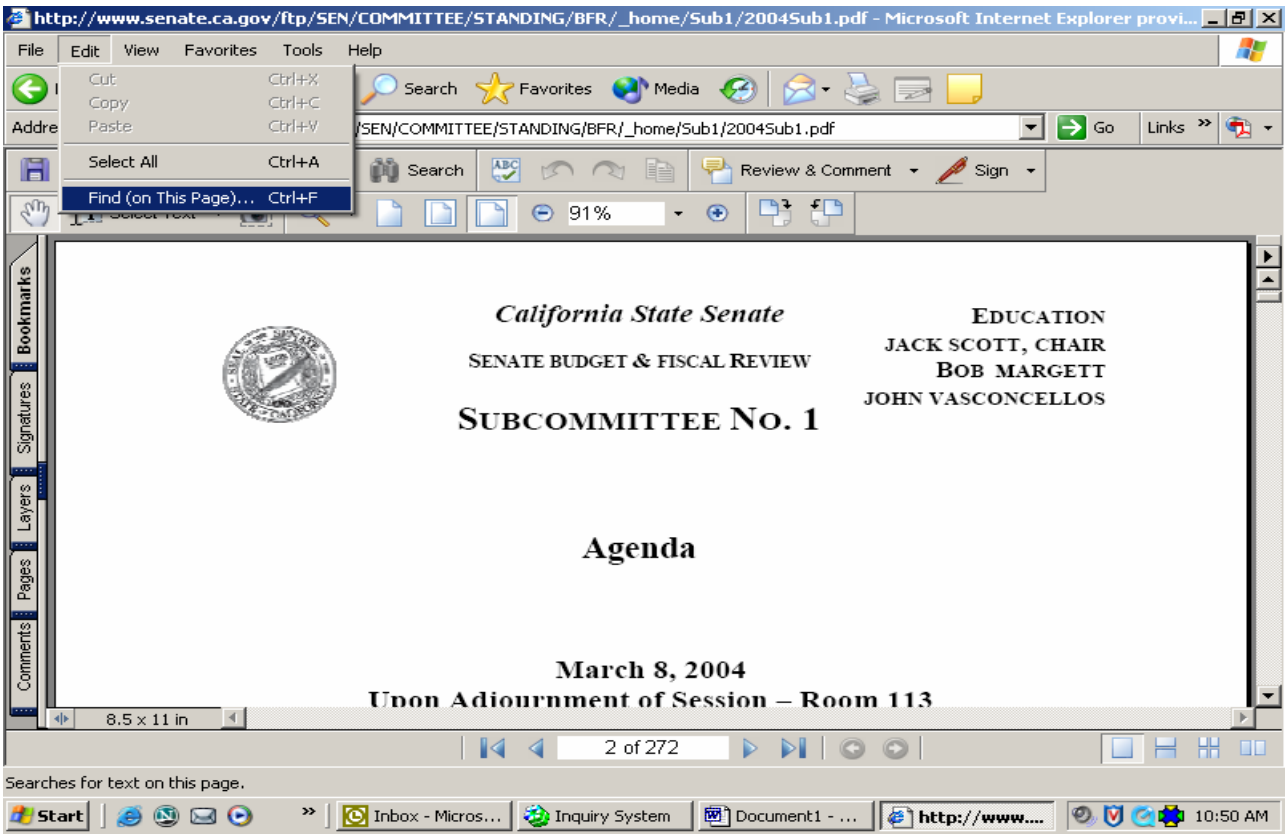
Senate Budget and Fiscal Review

Subcommittee No. 2 2006 Agendas

Complete year 2006 Subcommittee No. 2 agendas in PDF format. They are archived in Adobe to make them more accessible by subject. Please use “Edit” then “find” from the Menu to access information. Use “Bookmarks” from side menu To access agendas by date.



Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 2 Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal

Monday, March 6, 2006
11:00 am
Room 112

Item	Department	Page
Consent Calendar		2
3110	Special Resources Programs	2
3680	Department of Boating and Waterways	3
Other Regional Conservancies		7
3860	Department of Water Resources – CERS Division	11
3780	Native American Heritage Commission	12
0540	Secretary for Resources	14
3560	State Lands Commission	18
3125	California Tahoe Conservancy	27
3760	State Coastal Conservancy	30
3855	Sierra Nevada Conservancy	33
8770	Electricity Oversight Board	35
8660	Public Utilities Commission	37
3360	California Energy Commission	45

Resources—Environmental Protection—Energy—Utilities

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

Consent Calendar

3110 Special Resources Programs

Background. The Special Resources Programs include the following three programs:

- **Tahoe Regional Planning Agency (TRPA).** The TRPA was established by a congressionally approved compact between California and Nevada. The TRPA provides planning and enforceable regulations that preserve and enhance the environment and resources of the Lake Tahoe Basin. Funding for the agency is shared between Nevada (one-third) and California (two-thirds) according to the compact that established the agency.
- **Yosemite Foundation Program.** This program funds restoration and preservation projects in Yosemite National Park. Funding for this program is provided from proceeds of personalized motor vehicle license plates sold by the Department of Motor Vehicles.
- **Sea Grant Program.** This program encourages research and education in the fields of marine resources and technology. This state Sea Grant Program provides state assistance to the University of California and the University of Southern California that is used to match funds for selected projects under the federal Sea Grant Program.

Governor's Budget. The Governor's budget proposes $4.7 million for these three special resources programs. This is about the same level as estimated for expenditure in the current year.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Tahoe Regional Planning Agency	$3,638	$3,638	$0	0.0
Yosemite Foundation Program	840	840	0	0.0
Sea Grant Program	205	201	-4	-2.0
Total	$4,683	$4,679	-$4	-0.1
Funding Source				
Special Funds	$4,559	$4,555	-$4	-0.1
Budget Act Total	4,559	4,555	-4	-0.1
Harbors and Watercraft Revolving Fund	124	124	0	0.0
Total	$4,683	$4,679	-$4	-0.1

Staff Recommendation. Staff recommends that the Subcommittee approve the three special resources programs as budgeted.

3680 Department of Boating and Waterways

Background. The Department of Boating and Waterways (DBW) is responsible for planning and developing boating facilities on waterways throughout California. It is also responsible for protecting the public's right to safe boating by providing subventions to local law enforcement agencies. The department is also responsible for boating safety and education, licensing yachts, aquatic weed control in the Sacramento-San Joaquin Delta, and beach erosion control along California's coast.

Governor's Budget. The Governor's budget proposes $72 million to support DBW in the budget year. This is over 5 percent more than estimated expenditures in the current year due to recent legislation enacted to increase boater registration fees. The additional funding from the fees is proposed for additional Marine Law Enforcement Financial Aid Grants.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Boating Facilities	$51,160	$51,970	$810	1.6
Boating Operations	16,047	18,806	2,759	17.2
Beach Erosion Control	1,423	1,625	202	14.2
Capital Outlay	3,576	12,755	9,179	256.7
Administration	2,350	2,350	0	0.0
less distributed administration	*-2,350*	*-2,350*	*0*	*0.0*
Total	$72,206	$85,156	$12,950	17.9
Funding Source				
General Fund	$0	$0	$0	0.0
Special Funds	500	1,250	750	150.0
Budget Act Total	*500*	*1,250*	*750*	*150.0*
Federal Trust Fund	8,111	8,111	0	0.0
Reimbursements	1,045	4,303	3,258	311.8
Harbors and Watercraft Revolving Fund	62,550	71,492	8,942	14.3
Total	$72,206	$85,156	$12,950	17.9

1. Harbors and Watercraft Revolving Fund – Local Assistance

Background. The Harbors and Watercraft Revolving Fund is the main source of funding for the Department of Boating and Waterways. This fund is supported by annual appropriations from the Motor Vehicle Fuel Account from the taxes on fuel for vessels. Registration fees paid for vessels; fees paid by licensed yacht and ship brokers; and fees associated with boating facilities in state parks are also deposited into this fund.

Governor's Budget. The Governor's budget includes the following budget proposals for local assistance grants and loans from the Harbors and Watercraft Revolving Fund:

- **Public Small Craft Harbor Loans.** The budget proposes $21.4 million for public loans to develop, expand, or rehabilitate marina facilities at 6 locations in the state. Marinas in San Francisco, Alamitos Bay, Dana Point, Berkeley and Sacramento are proposed to receive the largest allocations in the budget year.
- **Boat Launching Facility Grants.** The budget proposes $9.6 million for 11 grants to build or improve launching facilities around the state. The largest grants are proposed to fund projects at Shelter Cove, Caples Lake, the Antioch marina, and Bonelli Park.
- **Private Recreational Marina Loans.** The budget proposes $3.5 million to fund loans to develop, expand or rehabilitate private marina facilities statewide.

Staff Recommendation. Staff recommends that the Subcommittee adopt this budget proposal.

2. Harbors and Watercraft Revolving Fund – Capital Outlay

Background. The Harbors and Watercraft Revolving Fund is the main source of funding for the Department of Boating and Waterways. This fund is supported by annual appropriations from the Motor Vehicle Fuel Account from the taxes on fuel for vessels. Registration fees paid for vessels; fees paid by licensed yacht and ship brokers; and fees associated with boating facilities in state parks are also deposited into this fund.

Governor's Budget. The Governor's budget includes the following budget proposals for capital outlay projects funded from the Harbors and Watercraft Revolving Fund:

- **Major Projects.** The budget proposes $3.4 million for construction of Phase III of the Boating Instruction and Safety Center in Ventura County and $85,000 for project planning and studies needed to develop major capital outlay projects for future years.
- **Minor Projects.** The budget proposes $6 million for 13 location-specific projects and other statewide projects costing $500,000 or less. Projects include:
    - **Merced County.** San Luis Creek ramp widening, Los Banos Creek improvements, and Grasslands State Park launch ramp improvements.
    - **Sacramento County.** Brannan Island ramp widening and Negro Bar improvements.
    - **Lake County.** Clear Lake Marina ADA improvements.
    - **Humboldt County.** Humboldt Boating Instruction and Safety Center instructional docks.
    - **Fresno County.** Millerton Lake Crows Nest improvements.
    - **Imperial County.** Picacho boat-in campground improvements.

- **Butte County.** Bidwell Stage II parking improvements**,** Lake Oroville floating campsite improvements, and Bidwell Canyon Stage I ramp widening.
- **Alameda County.** Bethany Reservoir boat launch facility improvements.
- **Statewide Projects.** Emergency repairs, boating trails, and low water improvements.

Staff Recommendation. Staff recommends that the Subcommittee adopt this budget proposal.

3. Abandoned Watercraft Abatement

Background. Funding for the Abandoned Watercraft Abatement Fund comes from transfers from the Harbors and Watercraft Revolving Fund. The revenues transferred to the Abandoned Watercraft Abatement Fund come from fines and penalties on abandoned watercraft and proceeds of the sale of such vessels. The funds are used to provide grants to local agencies for the removal of abandoned recreational vessels. The program requires 10 percent in matching funds from the local government seeking a grant from the department.

Governor's Budget. The Governor's budget includes $500,000 for grants to local agencies for the removal of abandoned recreational vessels.

Staff Recommendation. Staff recommends that the Subcommittee adopt this budget proposal.

4. California Beach Erosion Control Program

Background. This program works to preserve and protect the California shoreline; minimize the economic losses caused by beach erosion; and maintain recreational beach areas. The department conducts and participates in beach erosion studies and restoration projects.

Governor's Budget. The Governor's budget proposes the following contracts to support the beach erosion control program:

- $350,000 to the Department of Conservation for the *Coastal Sediment Master Plan*.
- $300,000 to the U.S. Geological Survey for the *Coast of California Study* in Ventura and Santa Barbara Counties.

The Governor's budget also includes the following local assistance grants to support the beach erosion control program:

- $325,000 to the Cities of Solana Beach and Encinitas.
- $325,000 to the City of San Clemente.
- $100,000 to the City and County of San Francisco (Ocean Beach).

Justification. The state funds provided for development of the *Coastal Sediment Master Plan* and the *Coast of California Study* are efforts that are coordinated and funded jointly with the U.S. Army Corps of Engineers and the U.S. Geological Survey. Funding for the Master Plan will be used to support the development of GIS tools to inform decisions that will be required as

the implementation of the Master Plan commences. Funding for the California Study will be used to complete a study that characterizes coastal changes along heavily used areas of the coast.

The cities of Solana Beach, Encinitas, and San Clemente are completing multi-year feasibility studies for shoreline restoration. These funds will be used to prepare planning, engineering and design of capital projects. The City and County of San Francisco is working with the U.S. Army Corps of Engineers to perform a regional sediment management demonstration project that utilizes dredged sand from the bay to restore sand to a highly eroded section of Ocean Beach.

Staff Recommendation. Staff recommends that the Subcommittee adopt these budget proposals.

5. Boating Accident Program

Background. The Boating Accident Program at DBW compiles boating accident statistics under a state law requiring any boater who is involved in an accident to file a written accident report with the department if: there is a death, disappearance, or injury requiring medical attention beyond first aid; damage to a vessel or other property exceeding $500; or complete loss of a vessel. Federal law requires the state to provide a complete analysis of all boating accidents to the U.S. Coast Guard within 30 days in order to qualify for federal funds.

Governor's Budget. The Governor's budget proposes $85,000 from the Harbors and Watercraft Revolving Fund to fund one position to meet federally mandated data collection related to boating accidents.

Workload Justification. The department currently has one position supporting the boating accident program. The department indicates that this level of staffing accomplishes only the bare minimum required by state and federal law and has resulted in late submissions of data to the U.S. Coast Guard. The U.S. Coast Guard has recently announced that states that submit their data late may be in jeopardy of losing federal funding.

Federal funding supports about 40 percent of the activities of the Boating Operation Division, which is responsible for boating safety and public education programs. Elimination of this federal funding would have serious impacts on the department's ability to fund statutorily mandated programs.

Staff Recommendation. Staff recommends that the Subcommittee adopt this budget proposal.

6. Boating Safety and Enforcement Financial Aid Grant Program

Background. The Boating Safety and Enforcement Financial Aid Grant Program provides state financial aid to local governmental agencies whose waterways have high usage by transient boaters and an insufficient tax base to fully support a boating safety and enforcement program. The program is intended to augment existing local resources for boating safety and enforcement

activities but not intended to fully fund local programs. Local participation in the program is voluntary.

Legislation (SB 255, Torlakson), enacted in 2005, doubled the renewal fee for vessel registration. This legislation is expected to generate approximately $4.7 million over a two-year period (vessel registration is renewed for a two-year period). The legislation designates 50 percent of the revenues to go to increased safety and enforcement financial aid grants.

Governor's Budget. The Governor's budget includes $2.5 million in additional local assistance grant funds to the Boating Safety and Enforcement Financial Aid Grant Program. The budget proposes to dedicate all of the additional revenues generated by SB 255 to this program.

Staff Recommendation. Staff recommends that the Subcommittee adopt this budget proposal.

Other Regional Conservancies

Background. In order to promote the conservation of its land resources, the state has created six regional conservancies that acquire and protect undeveloped lands in specific regions of the state. The conservancies are departments, located within the Resources Agency, that are charged with, among other things, acquiring land in specified geographical areas in order to advance specified goals. While the particular statutory goals of each conservancy differ, in general, the conservancies were created to protect public trust resources.

Governor's Budget. The Governor's Budget proposes $14 million for the state's six regional conservancies. This is over 75 percent less than estimated expenditures in the current year due to a reduction in the amount of resources bond funds available for appropriation. (The totals in the table below do not include reimbursements or other funds that are off budget.)

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
3810 - Santa Monica Mountains Conservancy	22,613	9,241	-13,372	-59.1
3825 - San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	10,831	3,339	-7,492	-69.2
3830 - San Joaquin River Conservancy	372	434	62	16.7
3835 - Baldwin Hills Conservancy	23,213	415	-22,798	-98.2
3845 - San Diego River Conservancy	272	292	20	7.4
3850 - Coachella Valley Mountains Conservancy	5,163	272	-4,891	-94.7
Total	$62,464	$13,993	-$48,471	-77.6

3810 Santa Monica Mountains Conservancy

Background. The Santa Monica Mountains Conservancy (SMMC) acquires, restores, and consolidates lands in the Santa Monica Mountains Zone for park, recreation, or conservation purposes.

Governor's Budget. The Governor's budget contains $9.2 million for the SMMC, including the following budget proposals:

- **Watershed Protection Plan**. The budget provides $8.5 million in Proposition 50 bond funds for watershed protection projects in the upper Los Angeles river watershed and Santa Monica Bay and Ventura County coastal watersheds.
- **Opportunity Land Acquisitions and Projects**. The budget provides $10,000 in expenditure authority from the Santa Monica Conservancy Fund. Revenues deposited in this fund are received through donations, settlements, and other sources.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3825 San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy

Background. The San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (SGLAC) acquires and manages public lands in the San Gabriel basin, along the San Gabriel river and its tributaries, along the lower Los Angeles river and its tributaries, and in the San Gabriel Mountains. The conservancy acquires land to provide open space, low-impact recreational and educational uses, water conservation, watershed improvement, and wildlife and habitat restoration and protection.

Governor's Budget. The Governor's budget contains $3.3 million for the SGLAC, including the following budget proposals:

- **Acquisition and Restoration.** The budget proposes $2.8 million in Proposition 50 bond funds and $25,000 in reimbursements to fund acquisition and restoration projects consistent with the watershed and open space plan of the conservancy.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3830 San Joaquin River Conservancy

Background. The San Joaquin River Conservancy (SJRC) acquires and manages public lands within the San Joaquin river parkway, which consists of approximately 5,900 acres on both sides of the San Joaquin River between Friant Dam and the Highway 99 crossing.

Governor's Budget. The Governor's budget contains $434,000 for the SJRC, including the following budget proposals:

- **Public Access and Recreation and Environmental Restoration Capital Improvement Program**.
    - The budget proposes $2 million in reimbursement authority to allow the conservancy to seek non-state funds to implement the capital improvement program.
    - The budget also proposes to reappropriate $1.2 million in Proposition 12 bond funds for land acquisitions and other public access and recreation improvement projects. These funds were not expended due to the need to address issues related to potential land acquisitions, including existing gravel mining operations and potential environmental liabilities.
- **Property Stewardship**. The budget proposes $58,000 from the San Joaquin River Conservancy Fund for contracts to support oversight and preventative maintenance of vacant properties owned by the Conservancy. These funds will also provide sanitation and security for one public access site at Friant Cove. These revenues are generated from rental lease payments on conservancy owned properties.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposals.

3835 Baldwin Hills Conservancy

Background. The Baldwin Hills Conservancy (BHC) acquires and manages public lands within the Baldwin Hills area to provide recreational facilities, open space, wildlife habitat restoration, and educational services.

Governor's Budget. The Governor's budget proposes $415,000 to support BHC in the budget year. There are no additional bond funds available dedicated to BHC.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget as proposed.

3845 San Diego River Conservancy

Background. The San Diego River Conservancy (SDRC) acquires and manages public lands within the San Diego River Area. It acquires lands to provide recreational opportunities, open space, wildlife habitat, species protection, wetlands protection and restoration, and protection and maintenance of the quality of the San Diego River. This Conservancy is relatively new and does not have bond funds specifically allocated for its operations.

Governor's Budget. The Governor's budget proposes $292,000 to support SDRC in the budget year.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget as proposed.

3850 Coachella Valley Mountains Conservancy

Background. The Coachella Valley Mountains Conservancy (CVMC) acquires and holds, in perpetuity, open space, mountainous lands surrounding the Coachella Valley and natural community conservation lands within the Coachella Valley.

Governor's Budget. The Governor's budget proposes $272,000 to support CVMC in the budget year. The budget also includes the following proposal:

- **Capital Outlay and Grants**. The budget proposes $500,000 in reimbursements for capital outlay and grants for acquisition, protection, and development of lands within the Coachella Valley and the surrounding mountains.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposals.

3860 Department of Water Resources – CERS Division

Background. The Department of Water Resources' California Energy Resources Scheduling (CERS) division manages billions of dollars in long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) The IOUs manage the receipt and delivery of the energy procured by the contracts.

Governor's Budget. The Governor's Budget proposes $5 billion to fund the CERS division of the Department of Water Resources (DWR). This is $239 million, or 4.5 percent, below estimated expenditures in the current year, which reflects a slight reduction in the amount of electricity purchased under contract for the budget year.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Energy Purchases	$4,307,880	$4,072,784	-$235,096	-5.5
Interest Expense - Revenue Bonds	525,672	525,672	0	0.0
Payment of Principal - Revenue Bonds	409,395	409,990	595	0.1
Administration	32,502	28,202	-4,300	-13.2
Total	$5,275,449	$5,036,648	-238,801	-4.5

Administrative Costs. Of the $28 million proposed in administrative costs for the budget year, $16 million actually funds administration in DWR. The remaining $12 million represents a pro rata change for government-wide administrative costs. The $16 million figure is a reduction of nearly $10 million from estimated expenditures in the current year, which were over-estimated.

Staff Recommendation. Staff recommends that the Subcommittee approve funding for DWR's CERS division as budgeted.

3780 Native American Heritage Commission

Background. The Native American Heritage Commission (NAHC) preserves and protects California's Native American cultures. The commission's powers and duties include identifying and cataloging important geographic sites, aiding Native Americans in gaining access to these sites, protecting burial and sacred sites, and ensuring that remains are treated appropriately. The commission also works to mitigate the negative impacts of development on the state's Native American cultural resources.

Governor's Budget. The Governor's budget provides $539,000 to support the NAHC in the budget year. This is about the same level as estimated for expenditure in the current year.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Native American Heritage	$556	$539	-$17	-3.1
Total	$556	$539	-$17	-3.1
Funding Source				
General Fund	$531	$534	$3	0.6
Budget Act Total	531	534	3	0.6
Reimbursements	25	5	-20	-80.0
Total	$556	$539	-$17	-3.1

1. Implementation of Recent Mandates – Informational Issue

Background. Legislation (SB 18) was enacted in 2004 to require that every city and county planning agency consult with California Native American tribes during preparation or amendment of a general plan. Local governments contact the NAHC to help in making the connection between the relevant tribes and local government officials.

