphetamine. (Governor's May Revision proposal.)

## VOTE ONLY

### Department of Fish and Game

1. **Automated Data License System—Reappropriation.** The Governor requests to reappropriate \$2,944,000 from the Fish and Game Preservation Fund and \$975,000 from the Hatchery and Inland Fisheries Fund to realign funding for the Automated License Data System (ALDS) with the current project schedule. The ALDS, which began in 2007, is an automated licensing system that will replace the Department of Fish and Game's current paper-based licensing system. The ALDS included a multi-year project funding plan that was spread over seven years. The reappropriation is needed because of previous project delays. (4-0)

### California Conservation Corps

1. **Reappropriations Delta Service District Center.** The Governor requests \$27,480,412 reappropriation from the Public Buildings Construction Fund for the Delta Service District Center Acquisition and Construction. This project would construct a CCC residential facility to accommodate 111 corpsmembers and would replace the Stockton facility. The project was delayed when the 2008 Pooled Money Investment Board suspended interim financing loans. Interim financing necessary to complete design has since been secured for this project. Reappropriation will permit the project to continue in fiscal year 2011-12. (4-0)
2. **Various Reimbursement Contracts.** The Governor requests an expenditure augmentation to the Collins Dugan Reimbursement Account appropriation of \$3,322,000 to enable the California Conservation Corps (Corps) to support the following contracts for corpsmembers to implement energy and landscape related projects:

Portland Energy Conservation Inc.—\$812,000 for 2011-12

California Volunteers—\$1.6 million each year for 2011-12 and 2012-13 and \$607,000 for 2013-14

Department of Transportation—\$882,000 for 2011-12 and \$533,000 for 2012-13

Reimbursements from these contracts will be deposited into the Collins Dugan Reimbursement Account to support the Corps' workforce development program that provides young adults with job, education, and life skills by serving the state through resource conservation and energy efficiency activities. (4-0)

3. **Statewide Trails Program.** The Governor requests a two-year augmentation of \$105,000 to the Collins Dugan Reimbursement Account appropriation to fund related expenses for the continuation of a partnership between CCC and DPR to develop a pilot Statewide Trails Program. Parks received funding for this purpose through the federal land and water conservation program, and this request will extend this pilot program for another two years. (4-0)

### Department of Parks and Recreation

1. **Fleet Emissions Retrofit.** The Governor 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. The Governor also issued Executive Order B-2-11 on January 28, 2011, which requires state agencies to conduct an analysis of their fleets and equipment and submit the analysis to the Department of General Services (DGS). Non-essential vehicles must be sold or transferred within 120 days of the plan's approval. The executive order requires the Department of Finance to adjust departmental budgets to reflect any savings. If the Department reduces its fleet pursuant to the order, there could be some resulting savings from reduced vehicle replacement. Direct the Department to bring the issue back at a future hearing if the Administration identifies a fleet reduction and Parks savings as a result of the executive order. (3-1)
2. **Proposition 99 Funding.** The Governor requests an increase of \$98,000 in the Public Resources Account Cigarette Tobacco Products Surtax Fund. This increase will support statewide Resource Management Program activities that were previously supported by the State Parks and Recreation Fund due to previous Prop 99 reductions. There are sufficient funds to support this requested augmentation because of an increase in projected revenue. (4-0)

### Energy Commission

1. **California Solar Initiative.** The Governor requests \$250,000 to provide a two-year extension for limited-term staffing to continue implementation of the on-going solar electric system mandates of SB 1 (Murray), Statute of 2006. SB 1 mandated the development and ongoing implementation of a program to dramatically expand the number of energy efficient, solar-powered buildings in California. SB 1 invested \$3.5 billion of public funds over 10 years for this purpose. The utilization of two existing vacant positions until June 30, 2013 is needed to satisfy the ongoing responsibilities of the Energy Commission consistent with the mandates of SB 1. Further, the continuing work of these two positions will contribute strongly to meeting Governor Brown's Clean Energy Jobs Plan to make new homes and commercial buildings in California "zero net energy." (3-1)

### Department of Toxic Substances Control

1. **Expedited Remedial Action Program.** The Governor requests \$731,000 from the Expedited Site Remediation Trust Fund to reimburse Santa Cruz Metro for the orphan share associated with its remediation activities at the Greyhound Site in the City of Santa Cruz. Additionally, the proposal requests inclusion of Budget Bill language authorizing the Department of Toxic Substances Control to increase expenditures if costs for the Santa Cruz remediation exceed the current estimate or if remediation activities at the

Golden State Technology site are completed earlier than anticipated. The Greyhound and Golden State Technology sites are the only two sites designated to receive orphan share funding that have not obtained funds. Work at the Greyhound Site is completed and work continues at the Golden State Technology site. Funds in the Expedited Site Remediation Trust Fund come from fines and penalties paid by violators of hazardous substance cleanup statutes. The Fund has a balance of over \$2.9 million to pay orphan shares. (4-0)