Legislation (AB 978) enacted in 2001 establishes a process for repatriating Native American human remains and cultural items that are in the possession of any state or local agency or museum that receives state funds. The legislation also created a Commission to mediate disputes and impose civil penalties.

Implementation Status. Staff understands that the Commission created under AB 978 has been appointed, but that rules and regulations have not been developed and there has been little to no activity by the Commission thus far.

Questions.

- What is the status of implementation of SB 18?
- What is the estimated compliance rate of local governments for implementing SB 18?
- What is the current status of the Repatriation Commission established by AB 978?
- Have any remains or sacred objects been repatriated under this legislation?
- What is the current funding for implementation of both these programs?

0540 Secretary for Resources

Background. The Secretary for Resources heads the Resources Agency. The Secretary is responsible for overseeing and coordinating the activities of the departments, commissions, conservancies, and other boards and authorities that make up the Resources Agency.

Governor's Budget. The Governor's Budget proposes $51 million to support the Secretary for Resources in 2006-07. This is nearly 40 percent less than estimated expenditures in the current year due to a reduction in the resources bond funds available for appropriation and one-time money allocated in the current year budget for ocean projects. The Secretary for Resources does not receive any General Fund support.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Administration	$82,298	$50,819	-$31,479	-38.3
Total	$82,298	$50,819	-$31,479	-38.3
Funding Source				
General Fund	$0	$0	$0	0.0
Special Funds	3,057	3,072	15	0.5
Bond Funds	78,536	46,983	-31,553	-40.2
Budget Act Total	*81,593*	*50,055*	*-31,538*	*-38.7*
Federal Trust Fund	184	236	52	28.3
Reimbursements	521	528	7	1.3
Total	$82,298	$50,819	-$31,479	-38.3

1. River Parkways Program

Background. Legislation was enacted as part of the 2004-05 budget trailer bill (SB 1107) that provides the administration with guidelines for awarding the River Parkways grants. This bill also provided $10 million in Proposition 50 bond funds for River Parkway grants for 2004-05. The 2005 Budget Act contained an additional $30.9 million from Propositions 40 and 50 bond funds for this program.

Grant applications for the $40-plus million that has been allocated thus far were due October 2005. The first round of grants is scheduled to be awarded in March or April of this year.

Governor's Budget. The Governor's Budget proposes to allocate an additional $30.9 million in the budget year from Propositions 40 and 50 resources bonds to fund the River Parkways Program. This leaves approximately $20 million in Proposition 50 bond funds for River Parkways available for appropriation in future years.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget request.

2. Sierra Nevada Cascade Grant Program

Background. Legislation was enacted as part of the 2004-05 budget trailer bill (SB 1107) that provides the administration with guidelines for awarding Sierra Nevada Cascade grants. This bill also provided $4.15 million in Proposition 50 bond funds for River Parkway grants for 2004-05. The 2005 Budget Act contained an additional $11.65 million from Proposition 50 for this program.

In December 2005, the Secretary for Resources released draft grant guidelines for public comment. Final guidelines are to be released in early March. Grant applications are due in late April and grants should be awarded before the end of the current fiscal year.

Governor's Budget. The Governor proposes to allocate $11.7 million in the budget year from Proposition 50 resources bonds to fund the Sierra Nevada Cascade Conservation Grant Program. This leaves no remaining bond funds for this grant program available for appropriation in future years.

Coordination with Sierra Nevada Conservancy. The 2005 Budget Act required the Secretary for Resources, in consultation with the Sierra Nevada Conservancy, to submit a plan for the coordination of grant programs in the Sierra Nevada region. The plan that was submitted outlines the following activities to ensure coordination:

- Grant applications within the boundary of the Sierra Nevada Conservancy shall justify the proposals in terms of furthering the mission and goals of the Conservancy.
- The Conservancy will provide a representative to participate on the technical review committee which will evaluate and score the proposals.

Staff Recommendation. Staff recommends that the Subcommittee withhold action until the final grant guidelines are released.

3. Missing Reports

Resource Management. Over the past several years, five resources bonds approved by the voters have provided funding for land acquisitions. Despite the increase in habitat, parkland, and open space acquired, there have been significant reductions in the funding available to manage these properties. The lack of basic maintenance funding can result in threats to human health if contamination issues are not addressed on state properties. Furthermore, lack of routine maintenance can result in the deterioration of habitat due to the spread of invasive species and fuels that cause a catastrophic fire threat.

In order to start thinking about solutions to this growing problem, the Legislature requested that the Secretary for Resources prepare an options report for funding resource management activities over the long term. This report was due to the Legislature January 10, 2006, but, to date, has not been received.

Department of Fish and Game Report. The Legislature did an extensive review of the Department of Fish and Game's budget over the past year. This process culminated with the request of an extensive report on the department's activities, funding sources, and measured outcomes for each of its programs. The department was to prepare this report in conjunction with the Secretary for Resources. This report was due to the Legislature January 10, 2006, but, to date, has not been received.

Staff Recommendation. Staff recommends that the Subcommittee withhold action on the department's support budget until the reports are submitted.

4. Improving Enforcement of Existing Laws

Enforcement. The California Environmental Protection Agency (Cal-EPA) recently conducted an agency-wide review of its enforcement programs. The review revealed inconsistencies and problems with the ways in which different departments approached enforcement. Cal-EPA is currently implementing 11 different strategies to improve its enforcement activities. The Legislature may wish to pursue a similar effort at the Resources Agency.

The Resources Agency contains several departments that have vast enforcement responsibilities, including the Department of Fish and Game, the Department of Water Resources, and the Department of Forestry and Fire Protection. Effective enforcement of the state's environmental protection laws is critical to protecting the state's public trust resources.

Staff Recommendation. Staff recommends that the Subcommittee direct staff to work with the Office of the Secretary, DOF and the LAO to initiate enforcement review of programs under the Resources Agency.

5. Conservation Easement Registry

Background. Conservation easements are important resource conservation tools that have been used by numerous agencies under the Resources Agency to preserve land values without actually purchasing fee title to the land. Conservation easements can be a cost effective way to preserve natural resource benefits of agricultural land and other open space. The state has purchased numerous conservation easements over the past several years. Some are held by the state, but many are held by private land trusts or other entities.

Some departments are tracking conservation easements, but the state does not have a centralized portal for identifying the universe of conservation easements owned by the state. Since state tax

dollars were used to purchase these conservation easements, natural resource planning and financial responsibility require the ability to locate them.

Staff Recommendation. Staff recommends that the Subcommittee direct staff to work with the Office of the Secretary, DOF and the LAO to develop a portal for identifying and linking up existing databases of state-owned conservation easements.

6. California Environmental Quality Act Equivalent Programs – Informational Item

Background. Legislation (SB 1393, Kuehl) enacted in 2002 required the Secretary for Resources to develop a protocol to evaluate California Environmental Quality Act (CEQA) equivalent certified regulatory programs. These programs are designated by the Secretary for Resources as functionally equivalent to CEQA and do not require the completion of the Environmental Impact Reports required under CEQA.

The administration submitted a protocol to the Legislature in July 2004 that included some suggestions to improve the certification process and give to the Secretary express authority to de-certify programs that fail to meet the criteria for the certified regulatory programs. However, the administration's report did not evaluate whether the state's current certified regulatory programs are consistent with the new protocol.

Questions.

- Please provide an update of work undertaken since last year to evaluate whether the state's current certified regulatory programs are consistent with the protocol.

7. California Ocean Protection Council – Informational Item

Background. Legislation (SB 1319, Burton) enacted in 2004 established the California Ocean Protection Act with the goal of establishing better coordination among state agencies that oversee protection of coastal and marine waters. The act creates an Ocean Protection Council that is required to report to the Governor and to the Legislature on changes in law and policy needed to meet goals related to ocean and coastal protection.

Recently, the Office of the Secretary posted a job announcement for an Executive Policy Officer for the Ocean Protection Commission. Staff understands that this new position would be housed in the Office of the Secretary. Legislation creating the Ocean Protection Council designates the State Coastal Conservancy as the staff to the Council.

Questions.

- Will the new Policy Officer be housed at the Conservancy or at the Resources Agency?

3560 State Lands Commission

Background. The State Lands Commission (SLC) is responsible for the management of lands that the state has received from the federal government. These lands total more than four million acres and include tidelands, submerged lands, swamp and overflow lands, the beds of navigable waterways, and vacant state school lands.

Governor's Budget. The Governor's Budget proposes $21 million in special funds for SLC. This is an increase of $1.5 million over the estimated expenditures in the current year. This increase is due to a one-time expenditure, in the budget year, to fund remediation of a toxic site owned by the state. General Fund support for the department is also proposed to increase due to this budget proposal.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Mineral Research Management	$6,764	$6,967	$203	3.0
Land Management	8,318	8,997	679	8.2
Marine Facilities Division	8,548	9,164	616	7.2
Executive and Administration	3,182	3,214	32	1.0
less distributed administration	*-3,182*	*-3,214*	*-32*	*0.0*
Total	$23,630	$25,128	$1,498	6.3
Funding Source				
General Fund	$8,867	$9,730	$863	9.7
Special Funds	10,963	11,582	619	5.6
Budget Act Total	*19,830*	*21,312*	*1,482*	*7.5*
Land Bank Fund	425	416	-9	-2.1
Reimbursements	3,375	3,400	25	0.7
Total	$23,630	$25,128	$1,498	6.3

1. Selby Slag Remediation

Background. The SLC is part of a 1989 Consent Judgment that requires remediation of extensive heavy metal contamination on a 66-acre site in Selby, California, just west of the Carquinez Bridge. Between 1985 and 1970, a lead, gold, and copper smelter operated on the site. Beginning in the late 1940s, the state negotiated leases of tidelands to the American Smelting and Refining Company and its predecessors that directed placement of remnant smelter slag onto

and into state-owned land. The American Smelting and Refining Company and SLC were sued in 1983 to allocate liability for cleanup costs at the site, which lead to the 1989 Consent Judgment. Thus far, $7.5 million has been allocated since 1988 for the state's share of clean up at the site.

Governor's Budget. The Governor's Budget proposes $1.3 million General Fund to fund the state's portion of remediation work at the state-owned land in Selby. These funds will be used to fund shoreline stabilization and water quality monitoring, which are remedies proposed by the Department of Toxic Substances Control. The majority of this funding is proposed as a one-time expenditure with the exception of a $50,000 allocation proposed for annual appropriation over the next 5 years to fund a contract to monitor water quality at the site.

Loan to Fund Previous Work. The 2004 Budget Act included $970,000 in funding from the Toxic Substances Control Account as a loan to the General Fund to pay the state's share of funding to close a sewage waste pond and replace a sewer line on this state-owned property in Selby. The loan was proposed for repayment on June 30, 2010. The Toxic Substances Control Account is managed by the Department of Toxic Substances Control and the account is currently facing a structural deficit of over $12 million due to a declining fee base.

Special Fund Loan Repayments. Outstanding loan balances of over $1.3 billion remain from various special fund loans across state government. The Governor's budget proposes to repay $148 million in special fund loans in the budget year. It is not clear what priorities were used by the administration in determining which special funds would be repaid in the budget year and which would not. The Governor does not propose repayment of the Toxic Substances Control Account even though the account is currently suffering from a serious structural deficit that will impact program activities at the Department of Toxic Substances Control.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal to allocate $1.3 million in General Fund monies to remediation work at the Selby site.
- Direct DOF to report back to the Subcommittee on the rationale for repaying the $148 million in special fund loans in the budget year and why the loan from the Toxic Substances Control Account was not included in this list.

2. Review of Liquefied Natural Gas and Marine Oil Terminal Applications

Background. The SLC is responsible for ensuring that mineral resources are developed in a way that protects public health and safety as well as the environment. This involves review of documents prepared under the California Environmental Quality Act (CEQA) related to changes to marine oil terminals and other mineral extraction facilities. The Commission is also the CEQA lead agency for liquefied natural gas (LNG) terminals proposed offshore of California. The offshore LNG terminals are subject to the federal Deepwater Port Act, which requires joint Environmental Impact Report (EIR)/Environmental Impact Statement (EIS) to be completed on LNG applications within 365 days of receiving the application. The joint EIR/EIS must be

provided to the Governor for acceptance or rejection by the 311th day. If the Governor approves the application, the environmental documents, along with a land lease application, must be brought before the SLC.

The Commission is currently involved in reviewing applications for the following LNG facilities:

- **Cabrillo Deepwater Port - BHP Billiton**. This facility is proposed to be located 14 miles offshore of the Ventura/Los Angeles county border. The facility is proposed to handle 800 million cubic feet per day (MMcfd). The draft EIS/EIR for this project was completed in November 2004. Revisions to the draft EIS/EIR are expected to be released for an additional 45 day review in March 2006. Following this public review a revised EIS/EIR is expected to go back to the commission in August 2006.
- **Clearwater Port LNG Project - Crystal Energy**. This facility is proposed to be located 11 miles offshore of Ventura County. The facility is proposed to handle 800 MMcfd. Crystal has submitted an application, but the application is not complete. The SLC expects to receive a completed application in March 2006.
- **Sound Energy Solutions**. This facility is proposed to be located at the Port of Long Beach. The SLC is a trustee agency under CEQA and the City of Long Beach is the lead CEQA agency for the review of this project. This facility is proposed to handle 700 MMcfd. The draft EIS/EIR was released in late 2005 and a final EIS/EIR is expected in early to mid-2006. This facility is under the jurisdiction of the Federal Energy Regulatory Commission (FERC) per the 2005 federal energy bill.

The Commission expects to receive applications in 2006 for the following proposals:

- **Woodside Natural Gas.** The location and capacity of this project are still to be determined.
- **Excelerate Energy.** This proposal is referred to as the Pacific Gateway and will handle from 600 to 1000 MMcfd.
- **Chevron/Texaco.** The location and capacity of this project are still to be determined.

Furthermore, there are nine other LNG facilities proposed for development in Canada, Oregon and Mexico that, if developed, could provide over 5,800 MMcfd in additional capacity. Three facilities located in Baja California have already received permits and construction has commenced on a 1,000 MMcfd facility in Ensenada.

California's current demand for natural gas is approximately 7,000 MMcfd and the California Energy Commission projects that state demand will increase 0.7 percent annually over the next 10 years.

Governor's Budget. The Governor's Budget proposes the following:

- $114,000 in reimbursements to change one limited-term position to a permanent position to conduct environmental reviews of LNG applications and other energy related projects proposed in state waters.
- $300,000 from the Oil Spill Prevention and Administration Fund for contracts to continue the development of engineering and maintenance standards for LNG marine terminals. These contract funds are proposed for a two-year limited term.

Workload Justification. The Commission currently has two permanent positions and one limited-term position and had over 6,000 reimbursable hours of environmental review workload in 2004-05. Furthermore, the Commission has had a difficult time recruiting and retaining the limited-term position. Qualified individuals for this type of position are in demand across state government. Converting this limited-term position to permanent status will enable the Commission to fill this position with a qualified person. The positions are fully funded from funds received by the permit applicants.

Given the number of LNG terminals being proposed in Southern California and the likely development of one or more facilities in California water, it is important for the Commission to continue its development of engineering and maintenance standards for LNG terminals. Phase I of this project is being completed with $400,000 in one-time funds provided in 2004-05 and 2005-06. The Commission has already completed similar standards for Marine Oil Terminals. However, LNG terminals have different requirements since LNG is stored at -258 degrees Fahrenheit and expands 600 times as it warms to ambient conditions (60 degrees Fahrenheit with atmospheric pressure). Furthermore, the different LNG applications being reviewed by the Commission propose different configurations, which require different engineering and maintenance standards. Phase I of this project completed standards for two LNG terminal configurations and Phase II of this project will complete standards for two more LNG terminal configurations currently being proposed.

Interagency Permitting Working Group. The SLC is part of an Interagency Permitting Working Group established to promote communication and support agencies that are involved in the permitting process for LNG facilities. The website of the working group indicates that state agencies reviewing the EIR/EIS for an LNG project address the following issues:

- **Energy Planning Issues**. These issues include demand for natural gas, potential impacts to existing natural gas infrastructure, and others.
- **Safety Impact Analysis Issues**. These issues include safety and security regulations, emergency response, and others.
- **Environmental Impact Analysis Issues**. These issues include impacts on air quality, biological resources, and others.
- **Engineering Issues**. These issues include seismic issues, impacts of ocean traffic on the facility, and others.
- **Issues of Impacts to Public Trust uses of the Port and Surrounding Regions**. These issues include impacts on navigation, public access, and others.
- **Project Alternative Issues**. This includes evaluating alternative supplies of natural gas, alternative location of projects, and others.

The working group website does not indicate which state agency is taking part in the analysis of all of the issues listed above. However, evaluations of these issues are critical in determining what LNG facilities are needed and what the best options may be in order for the state to meet its future natural gas demand. Furthermore, under current law, the Governor has the sole authority to determine whether an application for an offshore LNG plant should be approved. This decision should be based on a thorough analysis of the issues listed above in order to protect California consumers from high prices.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposals to fund one permanent position and contract resources.
- Direct SLC to provide the Subcommittee with information on which Interagency Permitting Working Group issues are being evaluated by SLC.

3. Tidelands Oil Revenues—Informational Issue

Background. Over the last several years, the Governor's budget has proposed to sweep all of the tidelands oil revenues into the General Fund instead of allocating these funds to the resource priorities set in statute. Public Resources Code §6217 requires that tidelands oil revenues be allocated in the following order:

- Revenues necessary to fund SLC expenditures.
- $2 million to the California Housing Trust Fund.
- $8 million to the Department of Fish and Game (DFG) for salmon and steelhead restoration.
- $2.2 million to DFG for marine life management.
- $10 million to the Department of Parks and Recreation for deferred maintenance expenses.
- Remaining funds to be deposited in the Natural Resources Infrastructure Fund for preserving and protecting the natural and recreational resources of the state.

Public Resources Code §6217 becomes inoperative July 1, 2006 unless a statute is enacted, which becomes effective on or before January 1, 2007.

The 2005 budget, after the Governor's vetoes, allocated tidelands oil revenues to the following priorities:

- $2 million for staff and deferred maintenance at the Department of Parks and Recreation.
- $4 million for salmon and steelhead restoration projects.
- Remaining funds deposited in the General Fund.

Furthermore, legislation (SB 71 and AB 137) was enacted as part of the 2005 budget to direct the creation of a new Oil Trust Fund in the state treasury to fund the abandonment of oil fields in the City of Long Beach. Previously, the City of Long Beach was keeping state tideland revenues in a local abandonment account. The trailer bill language, as enacted, requires the City of Long Beach to transfer all funds held in the local abandonment account to the state Oil Trust Fund and requires transfers of $2 million monthly from tidelands oil revenues to the state fund starting January 1, 2006. Statute requires the transfers to continue until the fund contains $300 million. Statute also requires the SLC to report to the Legislature with a forecast for when the Long Beach tidelands will be abandoned and the costs necessary to abandon the oil production facilities.

Governor's Budget. The Governor's budget reflects the projected sunset of Public Resources Code §6217 and the deposit of the state's tideland oil revenues in the General Fund.

Questions.

- Given the impact of oil production in state waters on the environment, why does the administration propose to sweep all of the tidelands oil revenues in to the General Fund?

4. Marine Invasive Species Program

Background. The Marine Invasive Species Program was revised and extended in legislation enacted in 2003 (AB 433, Nation). This program is intended to regulate the release of ballast water within state waters, thereby reducing the introduction of invasive and non-indigenous aquatic species in the state's marine ecosystems. The introduction of invasive species and other bacteria and pathogens from ballast water can negatively impact the environment and the economy and can also pose a threat to the state's drinking supplies.

The statute authorizes SLC to charge a fee of up to $1,000 for each vessel call in state ports. The SLC is currently charging $400 per call, which generates approximately $3.4 million annually to support the Marine Invasive Species Program. The Commission is required to take samples from at least 25 percent of arriving vessels.

Governor's Budget. The Governor's Budget proposes $151,000 to support two new positions to address the workload associated with the Marine Invasive Species Program. The positions requested include:

- one office technician to assist in processing ballast water reporting and inspection forms.
- one staff service analyst to implement a compliance verification and enforcement component of the program.

Workload Justification. The Commission is currently processing 14,400 ballast water reporting forms annually, which is over 50 percent more than was estimated in the original budget proposal. This increase justifies the one new office technician position requested. (The original budget proposal included funding for two office technician positions to collect and organize data from the ballast water reporting and inspection forms.) Furthermore, timely processing of reporting forms is necessary to implement outreach, education, and enforcement measures to prevent future violations.

The Marine Invasive Species Program currently does not have an enforcement program. The staff service analyst position requested would be used to evaluate the reporting and inspection data to identify potential violations and initiate enforcement actions on noncompliant vessels. A dedicated position for this activity will allow the other two environmental scientist positions to continue development of the program per the Performance Standards Report (see below).

Performance Standards Report. AB 433 required SLC to prepare a report that recommends performance standards for ballast water discharges in California waters. The statute directed that the report be prepared in consultation with the State Water Resources Control Board and in consideration of recommendations provided by a multi-disciplinary advisory panel. This report was submitted to the Legislature in January 2006. This report recommends adoption of interim performance standards that must be met by 2016. The report also recommends adopting a zero detectable discharge standard by 2020.

The report finds that a review is needed of treatment technologies and management practices, and also finds a need for a testing and evaluation center to help certify technologies and management practices that work. The report also finds that incentives may be needed to promote technology development that exceeds the interim standards. The report also recommends that additional funding be provided for expanded biological surveys to evaluate the effectiveness of the state's Marine Invasive Species Program.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal to augment staffing for the program.
- Direct the commission to report on the implementation of the recommendations made in the Performance Standards Report, including adjustments needed to the fee supporting the program.

5. Mineral and Land Audit Section

Background. The SLC has a Mineral and Land Audit section that is responsible for performing financial and compliance audits to ensure that the State receives royalties, rents, and other compensation due under its leases. The primary goal of this program is to provide monetary recoveries/savings to the state General Fund.

Governor's Budget. The Governor's budget includes $142,000 in General Fund monies to support one 2-year limited term audit position to address a backlog of audit work at the commission.

Workload Justification. The SLC currently has three audit staff to complete all of the audit workload related to mineral extraction and lease activities on state lands. The current audit staff is only able to conduct audits reactively and many large state leases are never audited. For example, a major gas field, two major geothermal operations, and numerous hard mineral and commercial operations have not been audited in several years due to staffing constraints. A 2003 lawsuit, brought by the Attorney General, indicated that a company with a dredging lease on state lands had underreported the amount of royalties paid for sand and gravel removed from state lands by more than $250 million.

Each audit position at the Commission recovered on average $1.3 million annually in underreported royalties in 2004. This is a 9-to-1 return on investment for the state.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt the budget proposal to augment staffing for this activity.
- Adopt supplemental report language that requires the Commission to report to the Legislature on its audit program, including information on the number of leases, the size of the leases, and the frequency with which each lease is audited given current staffing. This report should be submitted to the Legislature by January 10, 2008.

6. Oceangoing Ship Discharges

Background. Legislation (AB 771, Simitian) was enacted in 2005 to require the SLC to collect information on oceangoing ships that operate in state waters. Information to be collected includes the size of the ship, port of registry, size of crew, holding tank capacity, equipment to pump out sewage and sewage sludge, and expected ports of call. The information collected will be the subject of a report to be submitted to the State Water Resources Control Board on or before February 1, 2007.

Governor's Budget. The Governor's budget includes a one-time allocation of $35,000 in General Fund monies to collect the data required by AB 771. This will include hiring temporary help to prepare and conduct a survey and to modify the Commission's existing database to include expanded data fields required by the legislation.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

7. School Land Bank Fund

Background. The SLC manages lands that were given to the state by the federal government in order to help support public education. Lease revenues from these lands are deposited in the Teachers' Retirement Fund administered by the California State Teachers' Retirement System (CalSTRS) after SLC recovers its costs. The state initially sold many of the lands granted by the federal government, but in 1984 the Legislature enacted the School Land Bank Act that allowed the Commission to re-invest proceeds of land sales in the School Land Bank Fund to purchase other properties and enhance lease revenues for CalSTRS.

The SLC currently owns about 400,000 acres of land under this program. The majority of the property is in the desert areas of the state.

Governor's Budget. The School Land Bank Fund is expected to have a fund balance of $59 million at the end of the budget year. This balance has grown over 200 percent from levels in 1996-97.

LAO Recommendation. The LAO finds that SLC has expended almost no money from the School Land Bank Fund to purchase additional property in the past several years. Therefore, lease revenues to CalSTRS have not been enhanced by activities funded by the School Land Bank Fund. The LAO recommends adopting trailer bill language to transfer the balance in the School Land Bank Fund to the Teachers' Retirement Fund for investment by CalSTRS.

Lease Activities on State Lands. Many of the lease activities on remaining state lands include the extraction of solid minerals like aggregate and rock. These activities have serious impacts on water quality and the environment in Southern California where a majority of these facilities are located. Lease revenues from mineral extraction are not sustainable over the long-term and will be costly to decommission when the time comes. Furthermore, the state may also be found partially liable for environmental damage caused by the lessee, as in the case of the Selby site (see summary of this site above).

Staff Recommendation. Staff recommends that the Subcommittee direct SLC to report on the potential impacts of implementing the LAO's recommendation and any potential for unfunded liabilities related to legacy uses of state school lands.

3125 California Tahoe Conservancy

Background. The California Tahoe Conservancy's (CTC) primary objectives are to protect the natural environment of the Tahoe basin, with priority placed on preserving the clarity and quality of the waters of Lake Tahoe. The Conservancy is also dedicated to increasing public access and recreational opportunities at the lake and preserving and enhancing the biodiversity of wildlife habitat in the basin.

Governor's Budget. The Governor's budget proposes $26 million to support CTC in the budget year. This is almost a 50 percent reduction from estimated expenditures in the current year due to a reduction in the available bond funding for the Commission.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Tahoe Conservancy	$27,689	$17,286	-$10,403	-37.6
Capital Outlay	20,900	8,692	-12,208	-58.4
Total	$48,589	$25,978	-$22,611	-46.5
Funding Source				
General Fund	$0	$180	$180	0.0
Special Funds	6,308	4,746	-1,562	-24.8
Bond Funds	40,820	20,345	-20,475	-50.2
Budget Act Total	*47,128*	*25,271*	*-21,857*	*-46.4*
Reimbursements	1,259	500	-759	-60.3
Tahoe Conservancy Fund	202	207	5	2.5
Total	$48,589	$25,978	-$22,611	-46.5

1. Environmental Improvement Program

Background. The Environmental Improvement Program (EIP) is a multi-state and multi-agency plan to restore and protect the environment in the Lake Tahoe Basin. This program is being implemented by the CTC along with the Tahoe Regional Planning Authority (TRPA), the Department of Transportation (Caltrans), the Department of Parks and Recreation, and various entities in the State of Nevada. The State of California's total funding share of the EIP is $275 million ($207.2 million from CTC, $52.6 million from Caltrans, and $15.3 million from Parks).

The Governor, as part of his environmental action plan, has proposed to update the EIP and accelerate its implementation. The next EIP update is currently being planned in conjunction with the development of TRPA's 2007 regional plan.

Governor's Budget. The Governor's budget includes $20.7 million to implement the EIP in the budget year. This funding is allocated to the following activities:

- **Soil Erosion Control.** The budget provides $7.5 million for local assistance grants for soil erosion control.
- **Acquisitions.** The budget provides $1.75 million ($250,000 for grants and $1.5 million for capital outlay) for land acquisitions in the Lake Tahoe Basin.
- **Stream Environment Zone and Watershed Restoration.** The budget provides $6 million ($1.5 million for grants and $4.4 million for capital outlay) for projects to restore degraded natural areas to help preserve water clarity in support of the EIP.
- **Wildlife Enhancement.** The budget provides $1.5 million ($350,000 for grants and $1.2 million for capital outlay) for projects and acquisitions that enhance wildlife habitat.
- **Public Access and Recreation.** The budget provides $4 million ($2.4 million for grants and $1.6 million for capital outlay) for projects and acquisitions that improve public access and recreational needs.

Funding EIP Going Forward. The Conservancy has adequate bond funds available to fund the remainder of the EIP through 2007-08. However, additional needs for the Tahoe basin have been identified as part of a 2001 update to the EIP. Furthermore, CTC and TRPA are currently in the process of updating the EIP in conjunction with the 2007 regional plan for the Tahoe basin. Additional needs identified are estimated to cost $1.2 billion. Funding to meet these future commitments has not been identified.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt the budget proposals related to the EIP.
- Direct the Conservancy to provide the Subcommittee with estimates of funding needed and potential options for continued funding of the EIP after the 2007-08 budget year.

2. Staffing Needs

Background. The CTC currently has 38.6 positions to support its programs. Since the CTC started implementing the EIP, the department has been spending, on average, $20 million annually to fund projects and acquisitions. This has resulted in an increased workload at the department.

Governor's Budget. The Governor's budget proposes funding two new positions at CTC in the budget year. The positions are as follows:

- **Assistant Executive Officer.** The budget proposes $136,000 from the Environmental License Plate Fund (ELPF) for one PY.
- **Staff Counsel.** The budget proposes $139,000 from the ELPF and Habitat Conservation Fund for one PY.

Workload Justification. The CTC indicates that success in implementing the EIP is based on spending a considerable amount of time developing partnerships with the state of Nevada, other state departments, and local governments. Furthermore, the CTC program has grown considerably since the Conservancy started implementation of the EIP in 1998, which has increased internal administrative duties. Therefore, in order to manage both external coordination duties and internal administrative duties, an additional person is justified.

As CTC's EIP program has developed, there has been an increased need for legal support of program activities. For example, CTC now deals with a considerably larger number of grants, contracts, and property transactions requiring legal support. Additional legal support is also needed to manage the growing inventory of conservancy owned lands. Currently, CTC has two PYs for legal support. This additional PY is justified given the growth in workload.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposals.

3. Forest Fuels Reduction

Background. Since 1995, the state has invested $4.6 million in fuel reduction efforts on urban parcels within the Tahoe basin through the Tahoe ReGreen and other Tahoe ReGreen-type activities. This funding was used to remove excess forest fuels from over 1,900 parcels and 650 acres of urban and forested lands adjoining residential structures in the Tahoe basin. Crews from the California Conservation Corps (CCC) participated in treating over 90 percent of the parcels that were treated.

The Department of Forestry and Fire Protection (CDF) has initiated a four year $39 million Proposition 40 bond funded fuel reduction program for the entire Sierra Nevada region. This program will provide additional fuel reduction in the Lake Tahoe basin and, over the next four years, could provide fuel reduction to an additional 800 parcels.

Governor's Budget. The Governor's budget proposes $180,000 in General Fund monies to initiate a regular maintenance cycle for urban parcels treated for fuels hazard reduction purposes. The funding will support a 6-month 12 person CCC crew.

Justification. Regular maintenance of urban parcels treated for forest fuel hazards is critical to maintaining the fire prevention benefits of the fuels reduction. This funding will enable the CCC to maintain 80-120 parcels a year.

The Conservancy estimates that a fully-funded program would cost about $440,000 annually and would enable the maintenance of all of the parcels initially treated for fuels over a ten-year period.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3760 State Coastal Conservancy

Background. The State Coastal Conservancy (SCC) is authorized to acquire land, undertake projects, and award grants for the purposes of: (1) preserving agricultural land and significant coastal resources; (2) consolidating subdivided land; (3) restoring wetlands, marshes, and other natural resources; (4) developing a system of public accessways; and (5) improving coastal urban land uses. In general, the projects must conform to California Coastal Act policies and be approved by the conservancy governing board.

Governor's Budget. The Governor's budget proposes $42 million to support SCC in the budget year. This is over an 80 percent reduction from estimated expenditures in the current year due to a reduction in the bond funds available for appropriation.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Coastal Resource Development	$4,727	$4,748	$21	0.4
Coastal Resource Enhancement	4,595	4,614	19	0.4
Administration	3,167	3,183	16	0.5
Capital Outlay	218,346	32,625	-185,721	-85.1
distributed administration	*-3,167*	*-3,183*	*-16*	*0.0*
Total	$227,668	$41,987	-$185,681	-81.6
Funding Source				
Special Funds	$4,683	$2,101	-$2,582	-55.1
Bond Funds	180,204	31,498	-148,706	-82.5
Budget Act Total	*184,887*	*33,599*	*-151,288*	*-81.8*
Reimbursements	26,934	1,921	-25,013	-92.9
Federal Trust Fund	4,136	2,127	-2,009	-48.6
State Coastal Conservancy Fund	5,706	4,340	-1,366	-23.9
Coastal Trust Fund	6,005	-	-	-
Total	$227,668	$41,987	-$185,681	-81.6

1. Public Access Program

Background. The California Coastal Conservancy was designated by statute to accept all access "offers to dedicate" (OTDs) that are set to expire. The Conservancy is also required to open a

minimum of three OTD public accessways annually. For more on OTDs, see Issue 1 under the California Coastal Commission.

Governor's Budget. The Governor's budget includes $1.3 million from special funds to develop, operate, and maintain public accessways.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

2. Watershed Programs

Governor's Budget. The Governor's budget includes $23.5 million from Proposition 50 to fund capital projects that protect and improve coastal and San Francisco Bay watersheds and that provide educational and recreational amenities for children related to the restoration of such resources. Projects may address the following:

- Pollution of ocean waters from nonpoint source water pollution.
- Impacts on fish and wildlife from nonpoint source water pollution.
- Improvement to local economies, recreation and scenic values through clean up and trail construction along rivers and streams.
- Recovery of salmonid species.
- Nonstructural flood protection.
- Natural replenishment of coastal beach sand.
- Development of comprehensive watershed plans.
- Development of public access and participation in conservation activities.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3. California Ocean Protection Council—Informational Item

Background. Recent legislation (SB 1319, Burton) established the California Ocean Protection Act with the goal of creating better coordination among state agencies that oversee protection of coastal and marine waters. The act creates an Ocean Protection Council that is required to report to the Governor and Legislature on changes in law and policy needed to meet goals related to ocean and coastal protection.

The 2004-05 budget provided $10 million in tidelands oil revenues to support ocean projects. The expenditure of these funds was extended until 2007-08 in the 2005-06 budget.

The 2005-06 budget included $1.2 million from special funds to support the activities of the Ocean Protection Council.

Governor's Budget. The Governor's budget includes $1.2 million from special funds in the State Coastal Conservancy's base budget to support the Ocean Protection Council. Approximately $200,000 of this allocation is being used to support one PY at the SCC.

Update on Expenditures. As mentioned above, approximately $200,000 of the $1.2 million is being used to support administrative costs related to the Ocean Protection Council at the SCC. The remaining funding has been awarded to the following projects:

- Sustainable Fisheries Revolving Loan Fund Planning Grant - $101,300 to Environmental Defense.
- California and the World Ocean '06 Conference - $150,000 to complete the conference.
- Request for Proposal to analyze options for permanent funding for ocean and coastal protection - $50,000 to a recipient that is yet to be determined.
- California Coastal and Marine Mapping Initiative - $45,000 to the Monterey Bay National Marine Sanctuary Foundation.
- California Aquatic Invasive Species Management Plan - $110,000 to the San Francisco Estuary Project.

Of the $10 million in tidelands oil revenues, approximately $3.2 million has been allocated to the following projects:

- Matilija Dam Ecosystem Restoration Project - $400,000.
- Sea Grant Ocean and Coastal Research Project - $1 million to the California Sea Grant College Program and USC Sea Grant Program.
- MorroBay Ecosystem-based Management - $45,000 to the Cal Poly San Luis Obispo Center for Coastal Marine Science.
- California Coastal and Marine Mapping Initiative - $1.2 million to the Monterey Bay National Marine Sanctuary Foundation.

Questions.

- The Council is currently conducting a strategic planning process. How do the expenditures already approved by the Council fit into this process?

3. Review of Liquefied Natural Gas Terminal Applications – Informational Item

Background. The SCC is involved in land acquisition and restoration along the state's coast. It is also staff to the new Ocean Protection Council that is charged with protecting the state's ocean resources. Given these responsibilities, the SCC has a direct interest in potential LNG facilities proposed to be sited off the coast of California.

Development of LNG facilities in California continue (see the discussion under the State Lands Commission earlier in this report for more details), but there remains little formal state guidance on what type of facility is preferred for the state. The SCC is part of the Interagency Permitting Working Group for LNG (see State Lands Commission for additional discussion). The website of the working group indicates that state agencies reviewing the EIR/EIS for an LNG project are addressing a myriad of issues.

Staff Recommendation. Staff recommends that the Subcommittee direct SCC to provide the Subcommittee with information on which Interagency Permitting Working Group issues are being evaluated by SCC.

3855 Sierra Nevada Conservancy

Background. Legislation was enacted in 2004 (AB 2600) to create a new Sierra Nevada Conservancy (SNC) to provide a vehicle for increasing and coordinating state and federal investments in the Sierra Nevada region. The region contains the mountains and the foothills of the Sierra Nevada range and certain adjoining areas, including Mono Basin, the Owens Valley and part of the southern Cascade region. The jurisdiction covers all or portions of 22 counties from Shasta and Modoc counties in the north to Kern County in the south. Six geographic sub-regions have been defined within the conservancy boundaries. The conservancy is prohibited from acquiring fee title to land.

Governor's Budget. The Governor's budget proposes $3.7 million to support SNC in the budget year. This is about the same level of funding as estimated for expenditure in the current year. The 2005-06 budget year was the first full year the Conservancy was in operation.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Sierra Nevada Conservancy	$3,581	$3,662	$81	2.3
Total	$3,581	$3,662	$81	2.3
Funding Source				
Special Funds	3,381	3,462	81	2.4
Budget Act Total	*3,381*	*3,462*	*81*	*2.4*
Reimbursements	200	200	0	0.0
Total	$3,581	$3,662	$81	2.3

1. Sierra Nevada Conservancy Start Up

Background. Significant funding was provided in the 2005-06 budget for the initial strategic program planning process required by statute as well as various equipment to enable teleconferencing and geographic information system capabilities. While these expenditures were justified, their nature is not ongoing. Therefore, the Legislature adopted supplemental report language requiring the conservancy to report to the Legislature on its total expenditure requirements for future budget years, including the amount, purpose and term of these expenditures. This report has not yet been submitted to the Legislature.

Governor's Budget. The Governor's budget for SNC does not reflect a reduction for one-time expenditures that were included in the 2005-06 budget.

LAO Recommendation. The LAO has recommended withholding action on SNC's budget until the required report has been submitted.

Staff Recommendation. Staff recommends that the Subcommittee hold the budget for the Sierra Nevada Conservancy open.

8770 Electricity Oversight Board

Background. The Electricity Oversight Board (EOB) was created by Chapter 854, Statutes of 1996 (AB 1890, Brulte), which deregulated California's wholesale electricity industry. The board was created to oversee the California Independent System Operator (ISO), which manages the transmission grid serving most of California, and the Power Exchange (PX), which, for a time, was the marketplace through which all electricity in the state was bought and sold. The EOB was also given very broad authority over ensuring reliability of the state's supply of electricity.

Governor's Budget. The Governor's budget proposes $3.9 million to support EOB in the budget year. This is approximately the same level of funding as is estimated for expenditure in the current year.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Administration	$3,860	$3,903	$43	1.1
Total	$3,860	$3,903	43	1.1
Funding Source				
General Fund	$0	$0	0	0.0
Special Funds	3,860	3,903	43	1.1
Budget Act Total	*3,860*	*3,903*	*43*	*1.1*
Federal Trust Fund	0	0	0	0.0
Reimbursements	0	0	0	0.0
Total	$3,860	$3,903	43	1.1

Staff Recommendation. Staff recommends that the Subcommittee approve funding for EOB as budgeted.

1. Review of Liquefied Natural Gas Terminal Applications – Informational Item

Background. The EOB oversees the wholesale electricity industry. The prices charged by the wholesale electricity industry are impacted considerably by the price of natural gas because over three-quarters of electricity production by wholesale generators in California is derived from

natural gas. Following the state's attempt to deregulate the electricity industry, the CPUC directed the investor owned utilities to sell their gas-fired electricity generation plants to private entities.

Development of LNG facilities in California continue (see the discussion under the State Lands Commission earlier in this report for more details), but there remains little formal state guidance on what type of facility is preferred for the state. The EOB is part of the Interagency Permitting Working Group for LNG (see State Lands Commission for additional discussion). The website of the working group indicates that state agencies reviewing the EIR/EIS for an LNG project are addressing a myriad of issues.

Staff Recommendation. Staff recommends that the Subcommittee direct EOB to provide the Subcommittee with information on which Interagency Permitting Working Group issues are being evaluated by EOB.

8660 Public Utilities Commission

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

Governor's Budget. The Governor's Budget proposes $1.2 billion to support CPUC in the budget year. This is approximately the same level of funding as is estimated for expenditure in the current year. The commission does not receive any General Fund support.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Regulation of Utilities	$350,685	$364,956	$14,271	4.1
Universal Service Telephone Programs	858,035	861,420	3,385	0.4
Regulation of Transportation	16,498	17,509	1,011	6.1
Administration	16,435	20,925	4,490	27.3
less distributed administration	*-16,435*	*-20,925*	*-4,490*	*0.0*
Total	$1,225,218	$1,243,885	18,667	1.5
Funding Source				
General Fund	$0	$0	0	0.0
Special Funds	1,211,407	1,229,960	18,553	1.5
Budget Act Total	*1,211,407*	*1,229,960*	18,553	1.5
Federal Funds	1,119	1,139	20	1.8
Reimbursements	12,692	12,786	94	0.7
Total	$1,225,218	$1,243,885	18,667	1.5

1. Division of Ratepayer Advocates

Background. The Office of Ratepayer Advocates was created in 1985 to represent ratepayers in CPUC proceedings. Legislation (SB 608, Escutia), enacted in 2005, renamed the Office to the Division of Ratepayer Advocates (DRA). This legislation also authorizes the DRA Director to

appoint a lead attorney who serves at the pleasure of the Director and requires the DRA Director to develop the DRA budget subject to PUC approval.

Governor's Budget. The Governor's Budget proposes $154,000 in special funds to fund one lead attorney position within the DRA, consistent with recently enacted legislation (SB 608, Escutia).

The budget also proposes to redirect six positions from DRA's electricity analysis branch to its water and telecommunications activities.

DRA's Staffing. The DRA currently has 122 positions. At its largest, in the mid-1990s, the division was nearly twice this size. The Legislature added 10 additional positions to DRA in the 2005-06 budget to address increased workloads associated with telecommunications and water proceedings at the commission, but these positions were vetoed. There is evidence that the Division's workload related to telecommunications and water proceedings at the commission has increased and that additional staff resources are needed. However, the redirections from the electricity analysis branch proposed in the budget will likely be damaging to the Division's ability to represent ratepayer interests adequately in electricity proceedings.

More information is needed on an adequate level of baseline funding for DRA to carry out all of its statutory mandates. The nature of the Commission's work is varied and will always require some annual prioritizing related to the Commission's annual work plan. However, more information is needed on the current allocation of positions at DRA as well as a measurement of the Division's ability to meet all of its statutory mandates. If possible, information is also needed on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

Staff Recommendation. Staff recommends that the Subcommittee direct the DRA, in consultation with the CPUC, to provide additional information on DRA's current staffing, including:

- Current allocation of positions within DRA.
- Identification of the statutory mandates on the DRA and a metric of the Division's ability to meet these mandates.
- If possible, information on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

2. Telecommunications Division

Background. The Telecommunications Division assists the Commission in developing and implementing policies and procedures in the interest of consumers in all telecommunications markets, and in addressing regulatory changes required by state and Federal legislation. The Division also assists the Commission's oversight of a competitive market by ensuring that consumers are protected from fraud and abuse and receive affordable and universal access to necessary services.

Governor's Budget. The Governor's budget proposes to redirect one position from the administration of the High Cost A program and Universal Lifeline Telephone Service Program (ULTS) to participate in and inform telecommunications proceedings at the Federal Communications Commission (FCC) and to influence federal legislation.