### Department of Food and Agriculture

1. **Reappropriations.** The Governor requests reappropriation of two projects: the Animal Health and Food Safety Laboratory in Tulare and the Yermo Border Protection Station. The Yermo Project reappropriation is for \$47.483 million, for all phases – Acquisition, preliminary plans, working drawings, and construction. The project is in the working drawings phase. The Tulare project request reappropriates the balances in the working drawings, construction, and equipment phases. Those balances are \$44.397 million. The project is still in the preliminary plans phase. Both of the above would be paid out of the Public Buildings Construction Fund (i.e., lease-revenue bonds) (4-0)

### Department of Water Resources

1. **Critical Support for the California State Water Project.** On May 4, 2011, the Subcommittee approved 87 positions for SWP regulatory compliance, safety, and maintenance and denied 33 future year positions, based on LAO's recommendation. The LAO has recently revised its proposal. According to LAO, it "recommended withholding approval of three positions for AB 32 implementation (one Associate Hydroelectric Power Utility Engineer and two Senior Hydroelectric Power Utility Engineers), pending the submission of a zero-based budget for AB 32 expenditures statewide. Although that budget has since been submitted, these positions were not included in that budget, apparently on the basis that they would not be assisting with the administration of AB 32 program implementation. Rather, these positions--characterized by the Administration as for purposes of "AB 32 compliance"--are being requested to increase the portion of renewable energy in the State Water Project's (SWP's) portfolio. After further review, we find that these positions have been justified on a workload basis and we now recommend that they be approved." (3-1)
2. **Davis Dolwig Cost allocation study.** The Subcommittee heard this issue on May 4, 2011. The Committee concurred with the LAO recommendation that this budget request be denied because there are outstanding legal questions that need to be resolved before cost responsibility for SWP components can be determined. Therefore, staff concurs with LAO's recommendation that in order to facilitate resolution of the legal questions, an alternative study by an independent third-party contractor be conducted. That third party should consist of, at a minimum, an academic with legal expertise, such as a University of California law professor. Specifically, we recommend that existing SWP contracting



authority be used fully to pay for the study, and that the proposed budget bill language be amended as follows:

*The Secretary of Natural Resources shall convene a working group consisting of the Department of Water Resources, key legislative staff, Department of Finance, the Secretary for Natural Resources staff, LAO, and the State Water Contractors to determine a long-term viable solution that addresses concerns laid out in the LAO's March 19, 2009 report on Funding Recreation in the State Water Project. In its review, the working group may an independent third-party legal review of the Davis-Dolwig cost-allocation issues relating to the State Water Project within appropriate Department of Water Resources funding sources, if necessary, to determine, at a minimum: (1) what legal constraints, if any, exist to proscribe the California Legislature's ability to revise the Davis-Dolwig statute, with specific attention to the contracts signed by the department with the SWP contractors and to the SWP bond covenants; (2) whether such legal constraints conflict with the Legislature's authority to make laws and to set its expenditure priorities through its constitutionally granted authority to make appropriations; (3) how any such legal conflicts can be reconciled; and (4) what options exist to resolve the issues. For any contract entered into for this purpose, the Department of Water Resources shall submit the task order for the contract to the working group for its review and concurrence in the tasks and the working group shall meet with the independent third-party before its review begins, to set the parameters of the study, and after, to move forward under a common understanding of available reform options as developed by study's authors.. The contractor shall work in periodic consultation with working group when performing its analysis. The department shall submit this analysis to the budget committees, and relevant policy committees of both houses of the Legislature, no later than December 31, 2012.*

*The group shall meet a minimum of three times between July 1, 2011 and April 1, 2012. The department shall provide a report, in person, to the subcommittee in 2012 budget hearings on the working group's proposals for long-term solutions for funding recreation in the State Water Project. (4-0)*

- 3. State Water Project – Fish and Wildlife Enhancements and Recreation.** The Subcommittee heard this issue on May 4, 2011. As in the previous item, the Committee concurred in holding off on the state share of funding for this project until a new proposal for funding recreation at the state water project is brought forward. The Committee concurred with the LAO recommendation that this budget request be denied because taking action on it is premature until a more comprehensive analysis of the costs and benefits of various repair alternatives are conducted. Such analysis would afford the Legislature the opportunity to make an informed policy decision about the extent of recreation at the Lake Perris site. Because there are several possible alternatives for approaching repairs at Lake Perris, and the choice of repair alternative depends in part on the extent to which this SWP facility should continue to serve both recreational and water supply purposes. **Staff Recommendation.** Deny Proposal (4-0)