The CPUC is also redirecting three positions administratively (without a budget proposal) from the High Cost B program, new carrier certification, and commission-wide information technology support to the oversight and administration of the Deaf and Disabled Telecommunications Program.

Understanding the Redirections. It is unclear to staff what distinguishes the budget proposals to redirect positions from the administrative redirection of positions. The nature of the Commission's work varies from year to year and will require some annual prioritizing related to the Commission's annual work plan. However, the administrative redirections involve transferring a position from one division to another division. Additional clarification is needed on the Commission's policy for redirecting staff administratively as opposed to redirection through a budget proposal.

Telecommunication Division Staffing. The Telecommunications Division currently has 35.3 positions (not including administrative overhead). Staff throughout the Commission also works on telecommunications activities and there are 60.8 total staff working on telecommunications activities (including the Telecommunications Division).

It is well documented that telecommunications policy is currently being driven by rapid technological changes that are national and even global in scope. This has led to a shift from state-centric regulation to the FCC and U.S. Congress. Since CPUC's programs and regulatory activities will be impacted by changes in federal law and policy, it makes sense that the CPUC have a presence in those federal venues involved in setting policy. The CPUC had 3.3 positions dedicated to federal telecommunication activities in 2004-05. However, the redirections proposed in the budget will reduce review of the High Cost A and ULTS program and will result in delays related to processing claims to the telecommunications carriers.

More information is needed on what might constitute an adequate level of baseline funding in order for the Telecommunications Division to carry out its statutory mandates. More information is needed on the Division's ability to meet statutory mandates with current staffing levels. If possible, information is also needed on the positions necessary to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

Staff Recommendation. Staff recommends that the Subcommittee direct the CPUC to provide additional information on the Telecommunications Division, including:

- Identification of statutory mandates related to telecommunications and a metric of the Division's ability to meet these mandates with current staffing.
- If possible, information on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

3. Energy Division

Background. The Energy Division advises the Commission on whether to approve, deny, or modify all electric and natural gas utility requests not assigned for hearing. The division also assists the Commission in developing and monitoring competitive services, economic regulation of remaining monopoly services, and implementing regulatory objectives and programs for electricity and natural gas industries. The division also provides analysis on consumer protection, the assurance of safe and reliable service, and the consideration of environmental issues.

Governor's Budget. The Governor proposes to redirect twelve positions from the payphone consumer protection program and all other energy programs to implement the Governor's climate action strategies.

The Governor's budget proposes to redirect one position from the Low-Income Oversight Board to implement advanced metering programs.

The Governor's budget proposes to redirect three positions from the payphone consumer protection program to evaluate and verify energy efficiency savings per a recent order by the Commission to shift evaluation of the energy efficiency programs administered by the utilities to the CPUC, which is to work in conjunction with the California Energy Commission (CEC).

The Governor's budget proposes to redirect two positions from non-general rate case utility rate review and small utility general rate cases to focus on general rate cases for Pacific Gas & Electric and Southern California Edison.

The Governor's budget proposes to redirect three positions from electricity reliability activities and the Low-Income Oversight Board to renewable energy and distributed generation activities.

The Governor's budget proposes to redirect two positions from the Low-Income Oversight Board to monitoring electricity procurement activities.

The CPUC is also redirecting three positions administratively (without a budget proposal) from small water rate cases and electricity cost of capital analysis to review of electricity re-powering projects.

Redirection Issues. The majority of the Commission's regulatory activities are supported by the Utilities Reimbursement Account. The payphone consumer protection program, however, is supported by a separate funding source. Funding for the program would, therefore, need to be adjusted. Furthermore, the Commission's budget proposal would result in effectively eliminating the payphone consumer protection program as it was established in statute. If this proposal were to be adopted, it would require statutory changes to implement. The Commission has indicated this in its budget proposal, but has not recommended changes in statute.

Energy Division Staffing. The Energy Division currently has 70 positions (not including administrative overhead). These positions include the division director, three branch managers and positions supporting the following activities:

- **Energy Resources Branch**
  - Procurement and Resource Adequacy – 6 PYs
  - Renewable and Distributed Generation – 5 PYs
  - Energy Efficiency – 7 PYs
  - Demand Response and Load Serving Entities Programs – 7 PYs
- **Ratemaking Branch**
  - Transmission Policy and Rates (at the Federal Energy Resources Commission) – 6 PYs
  - State Electric Rates – 9 PYs
  - Federal and State Gas – 7 PYs
- **Transmission Permitting and Reliability Branch**
  - Low Income Programs – 6 PYs
  - Transmission Permitting – 7 PYs
  - Transmission and Distribution Reliability - 6 PYs

There is merit to increasing many of the programs proposed for additional positions in the Governor's budget. However, there are considerable concerns about the impacts to programs that are being reduced to accomplish the redirections. Staff has determined that redirections will result in slower and less stringent review of some activities. The reduction of staffing for the Low-Income Oversight Board will reduce the involvement of this board in informing the Commission of issues related to low-income utility customers.

More information is needed on what might constitute an adequate level of baseline funding in order for the Energy Division to carry out its statutory mandates. The nature of the Commission's work is varied and will always require some annual prioritizing related to the Commission's annual work plan. However, more information is needed on the Division's ability to meet statutory mandates with current staffing levels. If possible, information is also needed on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

Staff Recommendation. Staff recommends that the Subcommittee direct CPUC to provide additional information on the Energy Division, including:

- Identification of statutory mandates related to energy and a metric of the Division's ability to meet these mandates with current staffing.
- If possible, information on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

4. Railroad Safety Branch

Background. The Railroad Safety Branch of the Consumer Protection and Safety Division of the CPUC has oversight regarding the safety of heavy freight and passenger railroads. The commission conducts rail safety inspections, investigates rail accidents, approves all applications

for new construction or modifications to existing highway/rail crossings, and develops new safety initiatives based on inspection and investigative activities.

A recent court decision found that the CPUC did not have regulatory jurisdiction over railroad operating practices, but that in order to affect these practices, applications must be made to the Federal Railroad Administration, which has regulatory jurisdiction over the operations of heavy freight and passenger railroads.

Governor's Budget. The Governor's budget proposes the following activities to enhance the Commission's rail safety activities:

- **Rail Safety.** Proposes $946,000 to permanently establish ten limited-term positions authorized in the 2005 budget to implement the state's Rail Safety Action Plan.
- **Rail Crossing Safety.** Proposes $252,000 to fund three new positions to allow for more investigations of rail crossing incidents.
- **Safety and Security of Transit.** Proposes $180,000 to fund two new positions to augment the rail transit safety program and rail transit security oversight activities.

Workload Justification. The ten positions included in the 2005-06 budget to implement the state's Rail Safety Action Plan were approved on a limited-term basis by the Governor due to deficiencies in the Commission's accounting practices for the rail program which have been identified in a 2004 audit by the Bureau of State Audits. Since then, the Commission has implemented all of the recommendations made by the auditor. The activities supported by these positions include inspectors and analysts needed to comply with statutorily mandated rail safety inspections. These activities are ongoing in nature and limited-term positions are not appropriate.

The positions requested for rail crossing safety activities will be used to conduct additional accident investigations. The Commission investigated only ten crossing accidents in 2004, which is less than 15 percent of all crossing accidents that year. The ability to review accidents aids in determining the root causes of the accidents which, in turn, can spur the development of policy to address the problems identified. Additional positions are also needed to respond to a new rule by the Federal Railroad Administration (FRA) designating certain crossings as Quiet Zones. Designation of new Quiet Zones (crossings where the train is not allowed to sound its horn) will require additional data analysis by the department in order to make recommendations to the FRA.

The Rail Transit Safety Program currently has eleven positions. However, due to the number of extensions as well as to major new construction, the workload has expanded. Furthermore, the Commission does not have a developed rail transit security program. An additional staff person would allow the Commission to comment meaningfully on transit agency security plans in order to ensure that recommendations made by the Department of Homeland Security are being implemented.

Staff Recommendation. Staff recommends that the Subcommittee do the following:

- Approve the budget proposal for the rail safety branch.

- Require the Commission to report on the outcome of the Rail Safety Working Group funded by the 2005-06 budget.

5. Consumer Service and Information Division

Background. The Consumer Service and Information Division's primary functions are to assist consumers, provide information to the public and communicate with various communities within California.

Governor's Budget. The Governor's budget proposes to redirect one position from the Commission's Southern California Outreach Program to create a small business liaison.

Redirection Impact. The impact of this redirection will be to eliminate the outreach position in the Inland Empire. There remain two outreach positions in Southern California, one in San Diego and one in Los Angeles.

Workload Justification. This small business liaison position would help to raise awareness of utility issues within small business advocacy groups and organizations. Historically, these organizations have not participated at the commission on a regular basis. Small business customers are currently faced with the highest category of electricity rates. Furthermore, the record, in several other key regulatory issues, reflects a lack of involvement by the small business community.

Consumer Service and Information Division Staffing. Staff does not have current information on the number of staff the Commission currently has in the Consumer Service and Information Division. More information is needed on what might constitute an adequate level of baseline funding in order for this division to carry out its statutory mandates.

Furthermore, legislation (SB 608, Escutia) enacted in 2005 requires the Commission to expand the PUC's public outreach program by requiring the Commission to publicize programs that encourage public participation in proceedings. The Commission should report on what it has done to implement this legislation.

Staff Recommendation. Staff recommends that the Subcommittee direct CPUC to provide additional information on the Consumer Service and Information Division, including:

- Identification of statutory mandates related to this division's activities and a metric of the Division's ability to meet these mandates with current staffing.
- Other justification for positions based on experience and directives by the Commission.

6. Review of Liquefied Natural Gas Terminals – Informational Item

Background. The CPUC regulates the state's electricity and natural gas investor owned utilities. Currently, LNG delivery options are being developed by entities that are not directly regulated by the Commission. Nevertheless, the development of these LNG facilities would

likely have a direct impact on natural gas rates of the investor owned utilities and could have a significant impact on rates of the electricity utilities. This is because electricity derived from natural gas accounts for over one-third of the state's total electricity supply.

Development of LNG facilities in California continue (see the discussion under the State Lands Commission earlier in this report for more details), but there remains little formal state guidance on what type of facility is preferred for the state. The CPUC is part of the Interagency Permitting Working Group for LNG (see State Lands Commission for additional discussion). The website of the working group indicates that state agencies reviewing the EIR/EIS for an LNG project are addressing a myriad of issues.

Staff Recommendation. Staff recommends that the Subcommittee direct CPUC to provide the Subcommittee with information on which Interagency Permitting Working Group issues are being evaluated by CPUC.

3360 California Energy Commission

Background. 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 proposes $310 million to support CEC in 2006-07. The proposed budget is approximately 26 percent less than estimated expenditures in the current year due to accumulated renewable energy funding expended in the current year to help implement the renewable portfolio standard. The department does not receive any General Fund support.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Regulatory and Planning	$25,775	$26,179	$404	1.6
Energy Resources Conservation	26,504	22,880	-3,624	-13.7
Research and Development	383,203	279,758	-103,445	-27.0
Administration	11,551	13,082	1,531	13.3
less distributed administration	*-11,551*	*-13,082*	*-1,531*	*0.0*
less loan repayments	*-1,883*	*-1,133*	*750*	*0.0*
Total	$433,599	$327,684	-105,915	-24.4
Funding Source				
General Fund	$0	$0	0	0.0
Special Funds	417,635	309,961	-107,674	-25.8
Budget Act Total	*417,635*	*309,961*	-107,674	-25.8
Federal Funds	10,211	11,978	1,767	17.3
Reimbursements	5,753	5,745	-8	-0.1
Total	$433,599	$327,684	-105,915	-24.4

1. Alternative Fuels Development

Background. Since its inception, the CEC has supported the development of alternative transportation fuels. Historically, the CEC has assessed and demonstrated the market potential of new transportation technologies and fuels, encouraged the widespread use of low-emission

alternative fuels in emerging technologies, and evaluated the development risks of and opportunities for using alternative fuels in transportation applications.

Legislation (AB 1007, Pavley), enacted in 2005, requires that the CEC, in partnership with the Air Resources Board and in consultation with other relevant agencies, develop a state plan to increase the use of alternative transportation fuels. The plan must include the following elements:

- Evaluate alternative fuels on a full fuel-cycle assessment of emissions.
- Set goals for 2012, 2017, and 2022 for increased alternative fuel use.
- Recommend policies to ensure goals are attained.

Governor's Budget. The Governor's Budget proposes $500,000 from the Energy Resources Program Account (ERPA) for the CEC to implement recently enacted legislation (AB 1007, Pavley), which requires the development of recommendations to increase the use of alternative fuels in the transportation sector. These funds will be used to hire contractors to augment the Commission's four existing positions working on these issues.

Justification. The CEC indicates that additional expertise is needed beyond Commission staff resources to fulfill AB 1007. Specifically, additional analysis is needed to evaluate full fuel cycle emissions (also called well to wheels emissions), the capacity for instate production of alternative fuels, and research on consumer preference needed to encourage consumer use of alternative fuels.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

2. Safe School Bus Clean Fuel Efficiency Program

Background. The Katz Safe School Bus Program was created in 1988 to fund the replacement of old, dirty school buses purchased pre-1977 with cleaner and more energy efficient school buses. This program replaced 826 buses over 10 years. The program was originally funded with $60 million from the Petroleum Violation Escrow Account. Over half of the buses funded were alternative fuel buses.

The 2005-06 budget included $25 million to retrofit and replace additional school buses in a program that is managed by the Air Resources Board. The ARB is currently considering allocating funding to replace 40 pre-1977 school buses in smaller school districts. Larger school districts would manage their own programs for allocating the school bus replacement funds.

There are 743 pre-1977 buses remaining on the roads.

Governor's Budget. The Governor's budget proposes the expenditure of $303,000 remaining in the Katz School Bus Fund to replace three pre-1977 buses currently in operation.

Unmet Need Remains. As mentioned above, there are 743 pre-1977 buses currently operating in the state. The $25 million allocated in the 2005-06 budget, combined with the budget proposal to expend the remaining funds available in the Katz School Bus Fund, will replace 92 buses. This

leaves close to 700 additional buses that still need to be replaced. Pre-1977 buses are dangerous and polluting, because, before 1977, there were no federal safety standards for buses and emissions from buses were relatively uncontrolled. Furthermore, emissions from school buses impact children who are the most vulnerable segment of the state population.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3. Review of Liquefied Natural Gas Terminal Applications – Informational Item

Background. The CEC is the primary state agency responsible for setting the state's energy policy. Therefore, they have a role in the development of Liquefied Natural Gas (LNG) resources in the state. The 2005 Integrated Energy Policy Report sets the following policy regarding the potential for LNG resources in California:

> *An important addition to natural gas infrastructure in North America is the construction of liquefied natural gas import facilities. These facilities will increase natural gas supplies available to the U.S. over the next ten years and also help meet California's additional natural gas needs. Currently, no liquefied natural gas terminals are located on the West Coast. The 2003 Energy Report highlighted the need for development of these facilities and their associated infrastructure to serve the natural gas needs of the western U.S.*
>
> *The cost of delivering natural gas to the West Coast via a liquefied natural gas project is well below the market prices that California pays at its borders and could have a dramatic effect on the market prices in the state. For example, if market prices dropped by 50 cents per million British thermal units, Californians would save more than $1 billion on their natural gas bills.*

Development of LNG facilities in California continue (see the discussion under the State Lands Commission earlier in this report for more details), but there remains little formal state guidance on what type of facility is preferred for the state. The CEC is part of the Interagency Permitting Working Group for LNG (see State Lands Commission for additional discussion). The website of the working group indicates that state agencies reviewing the EIR/EIS for an LNG project are addressing a myriad of issues.

Staff Recommendation. Staff recommends that the Subcommittee direct CEC to provide the Subcommittee with information on which Interagency Permitting Working Group issues are being evaluated by CEC.

Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 2 Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal

Monday, March 20, 2006
3:00 p.m.
Room 112

Item	Department	Page
Climate Change Initiative Overview		2
0555	Secretary for Environmental Protection	5
3360	California Energy Commission	8
8660	California Public Utilities Commission	9
3980	Office of Environmental Health Hazard Assessment	10
3900	Air Resources Board	13
3910	Integrated Waste Management Board	19
3930	Department of Pesticide Regulation	26
3940	State Water Resources Control Board	29
3960	Department of Toxic Substances Control	33

Resources—Environmental Protection—Energy—Utilities

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

Climate Change Initiative Overview

Background. In June 2005, the Governor signed Executive Order S-3-05 which set the following greenhouse gas emission reduction targets:

- By 2010—Reduce GHG emissions to year 2000 levels.
- By 2020—Reduce GHG emissions to year 1990 levels.
- By 2050—Reduce GHG emissions to 80 percent below year 1990 levels.

The Governor directed the Secretary of Cal-EPA to coordinate oversight of the efforts to meet these targets and formed the Climate Action Team to develop strategies to support the order. The draft Climate Action Team report was released in December 2005 and recommends the following essential actions to meet the Governor's GHG emission reduction targets.

- Require mandatory reporting of GHG emissions.
- Levy a public goods charge on gasoline and diesel to fund the promotion of alternative, cleaner transportation fuels.
- Coordinate the state's investment funds to reward industry development of emission reduction technology.
- Create provisions to credit companies that take early actions to reduce GHG emissions.

The final draft of the Climate Action Team report has not been released, but was due in January. The Executive Order also specified that this report would be updated biannually thereafter.

Governor's Budget. The Governor's Budget includes $7.2 million ($135,000 General Fund) to implement this initiative. The majority of the funding is for the Air Resources Board (ARB) and the Secretary for Environmental Protection, but activities are also funded at the California Energy Commission, the California Public Utilities Commission, and the Integrated Waste Management Board. More detailed descriptions of these budget proposals are contained in this agenda under each department.

Ongoing Efforts to Reduce GHG Emissions. California was already engaged in a variety of efforts to reduce GHG emissions prior to the Governor's Executive Order. These efforts include:

- **California Climate Action Registry.** Registers voluntary reporting of GHG emissions to establish baselines against which future GHG emission reduction requirements can be applied.
- **GHG Vehicle Emission Standards.** Requires the ARB to regulate GHG emitted by passenger vehicles and light-duty trucks to achieve maximum feasible reductions. (The state is currently engaged in litigation regarding these standards.)
- **Diesel Idling Restrictions.** Requires ARB to develop regulations to prevent diesel truck engine idling.
- **Renewable Portfolio Standard.** Requires the state's retail sellers of electricity to achieve at least 20 percent of energy sales from renewable sources.
- **Energy Efficiency Programs.** Establishes energy-savings targets for investor-owned utility energy efficiency programs and issues standards that reduce the energy demands of buildings and household appliances.

- **Tire Replacement and Inflation.** Ensures that replacement tires sold in the state are at least as energy efficient as the originals and encourage energy efficient inflation.
- **Recycling Goals.** Establishes 50 percent diversion rates for waste heading to landfills.

The Climate Action Team draft report proposes to build on these efforts to meet the emission reduction targets.

Additional Efforts Needed to Meet GHG Emission Reduction Goals. The draft Climate Action Team report proposes a series of additional actions that are needed to meet GHG emission reduction goals. The Climate Action Team has formed two sub-groups: the Scenario Analysis sub-group and the Cap and Trade subgroup. The Scenario Analysis subgroup is charged with evaluating California-specific impacts of climate change and a menu of potential actions that the state could take to reduce GHG emissions. The Cap and Trade subgroup is charged with evaluating options for a GHG emission cap and trading program in the state.

Evaluating the Budget Proposal. In order to evaluate the proposed budget for climate change activities staff recommends that the Subcommittee consider the following general principles for evaluating each budget request related to the Climate Change Initiative. The general principles include:

- **Detailed Roadmap Needed.** It is critical that the Legislature be presented with a detailed plan for meeting emission reduction goals. All budget proposals should relate directly to the plan.
- **Multi-Pronged Approach Needed.** It is critical that the state continue to move forward with proven strategies that reduce GHG emissions. However, at the same time it is important to fund targeted research that is needed to develop additional GHG reduction strategies.
- **Measurement is Critical.** The state must have a system of tracking its performance in meeting GHG emission reduction goals. Without such a system, it will be difficult to determine which strategies are the most cost-effective.
- **Consider Cost.** The state should attempt to make investments in the most cost-effective GHG emission reduction strategies first.

Legislature Needs Additional Information. Staff finds that the administration has not provided the information needed to effectively evaluate the Governor's Climate Change Initiative. First, the Governor has not submitted a detailed plan on how the state will reduce GHG emissions. Without such a plan, it makes it difficult for the Legislature to determine how individual budget proposals fit into the overall strategy for reducing emissions. Furthermore, the administration is proposing to fund a significant number of new research initiatives. Without an overall portfolio and plan that identifies gaps in current research, it is difficult to determine the need for individual research contracts.

In addition, the proposals provide only minimal funding for developing a comprehensive strategy for measuring GHG emissions. The draft plan, submitted by the Climate Action Team in December 2005, identified this action as a high priority action, but the budget does not contain a significant commitment to implement this action. Without this information it is difficult to evaluate and track the efficiency of the strategies proposed for funding.

The budget proposal does appear to take a multi-pronged approach by funding a variety of activities, including funding activities that accelerate existing programs to reduce GHG emissions, as well as funding for varied research contracts. However, without the information identified above, it is difficult to determine whether the proposal is the right mix.

Staff Recommendation. Staff recommends that the Subcommittee hold open the budget proposals that comprise the Climate Change Initiative and request the following information from the Secretary for Cal-EPA:

- A detailed plan for achieving GHG emission reduction goals, including a comprehensive research portfolio.
- A plan for measuring GHG emissions and the development of tools to evaluate the efficiency and cost effectiveness of different emission reduction strategies.

0555 Secretary for Environmental Protection

Background. The California Environmental Protection Agency (Cal-EPA) is charged with implementing federal and state environmental quality standards. This is done through regulatory programs and incentive programs that seek to improve the quality of the environment for all Californians. The Cal-EPA is led by the Secretary for Environmental Protection and the agency oversees the following boards, departments, and office.

Boards:
- Air Resources Board
- Integrated Waste Management Board
- State Water Resources Control Board (including the nine Regional Water Quality Control Boards)

Departments:
- Department of Pesticide Regulation
- Department of Toxic Substances Control

Offices:
- Office of Environmental Health Hazard Assessment

Governor's Budget. The Governor's Budget proposes $9.2 million to support the Secretary for Environmental Protection. This is a 60 percent increase over estimated expenditures in the current year due to budget proposals that transfer resources from boards and departments within Cal-EPA to the Secretary's office. General Fund support for the Secretary is proposed to increase by about $650,000 due to these budget proposals.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Administration	$10,196	$13,363	$3,167	31.1
Total	$10,196	$13,363	$3,167	31.1
Funding Source				
General Fund	$1,321	$1,968	$647	49.0
Special Funds	4,467	7,202	2,735	61.2
Budget Act Total	*5,788*	*9,170*	*3,382*	*58.4*
Reimbursements	2,017	1,805	-212	-10.5
State Water Quality Control Fund	117	167	50	42.7
Environmental Enforcement and Training Account	2,124	2,066	-58	-2.7
Environmental Education Account	150	155	5	3.3
Total	$10,196	$13,363	$3,167	31.1

1. Climate Change Initiative

Background. The 2005-06 budget provided $500,000 from the General Fund to the Secretary of Cal-EPA to support climate change activities. These monies were used to fund various studies to support the activities of the Climate Action Team. In addition to the development of a Scenario Analysis report and Cap and Trade report (see Climate Change Initiative Overview), the funds were also used to support studies on the economic impacts of climate change and the science of climate change. These funds are included in the base budget for the Secretary of Cal-EPA.

Governor's Budget. The Governor's Budget includes $900,000 ($135,000 General Fund) in additional funds to fund two positions and $595,000 in additional contracts to lead a statewide effort to meet the GHG emission reduction targets set by the Governor. Contract funding will fund technical support to continue the development and analysis of the various GHG emission reduction scenarios and the implementation of a cap and trade program.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

2. CUPA Oversight

Background. The Certified Unified Program Agencies (CUPA) are designated local agencies that implement six hazardous waste and materials programs, including the regulation of dry cleaning businesses and gas stations. Last year, CUPAs were designated for the remaining jurisdictions without a CUPA. The state now has 86 total CUPAs statewide. The Department of Toxic Substances Control, the State Water Resources Control Board, the Office of Emergency Services, and the State Fire Marshall all have responsibilities related to the programs implemented by the CUPAs; but the Secretary of Cal-EPA is responsible for the statewide oversight of the program. Statewide oversight includes a required triennial review of the CUPAs operations.

Governor's Budget. The Governor's budget proposes $294,000 from special funds to fund 2.5 positions to augment its efforts to evaluate local CUPA efforts.

Workload Justification. The administration currently has 1.5 positions supporting CUPA review activities. This level of staffing is not sufficient to conduct the statutorily required triennial review of local CUPA operations. The additional staffing will enable Cal-EPA to review local CUPA operations on schedule.

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

3. Coordination of California/Mexico Border Issues

Background. There have been long standing collaborative efforts that focus on environmental issues along the California/Mexico border. Many of these programs have been funded by the General Fund and have been subject to budget reductions or redirections over the past several years. Some of the border efforts within Cal-EPA include:

- The Air Resources Board has an air monitoring program in the Tijuana area.

- The Integrated Waste Management Board has solid waste cleanup and monitoring efforts in the border zone.
- The State Water Resources Control Board (SWRCB) has a Border Affairs Unit that coordinates various border-related water quality activities.

Since 2003, the Border Affairs Unit at the SWRCB has served as the ad hoc coordinator of all agency-wide border issues.

Governor's Budget. The Governor's Budget includes the redirection of five positions and $619,000 from Cal-EPA boards to the Secretary to support agency-wide policy and program coordination of California-Mexico border environmental efforts. Redirections include:

- One position from the ARB ($115,000 from special funds).
- One position from the Waste Board ($130,000 from special funds).
- Three positions from the SWRCB ($374,000 from the General Fund).

Justification. Currently, support of border issues are handled on an ad hoc basis by staff at various Cal-EPA boards. An agency-level unit would be more effective in coordination, communication, and development of state policy and priorities related to border issues..

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

4. Cal-EPA Consolidation of Administrative Functions

Background. Legislation (SB 1107, Budget), was enacted in 2004, to direct the Secretary of Cal-EPA to consolidate selected administrative functions at all of the boards, departments, and offices within the agency. Functions eligible for consolidation include procuring basic office supplies, information technology, collecting fees, and generic human resources functions that support state personnel.

This consolidation was initiated in the 2005-06 fiscal year with a $1 million increase in reimbursement authority for the Secretary to fund consolidated mail and courier operations, electronic imaging, employee safety and parking, facilities management, security, shipping and receiving, and building operations. The Legislature was notified of this consolidation by a March 3, 2006 letter to the legislative fiscal committees.

Governor's Budget. The Governor's Budget includes the redirection of 22 positions and $2.1 million from Cal-EPA boards, departments, and office to the Secretary of Cal-EPA. This proposal represents full-year costs for centralizing administrative functions at Cal-EPA.

Justification. Centralizing selected administrative functions has reduced the number of staff needed to complete the same task, thereby improving efficiency and saving the state money.

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

3360 California Energy Commission

1. Climate Change Initiative

Governor's Budget. The Governor's Budget proposes $612,000 to support four positions and $200,000 in contracts to implement the Governor's greenhouse gas emission reduction targets. The new positions will support the following activities:

- Evaluate and verify electricity carbon policies.
- Evaluate and verify industrial carbon policies.
- Improve the statewide GHG emission inventory.
- Focus on economic issues related to climate change, including overseeing $5 million in PIER contracts related to this subject.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

2. Climate Action Registry

Background. The Climate Action Registry was established under legislation (SB 1771, Sher), enacted in 2000, as a non-profit voluntary registry for GHG emissions. The purpose of the registry is to help companies and organizations with operations in the state to establish GHG emissions baselines against which any future GHG emission reduction requirements may be applied. The registry encourages voluntary actions to increase energy efficiency and decrease GHG emissions.

In the past, this registry has been funded with $200,000 in grant funds provided from the Public Interest Energy Research (PIER) program. The Legislature proposed to allocate $500,000 to the Secretary for Cal-EPA for this purpose in 2005, but these funds were vetoed by the Governor. Therefore, no state funds were provided in the current year to fund the registry.

Governor's Budget. The budget does not provide funding to support the registry.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

8660 California Public Utilities Commission

1. Climate Change Initiative

Governor's Budget. The Governor's budget proposes to redirect 12 positions to fund various climate change activities. The redirected positions will be used to fund the following activities:

- One position will coordinate climate change activities at the PUC to ensure climate change goals are being met.
- Three positions will be used to accelerate the renewable portfolio standard to 22 percent by 2020.
- One position will support the solar initiative, including expanding the current distributed generation program and consolidating other existing solar programs.
- Three positions to develop new programs and accelerate existing energy efficiency programs.
- One position to support the Governor's Executive Order to encourage green technology adoption by state buildings.
- Two positions to evaluate cap and trade programs and strategies for measuring and verifying emission reductions.
- One position to develop a new combined heat and power program for projects that are over five megawatts.

Half of the redirected positions are proposed to come from the consumer protection payphone program and the other six positions are redirected from other activities within the energy division.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

3980 Office of Environmental Health Hazard Assessment

Background. The Office of Environmental Health Hazard Assessment (OEHHA) identifies and quantifies the health risks of chemicals in the environment. It provides these assessments, along with its recommendations for pollutant standards and health and safety regulations, to the boards and departments in the California Environmental Protection Agency and to other state and local agencies. The OEHHA also provides scientific support to environmental regulatory agencies.

Governor's Budget. The Governor's Budget proposes $14 million to support OEHHA in the budget year. This is a slight increase in funding from the estimated expenditures in the current year due to new budget proposals. General Fund support for OEHHA remains relatively unchanged in the budget year.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Health Risk Assessment	$15,726	$16,385	$659	4.2
Administration	2,985	3,011	26	0.9
less distributed administration	*-2,985*	*-3,011*	*-26*	*0.0*
Total	$15,726	$16,385	$659	4.2
Funding Source				
General Fund	$8,303	$8,377	$74	0.9
Special Funds	5,281	5,803	522	9.9
Budget Act Total	*13,584*	*14,180*	*596*	*4.4*
Federal Trust Fund	500	500	0	0.0
Reimbursements	1,642	1,705	63	3.8
Total	$15,726	$16,385	$659	4.2

1. Funding Adequacy

Background. During the early part of this decade, OEHHA suffered significant General Fund reductions to its programs. Over the past several years, there have been concerns raised by the Legislature regarding the relative instability of OEHHA's funding due to its reliance on the General Fund. In response to this concern, actions have been taken to shift some of the office's budget to appropriate special fund sources.

In 2005, OEHHA submitted a legislatively mandated report on long-term baseline funding requirements. This report identified the need for an additional $6 million to fully fund OEHHA's statutory mandates. Statutory mandates not being implemented, because of the funding shortfall, include investigations related to children's health, criteria air pollutants, and pesticide use. The report also identified eligible funding sources for supporting OEHHA's statutory mandates. However, the administration did not recommend any augmentations to OEHHA's budget at this time because there were no balances in special funds available to meet OEHHA's funding needs on an ongoing basis without a fee increase. The funding shortfall reduces the office's ability to address children's health, and criteria air pollutants.

The Legislature added $500,000 General Fund to OEHHA's budget in the current year. These funds are being used to increase activities across all of OEHHA's programs, including increasing activities related to children's health, Proposition 65 labeling laws, and pesticide reviews.

Governor's Budget. The Governor's Budget includes $266,000 in special funds to augment the department's Proposition 65 program. These funds will be used to support two 2-year limited-term positions to identify "safe" levels (levels that do not pose a significant health risk) for substances listed under Proposition 65 as causing cancer or reproductive toxicity.

Workload Justification. The baseline funding report submitted by OEHHA in 2005 identified an unmet need of nearly $700,000 in the Proposition 65 program. The General Fund augmentation approved in the current year helped marginally to fund this program, but additional funding is needed to fully implement OEHHA's Proposition 65 mandate. Therefore, the budget proposal is justified based on the department's baseline funding needs. Staff finds that the workload associated with the Proposition 65 program is ongoing. However, the administration proposes funding the additional positions on a limited-term basis because the special funds supporting this augmentation are from fines and penalties and are not a stable funding source.

Staff Recommendation. Staff recommends that the Subcommittee adopt the following actions:

- Adopt the budget proposal.
- Request that OEHHA work with staff, the LAO, and DOF to identify appropriate special funds available to fund other unmet baseline funding needs at OEHHA on an ongoing basis.

2. Lead in Candy

Background. The presence of hazardous levels of lead in imported Mexican candy has been recognized as a problem for a number of years. In 2004, the Department of Health Services (DHS) issued two health advisories regarding lead-contaminated candies. Legislation (AB 121, Vargas), enacted in 2005, requires OEHHA to set a lead standard for certain candies and candy wrappers by July 1, 2006. The legislation also requires OEHHA to develop sampling and testing protocols to measure lead in candy and candy wrappers and update the lead standards every three to five years. The legislation requires DHS to operate an ongoing regulatory program to enforce OEHHA's standards.

Governor's Budget. The Governor's Budget includes $125,000 from the General Fund to support one 2-year limited-term position to set lead standards for certain candies and candy

wrappers. The proposal also proposes $58,000 General Fund for ongoing support of this program starting in 2008-09.

Workload Justification. The legislation requires OEHHA to set a lead standard by July 1, 2006. This deadline is impossible given the funding shortfalls existing at the department. Furthermore, it normally takes two to ten positions one to several years to complete a risk assessment of this magnitude. Nevertheless, the office proposes to complete this activity with one position over a two-year period by building on existing research and assessments.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3. Health Risks of Dry Cleaning Alternatives

Background. Legislation (AB 998, Lowenthal), enacted in 2003, requires the Air Resources Board (ARB) to collect a fee from dry cleaning institutions for the use of perchloroethylene (Perc). These funds will be used to operate a grant program and a demonstration program that encourages dry cleaning institutions to replace Perc systems with other nontoxic and non-smog forming alternatives. Perc is a toxic air contaminant, pollutes groundwater, and is also listed as a carcinogen under Proposition 65. The South Coast Air Quality Management District plans to phase out the use of Perc in dry cleaning by 2020 within its geographic jurisdiction.

Governor's Budget. The Governor's Budget includes $50,000 in reimbursements from the ARB to support 0.5 positions at OEHHA to evaluate the health risks of alternative dry cleaning methods to Perc.

Workload Justification. The OEHHA is already involved in evaluating five Perc alternatives being considered by ARB. Presently, OEHHA is redirecting existing staff away from other mandated programs to assist in evaluating the potential toxicity of these Perc alternatives. This budget proposal would adequately fund this activity and reduce the need to redirect staff from other mandates.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3900 Air Resources Board

Background. The Air Resources Board (ARB), along with 35 local air pollution control and air quality management districts, protects the state's air quality. The local air districts regulate *stationary sources* of pollution and prepare local implementation plans to achieve compliance with federal and state standards. The ARB is primarily responsible for the regulation of *mobile sources* of pollution and for the review of local district programs and plans. The ARB also establishes air quality standards for certain pollutants, administers air pollution research studies, and identifies and controls toxic air pollutants.

Governor's Budget. The Governor's Budget proposes $248 million to support the ARB in 2006-07. This is a two percent reduction from estimated expenditures in the current year due to one-time expenditures in the 2005-06 budget to retrofit old school buses and purchase air pollution control and monitoring equipment. General Fund support for ARB remains relatively unchanged in the budget year.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Mobile Source	$216,948	$210,045	-$6,903	-3.2
Stationary Source	43,382	43,985	603	1.4
Subvention	10,111	10,111	0	0.0
Capital Outlay	103	1,120	1,017	987.4
Administration	11,619	11,074	-545	-4.7
less distributed administration	*-11,619*	*-11,074*	*545*	*0.0*
Total	$270,544	$265,261	-$5,283	-2.0
Funding Source				
General Fund	$2,211	$2,280	$69	3.1
Special Funds	251,363	245,399	-5,964	-2.4
Budget Act Total	*253,574*	*247,679*	*-5,895*	*-2.3*
Federal Trust Fund	12,389	12,892	503	4.1
Reimbursements	4,581	4,690	109	2.4
Total	$270,544	$265,261	-$5,283	-2.0

1. Climate Change Initiative.

Governor's Budget. The budget includes $5.2 million to support the Governor's greenhouse gas emission reduction targets. The budget includes $1.9 million from the Motor Vehicle Account (MVA) and $3.3 million from the Air Pollution Control Fund (APCF). The MVA funds will be used to support 15.5 positions and the APCF will be used to fund one-time contracts for various research efforts. The additional positions will support the following activities:

- **Bio-fuel Blends.** Two positions to develop and propose regulations related to bio-fuel blends.
- **Perfluorocarbon Emission Reductions.** One position to develop control measures and technology options for reducing emissions from the semi-conductor industry.
- **Manure Management.** One position to develop and propose regulations for manure management options.
- **Refrigerated Transport.** One position to develop and propose regulations to require new refrigerated trucks to be equipped with electric stand-by systems.
- **Port Electrification.** Two positions to develop and propose measures to phase in vessels and infrastructure to plug in for shore-side power.
- **Hydrofluorocarbon Emission Reductions.** Three positions to develop and adopt measures to maximize the use of low global warming potential refrigerants in mobile, commercial and residential air conditioning.
- **Light-Duty Vehicles.** One position to develop and propose policies for the implementation of lightweight materials and cool paints to reduce emissions from light-duty vehicles.
- **Heavy-Duty Vehicles.** Two new positions to implement AB 1493 (Pavley) and the Teach the Trainer Program for increasing fuel efficiency.
- **Economic Analysis.** 1.5 positions for continued economic analysis related to various GHG emission reduction efforts.
- **Climate Change Science.** One position to support analysis related to climate change science.

The contract funds are allocated equally between contracts that explore the relationship between air quality and climate change and research that provides direct support for the board's regulatory strategies.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

2. Hydrogen Highway

Background. Legislation (SB 76, Budget) was enacted as part of the 2005-06 budget to provide the ARB with $6.5 million in special funds to fund the Governor's Hydrogen Highway initiative. These funds became available for expenditure on January 1, 2006 for the following:

- Establish up to three publicly accessible demonstration hydrogen fueling stations.
- Lease up to 12 hydrogen-powered vehicles, and purchase up to two hydrogen-powered shuttle buses for use at airports or universities.

- Employment of two-year limited-term staff to support the effort.

The legislation required that the funded activities contribute to the following environmental goals by 2010:

- A 30 percent reduction in greenhouse gas emissions.
- Hydrogen production for vehicles to be derived from 33 percent new renewable energy sources.
- No increase in smog-forming emissions.

The legislation also required the ARB to report every six months on its implementation efforts including the funding spent and its compliance with the environmental goals referenced above. The legislation also included a report due on December 31, 2006 on the status of transportation-related hydrogen activities in other states, including a discussion of siting criteria and selection of actual sites, the impact of hydrogen highway infrastructure and activities on the affected communities and neighborhoods, and the development of hydrogen related business activity in California.

Governor's Budget. The Governor's Budget includes $6.5 million in special funds for the second year of implementation of the Governor's Hydrogen Highway Blueprint. A portion of the funding ($1.5 million) will be used to leverage private matching funds to construct three publicly accessible hydrogen fueling stations. The remaining funding ($5 million) will enable the state to leverage federal matching funds for five fuel cell buses to be used in public transit fleets.

The budget also proposes to re-appropriate $3.5 million allocated to the board in the current year. The board does not anticipate that these funds will be expended before December 31, 2006 because of the myriad of issues that need to be worked out before a hydrogen fueling station can be sited.

LAO Recommendation. The LAO recommends denying the administration's request for additional funding for the Hydrogen Highway. The LAO finds the request for additional funding premature until the board submits a statutorily required report to the Legislature. This report is intended to provide the Legislature with information that will enable an evaluation of whether continued funding for this purpose is warranted. This report is not due to the Legislature until December 31, 2006. Furthermore, the LAO indicates that approximately $3.5 million of the original appropriation will be available for expenditure in the budget year. Therefore, it is unclear why additional funding is needed.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

3. Innovative Clean Air Technologies Grant Program

Background. The Innovative Clean Air Technologies Grant Program co-funds practical demonstrations of new or improved technologies and new technological applications that can reduce emissions of air pollutants from mobile and stationary sources. This program is generally allocated around $1 million annually from the Air Pollution Control Fund (APCF).

Governor's Budget. The Governor's Budget includes $2 million in APCF for a one-time expansion of the Innovative Clean Air Technologies Grant Program. The expansion would be used to accelerate the commercialization of new and innovative technologies for reducing GHG emissions.

Justification. Additional technologies are needed to meet GHG emission reduction goals. These funds will help to demonstrate new technologies that reduce GHG emissions.

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

4. Air Quality Enforcement

Background. In 2005, the Secretary for Cal-EPA led an agency-wide enforcement initiative to improve the management of information to better prioritize enforcement activities based on the greatest risks to the environment.

Governor's Budget. The budget includes $5.1 million to increase ARB's enforcement efforts. The budget includes $2.7 million from the Motor Vehicle Account (MVA) and $2.3 million from the Air Pollution Control Fund (APCF). The MVA funds will be used to support 20 new positions and $252,000 in contracts. The APCF funds will fund the one-time purchase of additional equipment to enhance the board's enforcement efforts. The activities proposed for funding include:

- **Heavy-Duty Diesel.** Six new field staff to enforce idling restrictions and additional scan tools to conduct field enforcement.
- **Mobile Source.** Purchase of two additional scan tools to conduct taxi cab enforcement at the state's major airports.
- **Engineering Studies.** Seven new positions to create a new branch to focus on enforcement of on-board diagnostic systems and funding for four scan tools and laptops to assist in enforcement.
- **Fuel Enforcement.** Four new inspector positions for sampling and inspection of distribution facilities and to implement Cargo Tank Vapor Recovery regulations and funding for additional mobile laboratory equipment.
- **Consumer Products.** Two new positions to enforce the portable fuel container, consumer products, aerosol coating, and architectural coating regulations and funding to replace obsolete equipment used to determine the volatile organic compound content of consumer products.
- **Stationary Sources.** Funding for additional respiratory equipment for asbestos inspectors.
- **Training and Compliance.** Funding for equipment and contracts to augment the board's training materials.
- **Compliance Assistance.** One new position and a new vehicle for the Vehicle Emission Evaluation Training program.

- **Portable Emissions Measurement System.** Funding for a portable emission measurement system to be used to test the emissions system of heavy-duty trucks while in use.

Workload Justification. The board currently has approximately 44 positions supporting various enforcement efforts. This budget proposal would augment these resources by nearly 50 percent. Staff finds that the board's current enforcement presence is relatively low and that many of the board's regulatory programs are not being actively enforced. Nevertheless, staff needs additional information in order to understand what the board will be able to achieve with the proposed augmentation of enforcement resources and why this mix of additional resources is the most effective at reducing air emissions.

Staff Recommendation. Staff recommends that the Subcommittee request that the board provide additional information on the following:

- The number of regulatory mandates currently being enforced by the board.
- The enforcement resources dedicated to each of these regulatory mandates or groups of regulatory mandates.

4. Goods Movement Activities

Background. California's ports handle nearly 28 percent of the international trade goods entering and leaving the U.S. Based on projections of economic activity in the country and in the state, California's goods movement activity is expected to increase considerably in the coming years. While there are economic benefits to goods movement, there are also environmental costs. For example, the ports of Los Angeles and Long Beach together contribute 10 percent of the region's nitrous oxide emissions and 25 percent of its diesel particulate matter. Residents living near the busy ports disproportionately experience the negative effects of these pollutants.

The board is limited in regulating many of the emissions sources associated with goods movement, including rail and ship transport. The board is currently working on an Emission Reduction Plan for Ports and International Goods Movement in conjunction with the Business, Transportation and Housing Agency.