**Department of Forestry and Fire Protection**

1. **Fire Protection Permanent Funding.** The Subcommittee heard this issue on February 10, 2011. The Department is requesting permanent funding of \$42.8 million from the General Fund and 73.4 positions related to the Aviation Management Unit, the Very Large Air Tanker, Victorville Air Attack Base, San Diego Helitack, Aviation Asset Coordinator, Lake Tahoe Basin (Basin) Fire Engine and Staffing, Defensible Space Program and CAL Card Support. Staff concurs with LAO's findings that the BCP has merit and has been adequately justified. (4-0)
2. **Hemet Ryan Air Attack Base.** The Subcommittee heard this issue on February 2, 2011. The Governor's budget is requesting budget bill language in the 2011-12 Budget to authorize a lease for an Air Attack Base at the Hemet-Ryan Airport. Beginning in 2012-13, the annual cost to the state of the lease will be up to \$1.6 million (General Fund). Under the proposal, the Air Attack Base would be built by Riverside County and the state would enter into a lease with an option to purchase the facility. Because this is a lease proposal, rather than a new construction, staff feels that it is appropriate to move forward with in light of the realignment proposal since the lease costs could be easily renegotiated or transferred to locals if needed pending the results of the new SRA land designations. (4-0)

**Special Resources Programs**

1. **Conforming Supplemental Reporting Language-Tahoe Regional Planning Agency.** The Subcommittee approved the Governor requests \$4.1 million for baseline ongoing activities at the Tahoe Regional Planning Agency (TRPA) on May 11, 2011. The Senate adopted Supplemental Reporting Language and Budget Bill Language as follows to ensure the highest level of cooperation among state agencies in the Tahoe Basin, to ensure adequate reporting on planning efforts to meet environmental thresholds, and to report on progress made with the Environmental Improvement Program. **Recommendation:** Adopt Supplemental Reporting Language and Budget Bill Language below to conform with the Senate.

Adopt Budget Bill Language—3110 Tahoe Regional Planning Agency

- a. TRP  
A shall, by September 1, 2011, adopt a strategy for a Regional Plan Update that, to the maximum extent practicable, provides for attainment of the environmental thresholds. The strategy shall be submitted to the California Joint Legislative Budget Committee.

Adopt Supplemental Reporting Language—3110 Tahoe Regional Planning Agency

- b. TRPA shall, by December 31, 2011, in coordination with the California Natural Resources Agency and the Nevada Department of Conservation and Natural Resources, report on its progress in developing and adopting a five-year evaluation report, including peer review coordinated by the Tahoe Science Consortium, on the status of TRPA's environmental threshold carrying capacities. To broaden scientific involvement, the peer review, shall include a majority of scientists from institutions or agencies who are not participating as signatories to the memorandum of agreement that established the consortium. (3-1)

## California Tahoe Conservancy

1. **Conforming Budget Bill Language and Supplemental Reporting Language for Tahoe EIP.** The Subcommittee approved the Governor's request for \$15.8 million (multiple funding sources, no General Fund) to continue capital outlay and local assistance funding for the implementation of the Environmental Improvement Program for the Lake Tahoe Basin. The Senate adopted Supplemental Reporting Language and Budget Bill Language as follows to ensure the highest level of cooperation among state agencies in the Tahoe Basin, to ensure adequate reporting on planning efforts to meet environmental thresholds, and to report on progress made with the Environmental Improvement Program. **Recommendation:** Adopt Supplemental Reporting Language and Budget Bill Language below to conform with the Senate.

### Adopt Supplemental Reporting Language—3125 California Tahoe Conservancy

2. *To maximize the effectiveness of state resources and to better implement the Environmental Improvement Program (EIP), by December 1, 2011, the Conservancy, in coordination with the Department of Parks and Recreation, the Lahontan Regional Water Quality Control Board, the Department of Transportation, the State Lands Commission, CalFire, the Department of Fish and Game, and other appropriate state, local, and federal agencies, shall develop a report on its progress in coordinating, integrating, and recommending efficiencies in state agency planning and project implementation in the Tahoe basin, including but not limited to: joint use of staff, crews, equipment, office space, and facilities; land exchanges that would increase management efficiencies; and coordinated funding and implementation of EIP projects and programs, Caltrans' complete streets implementation action plan, climate change mitigation and adaptation strategies, and an interagency watershed-based approach to the Lake Tahoe TMDL. This report shall also identify programmatic or policy-based improvements that public agencies could make to improve the effort described in this subdivision.*
3. *The Conservancy, in coordination with TRPA and other state and local agencies, shall:*
  - i. *Provide a summary of state agency expenditures, accomplishments, priority projects and programs, and other activities and resources needed to help achieve TRPA's environmental thresholds and to fulfill California's responsibilities under the Lake Tahoe Environmental Improvement Program (EIP).*
  - ii. *Provide a summary of the agencies' progress in developing a Sustainable Communities Strategy for the Lake Tahoe basin, as required under SB 375 and AB 32, and any changes in state agency policies or practices needed to further develop and accomplish the goals of the plan.*

(4-0)