The board entered a memorandum of understanding (MOU) with the major rail companies in the state to reduce emissions voluntarily. The board has been subject to considerable scrutiny for negotiating this MOU without adequate public input. Since then, the board has adopted a policy that outlines a process for considering future MOUs that requires more public input.

Governor's Budget. The budget includes $1.7 million from the Motor Vehicle Account (MVA) to support the reduction of air emissions related to the goods movement. The funding will be used to support eight new positions and $500,000 in ongoing contracts. The funding will support the following:

- Five positions to support the development of an emissions inventory, air quality modeling, regulatory strategies and incentive strategies for reducing air pollution related to goods movement.

- One position to support outreach and technical assistance.
- Two positions to increase enforcement activities.
- $700,000 ($500,000 ongoing) in contract funding that will be used to support technology demonstration and development of technologies that would assist in reducing emissions from goods movement.

Workload Justification. The board indicates that it currently has redirected 28 existing positions to work on goods movement related activities. These redirections have negatively impacted and slowed down implementation of existing programs. Programs impacted include: the State Implementation Plans required to meet federal Clean Air Act in June 2007; the board's Diesel Reduction Plan; and work related to toxic air contaminants. The board indicates that some of the current activities related to goods movement are one time and do not require ongoing staffing.

LAO Issue. The LAO indicates that the State Constitution limits the use of MVA funds to fund mitigation of environmental effects resulting from operation of motor vehicles used upon the State's public streets and highways. Such vehicles do not include ships, locomotives, or most cargo moving equipment at the ports. Therefore, the LAO recommends that the board resubmit its funding proposal so that it limits MVA funding to those mitigation activities directly related to motor vehicles used on public roadways and suggests alternative funding sources for mitigation of environmental effects ineligible for MVA funding. The board finds that since nearly all goods are moved by truck at some point through the ports its MVA funded proposal is justified.

Staff Comments. Staff finds that the comprehensive approach taken by the board to reduce emissions from the goods movement sector is the most beneficial approach to reducing emissions. Furthermore, staff finds that nearly all goods shipped through the ports are moved by trucks at some point. Therefore, staff finds that MVA funds are eligible for funding activities related to reducing goods movement emissions.

Staff Recommendation. Staff recommends that the Subcommittee approve this proposal.

3910 Integrated Waste Management Board

Background. The California Integrated Waste Management Board (CIWMB), in conjunction with local agencies, is responsible for promoting waste management practices aimed at reducing the amount of waste that is disposed in landfills. The CIWMB administers various programs that promote waste reduction and recycling, with particular programs for waste tire and used oil recycling. The board also regulates landfills through a permitting, inspection, and enforcement program that is mainly carried out by local enforcement agencies that are certified by the board. In addition, CIWMB oversees the cleanup of abandoned solid waste sites.

Governor's Budget. The Governor's Budget proposes $190 million to support CIWMB in the budget year. This is approximately five percent less than in the current year due to revised expenditure projections for the Electronic Waste and Used Oil Recycling programs. The board does not receive any General Fund support.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Waste Reduction and Management	$201,679	$191,906	-$9,773	-4.8
Administration	8,874	8,874	0	0.0
less distributed administration	*-8,874*	*-8,874*	*0*	*0.0*
less loan repayments	*-1,363*	*-1,694*	*-331*	*0.0*
Total	$200,316	$190,212	-$10,104	-5.0
Funding Source				
Special Funds	$199,532	$189,422	-$10,110	-5.1
Bond Funds	141	141	0	0.0
Budget Act Total	*199,673*	*189,563*	*-10,110*	*-5.1*
Federal Trust Fund	91	91	0	0.0
Special Deposits Fund	345	351	6	1.7
Reimbursements	207	207	0	0.0
Total	$200,316	$190,212	-$10,104	-5.0

1. Climate Change Initiative

Governor's Budget. The Governor's Budget includes $466,000 in special funds to fund three new positions to expand existing efforts to capture methane from landfills and enhance recycling efforts to meet the Governor's greenhouse gas emission reduction targets.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

2. Waste Tire Recycling Management Program

Background. California produces more than 33.5 million waste tires annually. The Waste Board is mandated to regulate and manage waste tires within the state, including developing standards for waste tire facilities and taking enforcement actions against illegal tire facilities and haulers. The board also supports research and development for tire-derived products through grants and loans. The board also provides grants and loans to local governments to encourage proper disposal of waste tires and use of tire-derived materials in transportation projects. These programs are supported by a fee assessed on the retail sale of new tires. The current fee is $1.75 per tire.

The board reported, in its *Five-Year Plan* for the Waste Tire Recycling Management Program, that it is currently diverting more than 73 percent of waste tires from landfills. The board reports that, in 2003, waste tires were diverted from landfills for the following uses:

- Tire-derived fuel in kilns for making cement (5.4 million tires).
- Alternative daily cover by landfills (4.9 million tires). (Shredded tires are used instead of soil to cover garbage at landfills.)
- Retreads (4.4 million tires).
- Crumb rubber in various applications, including playgrounds and rubber mats (3.4 million tires).
- Various other uses like roofing shingles, sandals, weights, and agricultural uses (2.7 million tires).
- Rubberized asphalt concrete (2.6 million tires).
- Reuse (1.8 million tires).
- Civil engineering projects (1.8 million tires).
- Tire-derived fuel in power plants (1.3 million tires).

Governor's Budget. The Governor's Budget includes $5.2 million in special funds to expand enforcement efforts and increase the board's tire recycling efforts. The funds will support three new positions ($230,000) to enhance enforcement and a two-year increase in grant funds ($5 million annually) to encourage the use of rubberized asphalt concrete (RAC) and tire-derived aggregate (TDA).

Workload Justification. The Waste Tire Recycling Management Program currently has 15 positions dedicated to enforcement activities. The board indicates that current staffing levels are inadequate to meet the needs of its growing local waste tire enforcement grant program. This program has been increased four-fold over the past two years and currently allocates $6 million in grants annually. Last year, only 40 percent of the grants awarded to local governments were

expended due to lack of training and instruction by the board. Furthermore, the board also indicates that it is not adequately staffed to track enforcement actions and other data required to engage in routine evaluation of the effectiveness of the board's enforcement program. The additional staff requested will help the board to manage its local grant program and evaluate its enforcement program.

Enforcement Program Performance. The board's *Five-Year Plan* includes new performance measures for evaluating the success of the board's enforcement program. The report indicates that the board will prepare several baseline reports in 2007 and 2008 that assess performance of the board's enforcement program. Staff finds that this type of information is needed to determine if the board's allocation of resources are the most effective for maximizing compliance with state waste tire statutes. Furthermore, performance measures would also provide more information on appropriate funding and staffing levels for the enforcement program.

Rubberized Asphalt Concrete (RAC) and Tire-Derived Aggregate (TDA) Grants. The board has several grant programs that provide financial incentives to state and local agencies to build projects using RAC and TDA. (TDA can be used in various civil engineering applications as a lightweight fill material in place of traditional aggregate.) The board currently has $5.4 million in its base budget to fund these grants allocated to the following programs:

- Targeted RAC Incentive Program for first time RAC users ($2.4 million).
- Continuation of RAC Use Grant Program to provide incentives for the continued use of RAC ($1.5 million).
- Civil Engineering Grants and Contracts for projects that use TDA in various civil engineering applications ($1.5 million).

The board proposes to allocate the additional $5 million requested in the budget to the grant programs listed above. The budget proposal does not specify a specific allocation. This would provide a total of $10.4 million for RAC and TDA grants in the budget year.

Legislation (AB 338, Levine), enacted in 2005, requires Caltrans to use RAC in lieu of asphalt for 20 percent of its state highway construction or repair projects by 2007. Furthermore, the legislation requires RAC use of 25 percent by 2010 and 35 percent by 2013. Caltrans estimates that it currently uses RAC at a rate of 17 percent annually. Therefore, initially this new legislation will not increase demand for RAC considerably. Since there is now a statutory minimum level of RAC required to be used by Caltrans, the board should focus on providing incentives that encourage the use of RAC beyond current statutory requirements.

Legislative Oversight. The board has indicated that it annually budgets a large portion of its local assistance grants as state operations. Therefore, the budget does not reflect the actual amount of local assistance provided by the board in any given year. The board indicates that it has used this practice to preserve the board's flexibility in shifting tire funding from state operations to local assistance grants given the changing needs of the program. Staff finds that this practice impedes legislative oversight since the budget does not reflect the actual split between local assistance and state operations. Furthermore, there is no way for the Legislature to ensure that the board actually implements the plan that is approved in the budget.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the funding for the new enforcement positions.
- Request that the board work with staff, the LAO, and DOF to develop supplemental report language to provide the Legislature with additional baseline information on the board's tire enforcement program.
- Approve funding for the RAC and TDA grants.
- Approve trailer bill language that requires that grant funds be used only to fund RAC beyond what is required by current law.
- Request that the board work with staff, the LAO, and DOF to develop budgeting procedures that categorize grant expenditures as local assistance to improve legislative oversight.

3. Electronic Waste Recycling Program

Background. In order to address the growing problem of electronic waste, the Legislature enacted statute (SB 20, Sher) in 2003, which instituted a system for the recycling and safe disposal of certain electronic devices (mainly devices with cathode ray tubes and LCD screens over four inches in diameter).

Implementation of this program is a joint effort between the Waste Board and the Department of Toxic Substances Control (DTSC). The Waste Board is responsible for administering the electronic waste recovery and recycling payment system, public education, and coordination with local governments to increase collection. The DTSC is responsible for identifying and regulating hazardous waste and ensuring that electronic waste recyclers and processors are complying with the law. Subsequent legislation (SB 50, Sher), enacted in 2004, required the Board of Equalization (BOE) to collect the electronic waste recycling fee.

Governor's Budget. The Governor's Budget includes $1.2 million in special funds to fund 15 new positions to support the Electronic Waste Recycling Program. The board proposes to establish 12 new positions to create a new E-Waste branch at the board and three new positions to initiate fraud investigations.

Workload Justification. The board currently has six positions staffing the electronic waste program, including three positions reviewing claims, two positions processing payments for the claims, and one position providing clerical support and database support. The budget proposal more than triples the support for this program. However, current staffing levels were not based on 18 months-plus experience the board now has in managing this new program.

Workload data provided find that additional staff is needed to process recycler claims in a timely manner (30 days). Also, additional staff is needed to implement various other aspects of SB 20, including oversight of the annual manufacturer reporting and net cost reporting by the recyclers and collectors. Furthermore, the board currently has minimal field presence at electronic waste recycling facilities. The positions requested by the department for fraud investigations will help the board in developing a system for identifying fraud.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposals for the Electronic Waste Recycling Program.

4. Project Recycle Program and State Agency Buy Recycle Program

Background. The board is responsible for implementing the Project Recycle Program and the State Agency Buy Recycle Program. The Project Recycle Program helps state agencies manage state recycling contracts and provides program implementation assistance for departments to meet the state's 50 percent waste diversion goals. In 2005, only 17 of the 385 total state agencies did not comply with the 50 percent mandate.

The State Agency Buy Recycle Program is a joint effort between the board and the Department of General Services to implement state law requiring state agencies to purchase minimum levels of products with recycled content. The board estimates that the state government should be purchasing $3 billion in products with recycled content. However, the most recent reports show that state government is only procuring less than $180 million annually with only 70 percent of state departments reporting. The board is not aware of current compliance rates with this program because the reporting requirement was suspended by legislation (AB 79, Dutra) enacted in 2004. However, 2005 legislation (SB 1106, Environmental Quality Committee) reinstates the reporting requirement and the first reports are due to the board in 2007.

Governor's Budget. The budget proposes to shift $1.1 million that supports the Project Recycle Program and State Agency Buy Recycle Program from the Recycling Market Development Revolving (RMDZ) Loan Subaccount to the Integrated Waste Management Account (IWMA).

Justification. The RMDZ Subaccount is a subaccount of the IWMA that was established specifically to provide loans to encourage markets for recycled products. The state recycling programs are more appropriately funded directly out of the IWMA that supports many of the board's programs that provide tools and assistance in diverting waste from landfills.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget request.

5. Recycling Market Development Zone Loan Program

Background. The Recycling Market Development Zone (RMDZ) Loan program provides direct loans to manufacturers that make a recycled product in California. The purpose of these loans is to promote market development of waste materials.

Governor's Budget. The Governor's budget proposes $108,000 from the Integrated Waste Management Account to fund one staff counsel position. This position would provide a variety of legal services for the loan program including support of debt collection activities.

Justification. The board currently manages a portfolio of 68 RMDZ loans that generate $5.5 million in annual principle and interest payments. The loans made by the board are often riskier

than loans made by comparable commercial loan programs and require additional legal support. The legal counsel position requested in the budget will provide loan documentation review and assist in the collection of loans that have defaulted. The legal position requested will also support debt collection activities in the tire recycling program.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget request.

6. Financial Assurances for Landfills

Background. The state took over operations of the BKK Class I landfill in West Covina, California last year, after the BKK Corporation informed the state that it was on the verge of bankruptcy and would no longer be able to fund post closure operations. Taking over management of the BKK landfill has cost the state well over $15 million General Fund and has also raised concerns about the financial assurances in place to maintain landfills after they close.

Currently, the state requires landfill operators to maintain landfills 30 years after they are closed. However, because current "dry tomb" landfills may continue to pose a threat to the public health and safety beyond that time frame, some stakeholders consider the 30 year minimum to be an inadequate standard. Furthermore, many landfills do not have adequate financial assurances for the first 30 years of post-closure and virtually no landfills have plans for maintenance past 30 years of post-closure. This is a growing problem in California since half of the state's landfills will be closed by 2009.

The board has hosted a series of workshops and working group meetings to explore optional financial mechanisms for long-term protection of public health and safety from pollution caused by closed landfills. Board staff plan to return to the board later this spring with potential statutory and regulatory options for addressing this issue.

Staff Recommendation. Staff recommends that the Subcommittee request that the board work with staff, the LAO, and DOF to develop supplemental report language to provide the Legislature with recommendations for providing additional financial assurances for post-closure landfills to ensure the protection of public health and safety.

7. Universal Waste

Background. On February 9, 2006, regulations changed and all wastes considered universal wastes are now banned from the trash. The following common items considered universal wastes include the following:

- All fluorescent lamps and tubes.
- All batteries.
- All electronic devices.
- Thermostats that contain mercury.

The board has indicated that it has taken the following actions, in conjunction with the Department of Toxic Substances Control (DTSC), to encourage both household and small

business compliance with regulations and promote local development of infrastructure for convenient disposal of the items:

- Developed a universal waste team made up of the board and DTSC to coordinate universal waste actions.
- Funded contracts to explore different models for diverting universal waste from landfills.
- Developed corporate retail take-back partnership programs.
- Provided Household Hazardous Waste grants to projects that develop innovative universal waste management strategies and planning.
- Developed web-pages that provide uniform and consistent information on the proper disposal of universal waste.

Staff Comments. Staff finds that the actions listed above are a good first step to ensuring compliance with the new universal waste rules. However, staff also finds that much more needs to be done to ensure higher rates of compliance. Manufacturer "take back" programs are becoming increasingly important in achieving global waste reduction objectives. We are seeing the development of programs in the European Union and elsewhere that require manufacturers to extend their responsibility for products beyond manufacturing and sale, and to extend their responsibility to the re-use and recycling of products for the entire life-cycle of a product.

California has begun to implement manufacturers' take-back programs. These include take-back programs for cell phones, rechargeable batteries, and video display devices. Other such programs are being developed in the private sector. However, more of these programs are needed to make further progress in recycling and waste diversion. This is especially true for the manufactured goods section which currently makes up three-quarters, by weight, of the materials discarded in landfills.

Staff Recommendation. Staff recommends that the Subcommittee adopt supplemental report language, due to the Legislature January 1, 2007, that requires the board to prepare a report on the feasibility of requiring most or all manufacturers of goods purchased or procured by the state to be subject to extended producer responsibility, including recommendation of a date by which this could be implemented.

3930 Department of Pesticide Regulation

Background. 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.

Governor's Budget. The Governor's Budget proposes $59 million to support DPR in 2006-07, which is approximately the same level of expenditures as in the current year. The department does not receive any General Fund support.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Registration and Health Evaluation	$18,446	-	-	-
Pest Management and Environmental Activities	42,262	-	-	-
Pesticide Programs	-	62,115	-	-
Administration	8,822	8,941	119	1.3
less distributed administration	*-8,822*	*-8,941*	*-119*	*0.0*
Total	$60,708	$62,115	1,407	2.3
Funding Source				
Special Funds	$58,035	$59,434	$1,399	2.4
Budget Act Total	*58,035*	*59,434*	*1,399*	*2.4*
Federal Trust Fund	2,194	2,202	8	0.4
Reimbursements	479	479	0	0.0
Total	$60,708	$62,115	$1,407	2.3

1. Mill Assessment Collection

Background. California assesses a fee on all pesticides (agricultural and nonagricultural) at the point of first sale in the state. This fee is paid either by the pesticide manufacturer, distributor, or retailer. The current mill assessment rate is 21 mills (2.1 cents per dollar of sales). Mill assessment revenues are the major source of funding for the state's pesticide regulatory program.

A department audit identified that the mill assessment was not being collected on a large number of pesticide products being sold at nationwide chain stores. Furthermore, the audit also discovered that these stores were also selling a large number of pesticide products that had not been registered by the department. The department estimated that, in 2005, the state was not collecting at least $4 million in mill revenues (mainly from the nationwide chain stores).

Legislation (AB 1011, Matthews), was enacted in 2005, to address the loophole uncovered by the department's audit activities. The legislation expanded the pesticide broker licensing requirements to include all first sellers of pesticides in California, which required nationwide chain stores to register as pesticide brokers. By licensing these sellers, the department anticipates that it will be able to better track the collection of the mill assessment and the products that they sell to ensure that unregistered pesticide products are not being sold in California.

Governor's Budget. The Governor's Budget includes $425,000 from the Department of Pesticide Regulation fund to support four new positions to ensure that all sellers of pesticides are in compliance with licensing and pesticide product registration requirements.

Workload Justification. The complex distribution chains of many companies have made it difficult to determine when the first sale of a pesticide product takes place. (The mill assessment is assessed at the first sale of pesticides products in California.) The department has identified the following gaps in mill assessment collection and noncompliance with product registration requirements:

- Internet and mail-order catalog sales.
- Intermediary or third-party distributors that transport pesticides from manufacturers out of state to retail outlets in California.
- Nationwide chain stores that have national purchasing power and their own product distribution networks.

Furthermore, the LAO has identified as an option for increasing mill collection compliance to increase audit staff at the department.

Additional Mill Revenues Likely. The department indicates that it has licensed ten new pesticide brokers since the new statute went into effect on January 1, 2006. The department also indicates that it expects additional revenues from the mill assessment to be received within the budget year. However, the Governor's budget does not assume a significant increase in revenues collected from the mill assessment.

Funding Needs at the Department. The department suffered over $7 million in General Fund reductions to its programs over the past several years. Funding reductions negatively impacted the department's efforts to evaluate major environmental and health impacts posed by pesticide use, develop integrated pest management programs, and improve the timeliness of the pesticide registration process. Specifically, the department suffered a $833,000 reduction to its risk assessment program.

Risk Assessment Report. The department has submitted the report requested by the Legislature in 2005 on the department's risk assessment process and level of activities. The department's report indicates that it conducted risk assessments for seven active ingredients in 2004-05. However, only a few of these risk assessments were completed in the prior year.

The report also illustrates that, over the past few years, the department has made its risk assessment process more comprehensive. For example, the department indicates that it now considers all appropriate exposure routes and scenarios when it initiates a risk assessment of a pesticide. Furthermore, the department also indicates that it will evaluate every pesticide as a possible toxic air contaminant candidate. Staff finds that this comprehensive approach to completing risk assessments improves protection of human health. However, staff also finds that, given current staffing levels, this analysis is often lengthy and does not result in a timely determination of the environmental and health impacts posed by pesticide use.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt the budget proposal to augment audit resources.
- Adopt a conservative revised revenue requirement ($500,000) for the Department of Pesticide Regulation Fund due to increased mill revenues.
- Adopt a $500,000 increase to the department's risk assessment activities to partially backfill the General Fund reduction made to this program earlier this decade.

2. Department Budget Reorganization

Background. When the department was transferred from the Department of Food and Agriculture to Cal-EPA, the department's budget was split into two programs. These programs include the Registration and Health Evaluation program and the Pest Management, Environmental Monitoring, Enforcement and Licensing program.

Governor's Budget. The Governor's Budget proposes to consolidate the department's two budget programs. This action will not impact the department's organizational structure. This proposal also provides additional information in the budget display on funding levels for the department's 11 program functions.

Justification. The department has indicated that the original budget program split between the two programs was arbitrary and not based on the department's current organization. The consolidation of the department's two budget programs will enhance legislative oversight since the department has provided additional information on the department's budget in the budget display.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget request.

3940 State Water Resources Control Board

Background. The State Water Resources Control Board (SWRCB), in conjunction with nine semi-autonomous regional boards, regulates water quality in the state. The regional boards — which are funded by the state board and are under the state board's oversight — implement water quality programs in accordance with policies, plans, and standards developed by the state board.

The board carries out its water quality responsibilities by: (1) establishing wastewater discharge policies and standards; (2) implementing programs to ensure that the waters of the state are not contaminated by underground or aboveground tanks; and (3) administering state and federal loans and grants to local governments for the construction of wastewater treatment, water reclamation, and storm drainage facilities. Waste discharge permits are issued and enforced mainly by the regional boards, although the state board issues some permits and initiates enforcement actions when deemed necessary.

The state board also administers water rights in the state. It does this by issuing and reviewing permits and licenses to applicants who wish to take water from the state's streams, rivers, and lakes.

Governor's Budget. The Governor's Budget proposes $462 million to support SWRCB in the budget year. This proposal is approximately $400 million less than current year expenditure levels, mainly due to a reduction in bond funding available for appropriation. The budget proposes a slight reduction in General Fund support for the board due to a redirection of positions to the Secretary for Environmental Protection to coordinate environmental issues related to the California/Mexico border region.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Water Quality	$1,027,553	$618,834	-$408,719	-39.8
Water Rights	12,717	13,428	711	5.6
Administration	17,706	17,222	-484	-2.7
less distributed administration	*-17,706*	*-17,222*	*484*	*0.0*
Total	$1,040,270	$632,262	-$408,008	-39.2
Funding Source				
General Fund	$29,694	$28,760	-$934	-3.1
Special Funds	355,730	363,634	7,904	2.2
Bond Funds	484,220	69,059	-415,161	-85.7
Budget Act Total	*869,644*	*461,453*	*-408,191*	*-46.9*
Federal Trust Fund	128,835	128,898	63	0.0
Reimbursements	9,913	9,999	86	0.9
State Water Quality Control Fund	22,441	22,197	-244	-1.1
State Water Pollution Control Revolving Fund	-2,682	-2,682	0	0.0
Petroleum Underground Storage Tank Financing Account	12,118	12,397	279	2.3
Total	$1,040,269	$632,262	-$408,007	-39.2

1. Monitoring Activities

Background. The state's ambient water monitoring programs include the Surface Water Ambient Monitoring Program (SWAMP). Funding for ambient water quality monitoring was negatively impacted by General Fund reductions during the first part of this decade. The board has broad deficiencies in its current ambient water monitoring program and lacks critical information needed to support management decisions. Specifically, the Total Maximum Daily Loads (TMDL) program, agriculture waiver program, and basin planning activities are in critical need of better water quality monitoring data.

Governor's Budget. The Governor's Budget proposes $8.5 million in special and federal funds (Section 106 funds) to improve the SWAMP Program. About $4 million of this increase is proposed as a one-time augmentation to expand water monitoring infrastructure. Funding this

program will result in a $4 million increase to National Pollutant Discharge Elimination System (NPDES) permit fees. These fees can be increased by the SWRCB.

Justification. There are considerable unmet monitoring needs at the board. Currently, the SWAMP program is monitoring only about 50 sites statewide. This level of monitoring leaves significant data gaps since many of the state's water bodies remain unmonitored. Furthermore, federal law directs that Section 106 federal funds be used at least in part to support a robust monitoring program. Theses funds were being used to support the NPDES permit program, which is more appropriately supported by fees on waste dischargers.

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

2. Water Rights Program

Background. The water rights program was reduced by approximately $3.3 million (about 30 percent) in 2002-03. These budget reductions have never been restored and have considerably increased the already existing backlog of water rights applications pending at the board.

Governor's Budget. The Governor's Budget includes $3.6 million in special funds to improve the efficiency of the water rights program in processing water rights applications. The funds will support six new positions ($669,000) to aid in reducing the current backlog of water right applications and change petitions. The remaining funding ($2.9 million) will be used to fund a one-time investment in information technology upgrades to the board's water rights database management and tracking system. Funding for the database management and tracking system will be provided through a loan from the Underground Storage Tank Fund that will be paid back over a 5-year period in order minimize increases to the water rights fees. This financing arrangement adds approximately $400,000 to the total cost of the project.

Workload Justification. The six additional positions will enable the board to process about 25 more water rights application annually. The current backlog of pending petitions and applications for water rights is nearly 1,200, thereby providing a marginal improvement to the program.

Furthermore, the board's current water rights database tracking system is antiquated and does not allow the board to easily comply with new mandates that require the board to enable the public to track water rights applications on the Internet. Furthermore, the current system does not do a good job of supporting the board in tracking and collecting water rights fees. A new system will be designed to comply with the new mandates and improve the efficiency of the department, thereby freeing up additional staff resources to process water rights applications. The board has completed the necessary feasibility study report.

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

3. Basin Planning/Water Quality Standards

Background. State law requires the board to adopt, and regularly update, Basin Plans that establish state policy for water quality control. This includes updating the scientific basis and policy decisions regarding the beneficial uses of the state's waters. The federal Clean Water Act Section 303 requires states to adopt water quality standards and to review these standards every three years. Water quality standards are the basis for the board's entire regulatory program.

Governor's Budget. The Governor's Budget includes $1 million in funding from the Waste Discharge Permit Fund to fund contracts to provide scientific data needed to update water quality standards contained in existing basin plans. This proposal will be funded by a current surplus in the Waste Discharge Permit Fee Account and will not require the board to increase fees.

Workload Justification. During the last triennial update of the water quality standards, the regional board's identified 70 issues that needed attention. However, because of limited resources, only a small number of the issues can be addressed. This additional funding will provide technical support needed to update and ensure the scientific validity of water quality standards.

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

3960 Department of Toxic Substances Control

Background. The Department of Toxic Substances Control (DTSC) regulates hazardous waste management, cleans up or oversees the cleanup of contaminated hazardous waste sites, and promotes the reduction of hazardous waste generation. The department is funded by fees paid by persons that generate, transport, store, treat, or dispose of hazardous wastes; environmental fees levied on most corporations; the General Fund; and federal funds.

Governor's Budget. The Governor's Budget proposes $132 million to support DTSC in 2006-07. This is approximately $13 million less than estimated expenditures in the current year. This reduction is due to one-time expenditures in the current year related to the state's takeover of the BKK Class I landfill and reductions to the Toxic Substances Control Account to balance the fund. The department's General Fund expenditures are also proposed to decline in the budget year due to one-time expenditures related to the BKK Class I landfill in the current year.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Site Mitigation and Brownfields Reuse	$103,905	$93,261	-$10,644	-10.2
Hazardous Waste Management	65,478	64,181	-1,297	-2.0
Science, Pollution Prevention, and Technology	10,834	10,148	-686	-6.3
State as Certified Unified Program Agency	-	1,156	-	-
Capital Outlay	3,963	-	-	-
Administration	34,483	30,464	-4,019	-11.7
less distributed administration	*-34,483*	*-30,464*	*4,019*	*0.0*
Total	$184,180	$168,746	-$15,434	-8.4
Funding Source				
General Fund	$26,474	$22,689	-$3,785	-14.3
Special Funds	119,087	109,663	-9,424	-7.9
Budget Act Total	*145,561*	*132,352*	*-13,209*	*-9.1*
			0	0.0
Federal Funds	25,536	26,258	722	2.8
Reimbursements	13,083	10,136	-2,947	-22.5
Total	$184,180	$168,746	-$15,434	-8.4

1. Toxic Substances Control Account

Background. The Toxic Substances Control Account (TSCA) is funded by the environmental fee that is assessed on corporations which employ at least 50 employees. This fee is a broad-based fee based on the assumption that all businesses use products that contain hazardous materials, such as computers, printers, automobiles, fluorescent lights, and cleaning products. The current fee ranges from $243 to $11,625 per year depending on the number of workers employed in California. Revenues from this fund are estimated at approximately $31 million annually.

The TSCA is the primary funding source for the department's Site Mitigation and Brownfields Reuse Program and its Science, Pollution Prevention and Technology Development Program. In the current year, the account supports 340 positions and $10.5 million in contracts for these programs.

Over the past few years, the TSCA has developed a $12 million operating deficit. This deficit is mainly the result of over $6 million in General Fund reductions since 2001. The General Fund contributions to the required state match at federal superfund sites and to fund investigation and remediation of state-only superfund sites has been significantly reduced.

Governor's Budget. The Governor proposes to address the $12 million operating deficit in the Toxic Substances Control Account over a two-year period. To address this shortfall, the Governor's budget proposes the following actions:

- Adopt trailer bill language to expand the environmental fee to all businesses with 50 or more employees ($5.5 million ongoing starting in 2007-08).
- Adopt trailer bill language to eliminate the Hazardous Substances Subaccount and redirect fines and penalties to TSCA to fund the state's share of federal superfund sites and state-only superfund sites ($1 million ongoing).
- Adopt trailer bill language to eliminate other obsolete funds and transfer balances to TSCA ($2.8 million one-time).
- Reduce operating expenses and equipment activities ($2.8 million in the budget year and $3.7 million ongoing starting in 2007-08).
- Reduce contract funds ($250,000 ongoing).
- Suspend TSCA transfer to the Expedited Site Remediation Trust Fund ($500,000 ongoing starting in 2006-07).

Equity of Environmental Fee. The department indicates that the current environmental fee is not equitable since it only applies to corporations. Other businesses also use products that contain hazardous materials, but they are currently exempt from paying the environmental fee. Furthermore, recent law changes have resulted in a 500 percent increase in the number of limited liability companies (LLCs) in California. All of these companies are not subject to the environmental fee regardless of their size. The department's trailer bill language to expand the environmental fee to all businesses would create an even playing field for all businesses with more than 50 employees.

Expenditure Reductions. The department indicates that it has had large savings in operating expenses and equipment over the past few years. Therefore, the proposed reductions should have a minimal impact on actual program operations. The department has also had excess contracting authority over the last few years. Therefore, the proposed reductions should not negatively impact program operations.

Elimination of Obsolete Accounts. The department proposes to eliminate the following accounts:

- Hazardous Substance Subaccount
- Site Operation and Maintenance Account of the Hazardous Substances Account
- Hazardous Substance Clearing Account
- Superfund Bond Trust Fund

These funds were created to spend the proceeds and pay the principle and interest on the Hazardous Substance Cleanup Bond Funds. These bond funds were fully repaid in December 2005, therefore, the department is proposing trailer bill language to eliminate the obsolete funds and transfer the fund balances to TSCA. Furthermore, the department is also proposing trailer bill language to change the use of the criminal and civil penalties collected for violations of the state's hazardous waste control laws. Currently these funds are directed to the payment of bond interest, which is now an obsolete function since relevant bond funds have been repaid. The department proposes to spend these funds to provide the state match for federal superfund sites and for remediation of state-only superfund sites. This trailer bill language will require a two-thirds vote since it amends the Proposition 65 ballot initiative (The Safe Drinking Water and Toxic Enforcement Act of 1986).

Unmet Need for Brownfield Cleanup. It is estimated that there are between 90,000 and 120,000 Brownfield properties in California where redevelopment has been delayed due to real or perceived hazardous materials contamination. Contamination at these sites hampers the ability of developers and local governments to capitalize on infill development projects that could reduce the urban sprawl, provide additional housing supply, and revitalize blighted urban communities.

The Governor's budget provides $10.9 million from TSCA to fund orphan site cleanup contracts in the budget year, including the state's share of federal superfund sites and state-only superfund sites. The State Water Resources Control Board also has around $10 million available to fund orphan site cleanup from the Underground Storage Tank Cleanup Fund. The TSCA budget proposal indicates that it may have to reduce TSCA's funding for orphan site cleanup contracts by $1.5 million in 2007-08 if the structural deficit in TSCA is not fully addressed. The state funding currently available for cleanup of contaminated Brownfield properties addresses only a small percentage of the total properties that need attention. Any reductions to these funds will reduce the number of orphan properties that can be rehabilitated.

Pollution Prevention Programs Cost Effective. In addition to Brownfield cleanup, the TSCA also supports pollution prevention programs. These programs seek to promote pollution prevention by providing state leadership, guidance, and assistance to industry, local governments and other agencies on how to reduce demand for hazardous substances. These programs are very

cost-effective and any further reductions to these programs would reduce the department's ability to reduce pollution from hazardous waste. The department adopted a pollution prevention plan and a two-year work plan to guide the department's pollution prevention efforts. Recent efforts include the following:

- **Mercury Elimination Leadership Program**. Since 2002, the department has been successful in removing two tons of mercury from 79 California hospitals through this cooperative program. This program is supported by two positions at DTSC.
- **Vehicle Service Repair Program.** Since 2000, 63 model shops have reduced hazardous waste by 655 tons. The DTSC developed best management practices and training for the vehicle service repair industry that not only result in reduction of hazardous waste, but also reduce volatile organic compound emissions, reduce storm water pollution, and reduce worker exposure to toxic chemicals.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt trailer bill language to expand the environmental fee to all businesses with 50 or more employees.
- Adopt trailer bill language to eliminate the Hazardous Substances Subaccount and redirect fines and penalties to TSCA to fund the state's share of federal superfund sites and state-only superfund sites.
- Adopt trailer bill language to eliminate other obsolete funds and transfer balances to TSCA.
- Reduce operating expenses and equipment activities by $2.8 million.
- Reduce contract funds by $250,000.

2. Electronic Waste Recycling Program

Background. As mentioned under the Waste Board's budget, implementation of the Electronic Waste Recycling Program is a joint effort between the Waste Board and the DTSC. The Waste Board is responsible for administering the electronic waste recovery and recycling payment system, public education, and coordination with local governments to increase collection. The DTSC is responsible for identifying and regulating hazardous waste and ensuring that electronic waste recyclers and processors are complying with the law.

Governor's Budget. The Governor's Budget proposes $1.6 million in special funds to enhance enforcement efforts related to the Electronic Waste Recycling program. These funds will be used to support 14.5 new positions mainly to increase the department's enforcement presence through inspections of facilities and fraud investigations. In addition, $105,000 is proposed to fund contracts for the preparation of fact sheets and facility guidance documents in multiple languages.

Workload Justification. The department currently has five positions implementing the Electronic Waste Recycling Program, including 4.5 positions conducting enforcement and inspection activities and 0.5 positions developing regulations and providing guidance and technical support to participants in the program. The budget proposal triples the support for this

program at the department. However, current staffing levels were not based on 18 months-plus experience the department now has in managing the new program.

Workload data show that additional staff is needed to inspect the growing number of electronic waste collectors, exporters, transporters, and dismantlers. For example, there was a 45 percent increase in the number of electronic waste facilities from 2004 to 2005. Additional ongoing resources are also needed to continue to identify devices that are included in the program given the number of new electronic devices entering the market annually. The department is also proposing 4.5 positions to initiate fraud investigations in conjunction with the Waste Board. There are significant incentives for fraud in the program given the incentive payments for recycled electronic waste. The department plans to develop a fraud prevention program similar to the program implemented by the Department of Conservation for the beverage recycling program.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3. Uniform Hazardous Waste Manifest

Background. Hazardous waste manifests have been used since the early 1980s to track the shipment of hazardous waste from the generator to a storage, disposal, treatment, or recycling facility. The manifest data collected is critical to tracking hazardous waste in the state and is used to monitor compliance with state hazardous waste laws. Furthermore, the data is the basis for assessing hazardous waste generator fees, which generate $23 million annually to support the department. The department also collects the Manifest User Fee, which is assessed for each manifest used, except manifests for recycled waste which are exempt from the fee. This fee generates approximately $1.5 million annually.

On March 4, 2005, the U.S. EPA published final regulations to create a mandatory Uniform Hazardous Waste Manifest. This law change preempts state-specific manifest laws and manifest forms. Changes are needed in state law to conform to the changes in federal law and to ensure that the state can continue to collect manifest information and fee revenues.

Governor's Budget. The Governor's budget proposal includes trailer bill language to change the California Uniform Hazardous Waste Manifest to the Uniform Hazardous Waste Manifest to conform to recent changes in federal law. The language also proposes to eliminate the current exemption from paying the Manifest User Fee for out-of-state shippers of hazardous waste.

Justification. Without this law change, the department could lose the ability to collect important hazardous waste manifest information that is used to monitor compliance with state hazardous waste laws. This law change will also ensure that the department can continue to collect fees that support department activities.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

4. Metal Plating Pollution Prevention Program

Background. There are in excess of 800 metal plating facilities in California. A 2001 inspection of 37 metal plating facilities found that 100 percent of the metal plating facilities inspected were out of compliance in one or a multiple of environmental media (hazardous wastes generated by metal plating facilities included cyanide, metal sludge, and acid wastes). Since these inspections, the department has provided pollution prevention/compliance site visits at a number of metal plating facilities and developed a Model Shop Program in Southern California. The Model Shop Program was developed to assist the metal plating industry in identifying possible sources of pollution and developing alternative business practices in order to run cleaner, safer shops.

Legislation (AB 721, Nunez), enacted in 2005, requires the Business, Transportation and Housing Agency, in conjunction with DTSC, the Air Resources Board and the State Water Resources Control Board to develop a loan guarantee program to help chrome plating facilities invest in environmental control technologies. The legislation also requires DTSC to establish a Model Shop Program in Northern California with no more than $200,000.

Governor's Budget. The Governor's Budget includes $85,000 in reimbursements from the Business, Transportation and Housing Agency to fund one 2-year limited-term position to establish a Model Shop Program in Northern California.

Workload Justification. Given the large number of metal plating facilities in Southern California, there is still significant need to continue Model Shop Program activities in Southern California. Therefore, in order to expand the program to Northern California, additional staff resources are needed to identify and establish partnerships with local agencies in Northern California and to initiate pollution prevention/compliance site visits to reduce pollution from metal plating facilities.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

5. Military Site Clean Up

Background. The department is required to participate in technical work groups with the Department of Defense, other government agencies, and the public to develop cleanup plans for contaminated military sites. This group provides regulatory oversight of the cleanup and reviews and comments on technical reports.

The Department of Defense has recently made it a priority to accelerate cleanup of some high priority sites by 2007. This has increased the number of technical reports that need to be reviewed by the technical work groups.

Governor's Budget. The Governor's Budget includes $209,000 in federal funds to support two 5-year limited-term positions to participate in the technical work groups overseeing the cleanup of McClellan Air Force Base and Fort Ord Army Base.

Workload Justification. McClellan Air Force Base and Ford Ord Army Base have been targeted for accelerated cleanup activities and early transfer to productive industrial, commercial, residential, or recreational reuses. The accelerated schedule requires additional positions at the state to participate actively in the cleanup of these properties.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

6. BKK Class I Landfill

Background. In 2005, the State took over operation and maintenance activities related to the BKK Class I (hazardous waste) landfill in West Covina, California, when the BKK Corporation informed DTSC that it was on the verge of bankruptcy and would no longer be able to fund post closure obligations. The BKK Corporation is a subsidiary of the Washington Mutual Corporation. The DTSC assumed operations of the landfill because of the direct health and safety risks to surrounding communities living in close proximity to the landfill.

Thus far, $15.5 million from the General Fund has been appropriated to maintain the BKK landfill and to start to address major deferred maintenance projects. The department has been in negotiations with potential responsible parties that contributed hazardous waste to this site and has received $2.3 million in the current year.

Governor's Budget. The Governor's budget proposes $5.5 million General Fund in the base budget for continued operations and maintenance of the BKK landfill in the budget year. The budget also makes a one-time reduction to the department's current year allocation from the General Fund due to the receipt of payments from potential responsible parties.

Update. The department indicates that it expects to receive an additional $1.5 million in payments from potential responsible parties in the current year and indicates that the department's current year appropriation from the General Fund could be reduced by a like amount.

Furthermore, the department indicates that a consent decree was entered in early March with a large group of potential responsible parties. The consent decree requires that the potential responsible parties manage essential operations for at least two years. The group has not agreed to do any groundwater monitoring or work related to the storm drain system which is in need of a major upgrade. The department has indicated that the signing of this consent decree will reduce the need for the $8.5 million from the General Fund provided to support operations of the landfill in the budget year.

The department indicates that it hopes to negotiate a longer-term agreement with the potential responsible parties for management of the site during the next two years. Caltrans and the state of California remain a major responsible party and will share in the costs associated with managing this landfill.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Reduce the department's current year appropriation from the General Fund by $1.5 million and increase reimbursements by a like amount.
- Request that the department work with staff, the LAO, and DOF to reduce the department's General Fund support by an appropriate amount based on the recent consent decree entered by the department.

Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 2 Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal

Monday, March 27, 2006
11:00 am
Room 112

Item	Department	Page
7300	Agricultural Labor Relations Board	2
8570	California Department of Food and Agriculture	3
3540	Department of Forestry and Fire Protection	10
3790	Department of Parks and Recreation	19
3340	California Conservation Corps	27

Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

7300 Agricultural Labor Relations Board

Background. The Agricultural Labor Relations Board (ALRB) is responsible for conducting secret ballot elections to determine collective bargaining representation in agriculture and for investigating and resolving unfair labor practice disputes.

Governor's Budget. The Governor's budget proposes $4.9 million from the General Fund to support the ALRB. This is approximately the same level of funding as is estimated for the current year.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Board Administration	$2,095	$2,102	$7	0.3
General Counsel Administration	2,786	2,796	10	0.4
Administration Services	253	253	0	0.0
less distributed administration	*-253*	*-253*	*0*	*0.0*
Total	$4,881	$4,898	$17	0.3
Funding Source				
General Fund	$4,881	$4,898	$17	0.3
Budget Act Total	*4,881*	*4,898*	*17*	*0.3*
Reimbursements	0	0	0	0.0
Total	$4,881	$4,898	$17	0.3

Staff Recommendation. There are no budget change proposals for ALRB. Staff recommends that the Subcommittee approve the budget for ALRB.

8570 California Department of Food and Agriculture

Background. The California Department of Food and Agriculture (CDFA) provides services to both producers and consumers of California's agricultural products in the areas of agricultural protection, agricultural marketing, and support to local fairs. The purpose of the agricultural protection program is to prevent the introduction and establishment of serious plant and animal pests and diseases. The agricultural marketing program promotes California's agricultural products and protects consumers and producers through the enforcement of measurements, standards, and fair pricing practices. Finally, the department provides financial and administrative assistance to county and district fairs.

Governor's Budget. The Governor's Budget proposes $240 million to support CDFA in 2006-07. This is approximately $14 million more than the level of expenditures estimated in the current year. This increase is primarily due to a new budget proposal to address emerging diseases.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Agricultural Plant and Animal Health, Pest Prevention, and Food Safety Services	$148,312	$160,083	$11,771	7.9
Marketing and Commodity and Agricultural Services	62,375	63,773	1,398	2.2
Assistance to Fair and County Agricultural Activities	60,918	60,333	-585	-1.0
Capital Outlay	376	26,419	26,043	6926.3
Administration	14,280	14,392	112	0.8
less distributed administration	*-13,178*	*-13,292*	*-114*	*0.0*
Total	$273,083	$311,708	$38,625	14.1
Funding Source				
General Fund	$83,336	$91,588	$8,252	9.9
Special Funds	140,747	146,763	6,016	4.3
Bond Funds	1,178	1,178	0	0.0
Budget Act Total	*225,261*	*239,529*	*14,268*	*6.3*
Federal Trust Fund	37,012	42,480	5,468	14.8
Public Building Construction Fund		17,556	17,556	0.0
Harbors and Watercraft Revolving Fund	1,239	1,273	34	2.7
Reimbursements	9,571	10,870	1,299	13.6
Total	$273,083	$311,708	$38,625	14.1

1. Emerging Threats to Food Supply

Background. The CDFA is one of the myriad of state government agencies involved with emergencies and disasters. The CDFA is primarily responsible for preventing and responding to pest emergencies and for inspecting agricultural facilities.

In 2005, the Governor proposed $2.7 million from the General Fund to expand CDFA's activities in addressing potential terrorist attacks on the state's food supply, as well as emerging viral diseases that affect both animals and humans. The Legislature rejected the proposal, finding that

the proposal did not fit into an overall strategy for addressing these issues and did not maximize available federal funds.

Governor's Budget. The Governor's Budget proposes $7.2 million from the General Fund to establish 39 positions to support an ongoing program to address emerging threats to California's food supply, including Avian Influenza and bioterrorism. The funds will be allocated to the following activities:

- **Expanded Laboratory Capacity.** $2 million ($1.3 million one-time) for expanded service, new equipment and a new Laboratory Information Management System for the California Animal Health and Food Safety Laboratory System administered by U.C. Davis. The information management system will allow for the automatic transfer of laboratory data directly from testing instruments into databases.
- **Rural-Urban Community Outreach and Disease Surveillance.** $1.2 million to support 10 positions, including travel and vehicles, to establish detection and education posts near known portals of disease entry. This includes outreach to ethnic communities near urban centers, backyard operations and other non-commercial animal production facilities, and ports.
- **Emergency Response Office.** $1 million to support eight positions, including training and travel, to develop the infrastructure necessary for effective emergency management. This office acts as a conduit for critical information sharing and coordination of resources during emergencies.
- **Develop Animal Tracking System**. $753,141 to support four positions, including training and equipment, to compile and validate information on agricultural facilities in California. This data will be used to develop quarantine boundaries, trace movement of disease, and conduct investigations. Funds will also be used to support contracts to provide database management enhancements.
- **Assess Safety of Production Facilities**. $587,843 to support four positions, including travel and vehicles, to implement farm level strategies to detect and contain disease and respond to other disasters that may impact animal agriculture. Funds will also be used to increase laboratory support for the California Animal Health Veterinary Laboratory Services.
- **Dairy Food Safety and Security**. $498,701 to support four positions, including travel and vehicles, to develop standards for security recommendations to dairies, milk transporters, processors, and distributors. After the standards are developed, staff will also be used to support ongoing outreach and education to implement the standards.
- **Field Communications and Data Management**. $418,356 to support four positions, including travel and vehicles, to develop information technology resources to track test results from sample collection in the field, through the laboratory and into an integrated database. Funds will also be used to support contracts to provide database management enhancements.
- **Create a Research and Policy Development Unit.** $399,349 to support three positions, including travel and vehicles, to evaluate new research findings and technology strategies to help CDFA accomplish best practice protocols for preventing disease and responding to emergencies.

- **Employee Personal Protection**. $187,936 to support one position, including travel and vehicle, to provide a comprehensive employee personal protection program for employees responding to animal disease.
- **Field Early Warning System**. $163,223 to support one position, including travel, to identify and train field observers to establish a field early warning system for identifying animal disease outbreaks.

Most Activities Eligible for Federal Funds. The LAO reports that most of the department's proposal is consistent with federal funding parameters for the largest grants received by the state. Moreover, the federal government and the State Office of Homeland Security have recently placed an emphasis on funding agriculture-related prevention. The department has received $1.3 million in the current year from federal homeland security grant funds to support various security measures. The majority of the funds have been used to support the Emergency Response Unit. Permanent funding for this unit is being requested in the budget proposal. Staff finds that there are many one-time activities, like developing plans, upgrading database capabilities, and training, that are more appropriately funded by available federal funds.

Coordination with Other Efforts Unclear. The Western Institute for Food Safety and Security (WIFSS) at U.C. Davis is also involved in researching and developing plans that protect the state's food supply. The institute was awarded $5 million in federal funds from the specialty crop grant program in the current year. The department's budget proposal does not provide sufficient information on how its efforts will be coordinated with the efforts of WIFSS and other efforts by the federal government. Furthermore, the LAO finds that the federal government has already: (1) developed model food security plans for producers and (2) funded the development of a course at U.C. Davis to enhance agricultural production security. The department's proposal appears to duplicate some of these activities.

Industry Should Contribute to Costs. The LAO finds that the industry should contribute funding to support the department's security assessments of individual agricultural production facilities (two components totaling $1.1 million). The department already assesses regulatory fees on these industries and the proposed activities are consistent with other inspection activities.

Surveillance Would Be Ineffective. The LAO finds that the department's proposal to establish an outreach and surveillance program would be ineffective. The LAO finds that a ten-member surveillance team would have a minimal impact on the vast number of specialty markets, auctions, swap meets, feed stores, shows and fairs in the state. Furthermore, the LAO finds that the state already has a network of local agricultural commissioners, public health officials, and UC cooperative extension offices that have an established presence in every county and would be better able to target local efforts.

Required Documents Not Prepared. The department's proposal includes $2.2 million in projects to upgrade communication and data management systems. The LAO finds that the department has not submitted feasibility study reports (FSRs) for any of the proposed information technology projects and recommends deleting funding for these projects. Because of the importance of FSRs for project planning and budgeting, the Legislature stated its intent in

the 2005-06 budget (Control Section 11.05) that funding not be approved for information technology projects without FSRs approved at the time of the budget request.

Existing Resources. The department indicates that it currently has six temporary positions supporting the department's emergency response office. The budget proposal does not provide additional information on what resources in the base budget are currently supporting similar activities. Staff finds that additional information about the department's current efforts related to emerging threats is needed to determine what new resources are needed. Furthermore, the budget proposal makes passing reference to federal funds received for different activities related to emergency response. More information is needed on the federal funds received from both the Office of Homeland Security and other federal departments such as the U.S. Department of Agriculture.

Operating Expenses and Equipment Seem High. The department indicates that it needs an additional vehicle for nearly every position requested in the budget proposal. However, it is not clear that the work performed by each position requires a dedicated state vehicle. Furthermore, the department is proposing to fund a 17 percent additional overhead charge. It is unclear why this additional overhead charge is needed.

Staff Recommendation. Staff recommends that the Subcommittee:

- Hold this issue open pending receipt of a completed FSR for the information technology components.
- Request staff, the department, the LAO, and DOF to develop an alternative proposal that addresses all of the issues in this analysis.

2. Private Vehicle Inspection Program

Background. From 1921 to 2003, private vehicles entering California were screened for compliance with federal and state agricultural laws in an effort to minimize the introduction of pests that might cause damage to agricultural crops or native plant species. Due to fiscal constraints, the department discontinued the private vehicle inspection program. Since that time, only commercial vehicles entering the state have been subject to inspections.

Governor's Budget. The Governor's Budget proposes $380,000 from the General Fund to support five 2-year limited-term positions to conduct a pilot project to determine the pest introduction risk presented by private vehicles entering the state.

LAO Recommendation. The LAO finds that the department has a long history with this program and believes that one year should be sufficient to reassess the risk. The LAO recommends adopting a one-year pilot and supplemental report language declaring its intent.

Department Concerns. The department is concerned that limiting the pilot project to one year will reduce its effectiveness. Their main concern is that funding a one-year pilot for the fiscal year 2006-07 will reduce the department's ability to inspect vehicles during the summer months, which are considered high-risk months for pest infestations.

Staff Comments. Staff concurs with the LAO that the department has a long history with this program and that a one-year pilot project should be sufficient to collect data on the potential pest risks being caused by private vehicles. Staff also finds that it will be difficult for the department to obtain a full year of data especially during critical summer months if a one-year pilot is conducted during the normal fiscal year. This problem could be resolved by providing the department with funding for a one-year pilot program, but allow the department to expend the funding over a two-year period. This would allow the department to conduct its pilot project during the 2007 calendar year or another time frame that allows the department to maximize its data collection efforts at high risk times of the year.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt the LAO's recommendation and approve $190,000 from the General Fund to support a one-year pilot project.
- Adopt budget bill language that extends the liquidation period for these funds to June 30, 2008.
- Adopt supplemental report language that requires the department to report to the Legislature by March 1, 2008 on the findings from the pilot program, including the relative risk of pest infestation posed by private vehicles.

3. Tax Enforcement Pilot Program

Background. The Board of Equalization (BOE) has a limited ability to identify property entering California on which appropriate taxes have not been paid. The CDFA routinely inspects commercial traffic to ensure that pests do not enter California.

Governor's Budget. The Governor's Budget proposes $250,000 in reimbursements to support three 2-year limited-term positions to conduct a pilot project to evaluate tax collection potential from property purchased outside California and transported into the state without payment of appropriate taxes. The project is being conducted in conjunction with the BOE and will entail CDFA personnel inspecting cargo and copying all pertinent information from commercial shipments entering the state through the Needles Agricultural Inspection Station.

Justification. The BOE estimates that this pilot program will generate additional sales and use tax revenue of nearly $20 million over the next two years.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

4. Hydrogen Highway

Background. In 2005, legislation (SB 76, Budget Committee) was enacted that directed CDFA to establish and adopt specifications for hydrogen fuels by January 1, 2008. This legislation provided the Air Resources Board (ARB) with $6.5 million from the Motor Vehicle Account to implement the Governor's Hydrogen Highway Blueprint Plan. The ARB contracted with CDFA in 2005-06 for $370,000 to support the development of interim fuel standards.

Governor's Budget. The Governor's Budget proposes $174,000 from the General Fund to support one 1-year limited-term position to develop standards related to hydrogen fuel quality.

LAO Recommendation. The LAO finds that the department only plans to spend $61,000 of the contract funds provided by the ARB in the current year. This would leave approximately $309,000 available for expenditure in the budget year. Therefore, the LAO recommends rejecting the department's proposal for an additional $174,000 from the General Fund.

Department Response. The department concurs with the LAO and has indicated that it will not need the additional funding in the budget year.

Staff Recommendation. Staff recommends that the Subcommittee adopt the LAO's recommendation to reduce the department's General Fund monies by $174,000.

3540 Department of Forestry and Fire Protection

Background. The California Department of Forestry and Fire Protection (CDF), under the policy direction of the Board of Forestry, provides fire protection services, directly or through contracts, for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, CDF: (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

Governor's Budget. The Governor's Budget provides $610 million to support CDF in 2006-07. This is approximately seven percent more than the level of expenditures estimated for the current year. The increase is due to employee compensation cost increases associated with fire protection. General Fund support for the department is also proposed to increase by about seven percent for the same reason.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Office of the State Fire Marshal	$14,984	$14,725	-$259	-1.7
Fire Protection	745,697	792,864	47,167	6.3
Resource Management	50,001	46,401	-3,600	-7.2
Capital Outlay	85,298	206,577	121,279	142.2
Administration	56,945	57,793	848	1.5
less distributed administration	*-56,515*	*-57,363*	*-848*	*0.0*
Total	$896,410	$1,060,997	$164,587	18.4
Funding Source				
General Fund	$550,036	$591,257	$41,221	7.5
Special Funds	8,674	9,196	522	6.0
Bond Funds	9,771	9,498	-273	-2.8
Budget Act Total	*568,481*	*609,951*	*41,470*	*7.3*
Federal Trust Fund	31,302	29,230	-2,072	-6.6
Forest Resources Improvement Fund	3,619	4,718	1,099	30.4
Bosco-Keene Renewable Resources Investment Fund	1,000	-	-	-
Timber Tax Fund	30	31	1	3.3
Public Building Construction Fund	67,205	188,185	120,980	180.0
Reimbursements	224,773	228,882	4,109	1.8
Total	$896,410	$1,060,997	$164,587	18.4

1. Off-Season Fire Protection Statewide

Background. A 2001 Memorandum of Understanding (MOU) with CDF firefighters (Unit 8) has significantly increased the compensation rate for planned overtime. During the fire season, firefighters typically work 72 hours, which is three 24-hour shifts, in a week. Federal law requires that firefighters be paid overtime rates for the portion of the workweek that exceeds 53 hours. Therefore, firefighters are paid planned overtime for the 19 hour difference. The MOU also changed staffing patterns during the off-season. Historically, during the off-season, firefighters would work a 53-hour work week consisting mainly of day shifts. Typically, planned overtime was not accrued during this season. However, starting July 1, 2006, firefighters will now work 72-hour work weeks year-round instead of just during the fire season.

The average salary for a Unit 8 employee (excluding benefits) will increase 29 percent as a result of the change in staffing patterns resulting from the 2001 MOU.

The transition to year-round fire protection staffing levels in Southern California was funded in the current year ($9 million from the General Fund). As a condition of approving these funds, the department was required to report on how the department would use the increased off-season staffing levels to increase fire prevention work.

Governor's Budget. The Governor's Budget includes $37 million General Fund to fund increased employee compensation costs associated with funding year-round fire protection statewide.

LAO Finds Employee Compensation Costs Overbudgeted. The LAO recommends reducing the Governor's budget by $2.9 million in General Fund monies. These funds are not needed because in putting together the budget the department failed to account for the employees in Southern California that had already transitioned to the year-round schedule. The department concurs with the LAO's recommendation.

Staffing Changes Should Support State Responsibilities. The state does not have primary responsibility for the protection of structures or for general emergency response. However, staff finds that, by providing 24-hour staff, year-round, the department may be spending more time providing such services, which are the primary responsibility of local fire protection and emergency response entities. In some cases, the state does have contracts with local governments to provide general emergency response functions in the off-season (referred to as Amador agreements). The CDF indicates that these relationships are not proposed to change after year-round staffing patterns are implemented statewide. However, staff finds that local governments may be reluctant to fund additional 24-hour staff during the off-season, given that the state will be required to provide that level of staffing. Furthermore, department conducts the bulk of its fire prevention activities in the off-season. Therefore, additional off-season staffing should result in an increased level of fire protection activities. In order to ensure that the additional state-funded off-season staffing is used to support state responsibilities, the LAO recommends that the Legislature adopt trailer bill language stating legislative intent that additional state-funded off-season staffing be used to support an increased level of fire prevention activities and requiring annual reports to track the progress of the department's prevention efforts.

Future Compensation Agreements Merit Legislative Attention. The LAO finds that the 2001 MOU with Unit 8 firefighters was approved by the Legislature without full consideration of the costs associated with the changes. In addition to the significant additional costs associated with the change in staffing patterns, resulting from the 2001 MOU, the change has also resulted in "salary compaction" problems at the department. The department indicates that, as a result of the MOU, it is now difficult for the department to recruit chief officer positions because some rank and file positions make more than chief officer positions.

The LAO recommends that the Legislature adopt trailer bill language to require that, when negotiating future Unit 8 contracts, the Department of Personnel Administration (DPA), in

conjunction with CDF, conduct an analysis of the costs and benefits of alternative staffing patterns at CDF. Alternatives to be considered should include both proposals which reduce the need for planned overtime and proposals which eliminate the need for planned overtime during the off-season. The LAO finds that such an analysis would be valuable to the Legislature in evaluating future Unit 8 MOUs. Furthermore, legislation, (SB 621) enacted in 2005, requires the LAO to provide a fiscal analysis of future MOUs prior to consideration by the Legislature.

Staff Recommendation. Staff recommends that the Subcommittee do the following:

- Adopt the LAO's recommendation to reduce the department's General Fund monies by $2.9 million.
- Approve trailer bill language to ensure increased staffing resources be used to support state responsibilities, consistent with the LAO's recommendation.

2. Capital Outlay

Background. Under current law, the Department of General Services (DGS) is responsible for the majority of CDF's capital outlay real estate design and management activities. Recent budget acts have given CDF the authority to manage minor capital outlay projects (those that cost less than $500,000) and eight other major capital outlay projects over the last five years.

Governor's Budget. The Governor's budget proposes to double the department's capital outlay staff from 15 positions to 30 positions over a two-year period in order to allow CDF to manage an additional six to eight capital outlay projects annually out of a total of about 45 projects on an ongoing basis. The budget also includes budget bill language that allows the department to conduct any real estate design and project management activities associated with its capital outlay projects.

The Governor's budget also includes $138 million for capital outlay projects to upgrade the state's fire protection infrastructure, including $18.4 million from the General Fund and $119 million from lease revenue bonds. The proposed projects are as follows:

- **Replace Water Supply System at Bear Valley Helitack Base (HB).** The budget proposes $413,000 from the General Fund to develop preliminary plans and working drawings of the most feasible and cost effective means of providing reliable, long-term water supply for this facility. The current water supply is intermittent during summer months and of very poor quality.
- **Relocate Batterson Forest Fire Station (FFS).** The budget proposes $259,000 from the General Fund to develop working drawings relocating this facility to a more strategic location on U.S. Forest Service land. This relocation would improve the response times into Bass Lake and North Fork in the Sierras.
- **Relocate Hollister Air Attack Base (AAB).** The budget proposes $819,000 from the General Fund to acquire 10 acres of land and develop working drawings to construct a new AAB. The current facility is not large enough to handle the air traffic required during a fire fight and many of the facilities do not comply with Federal Aviation Administration (FAA) requirements.

- **Remodel Baseline Conservation Camp (CC).** The budget proposes $55,000 from the General Fund to develop working drawings to remodel the camp. When the camp was constructed in 1990, budget constraints did not allow for the construction of equipment storage space, emergency power, and adequate office space.
- **Statewide Communication Facilities – Phase III.** The budget proposes $13.1 million from the General Fund to support the replacement of nine communication facilities statewide. This is the third phase of communications towers to be replaced as part of the Tower and Vault Master Plan that was adopted to convert all telecommunications sites to digital technology.
- **Statewide Communication Facilities – Phase IV.** The budget proposes $1.6 million from the General Fund to support the development of preliminary plans and working drawings for the replacement of four communication facilities statewide. This is the fourth phase of communications towers to be replaced as part of the Tower and Vault Master Plan that was adopted to convert all telecommunications sites to digital technology. Phases I – IV will have replaced 37 telecommunications facilities. However, there are about 90 facilities remaining that need replacement.
- **Replace Various North Region FFS**. The budget proposes $22.6 million from lease revenue bonds to fund the development of preliminary plans and working drawings and to construct new facilities at the following locations: Elk Creek, Forest Ranch, Saratoga Summit, Smartsville, Whitmore, Thorn, Del Puerto, Burrell, Point Arena, Susanville, and Buckhorn. These replacement projects are proposed as a single major capital outlay project that will be managed directly by CDF as opposed to the Department of General Services. The CDF will use a prototypical design and will engage in bulk purchasing of materials that will reduce construction costs to the state. The majority of these facilities were built in the 1950s, have fallen into disrepair, and are inadequate to meet today's needs.
- **Replace Intermountain CC.** The budget proposes $13.7 million from lease revenue bonds to fund the development of preliminary plans and working drawings and to construct a new mess hall, barracks, and equipment storage facilities. The current facility is over 40 years old, crowded and inefficient.
- **South Operations Area Headquarters.** The budget proposes $30.5 million from lease revenue bonds to acquire 10 acres to relocate these headquarters. The headquarters are used by several other federal and state agencies, including the U.S. Forest Service (USFS), Office of Emergency Services, and National Weather Service. The land purchased is at the USFS' March Air Resources Base and will be held by a March Joint Powers and Redevelopment Agency. Funds are also allocated to develop working drawings and to construct new headquarter facilities, including offices, equipment shops, warehouses, and training classrooms. The current facility is outdated and inefficient and will be reduced due to the construction of a freeway interchange improvement by Caltrans.
- **Replace Miramonte CC.** The budget proposes $41.5 million from lease revenue bonds to develop preliminary plans and working drawings and to construct new barracks, mess hall, and other administration buildings. The current facility was constructed in the 1940s and does not meet current health and safety codes.
- **Replace Badger FFS.** The budget proposes $4.1 million from lease revenue bonds to develop preliminary plans and working drawings and to construct new barracks and

equipment storage. The current facility was constructed in the 1940s and does not accommodate CDF's standard fire engines.

- **Expand Fire Academy.** The budget proposes $6.7 million from lease revenue bonds to develop preliminary plans and working drawings and to construct an additional 80 person dormitory and expand the existing mess hall. The current facility is not adequate to house all of the Academy's students and guest instructors and excess students are sent to motels, which increases student housing costs.
- **Upgrade Water and Wastewater Systems.** The budget proposes $1.9 million from the General Fund to upgrade water and wastewater systems at three CCs and one FFS to comply with current water quality regulations. The facilities to be upgraded include: Devil's Garden CC (Alturas County), Ishi CC (Tehama County), Growlersburg CC (Placer County), and Howard Forest – Mendocino Unit Headquarters.
- **Demolish Abandoned FFS.** The budget proposes $252,000 from the General Fund to demolish the Coalinga FFS which is no longer in use. This station is located on land leased from Chevron and demolition is necessary to terminate the lease.

LAO Recommendation. The LAO finds that CDF's capital outlay projects are consistently behind schedule due to expanded review requirements for lease revenue bond financing, bids coming in over budget, project scope changes, and environmental studies dictating project changes. The LAO also finds that DGS can contribute to delays in CDF's projects since it has to prioritize projects across state government.

The LAO recommends denying CDF additional position authority and increased responsibility for project management. The LAO finds that the proposal does not directly address the reasons for the delays and asks that the department report at budget hearings on a proposal that addresses the root causes of project delays.

Staff Comments. The most recent Infrastructure Plan indicates that CDF has $1.4 billion in infrastructure needs over the next five years. The report recommends funding $353 million categorized as critical infrastructure deficiencies over the next five years. There is a clear need for the state to move expeditiously to replace aging CDF facilities. However, staff concurs with the LAO that the department's proposal does not directly address the reasons for the project delays. Furthermore, the department has not provided sufficient information regarding its prior experience in managing capital outlay projects internally.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Hold open the proposal to double CDF's capital outlay staff.
- Request CDF to provide additional information on the projects managed by CDF over the past five years, including the number of years delayed and reason for delay.
- Request CDF to provide additional information on how CDF is addressing or can address delays caused by expanded review requirements for lease revenue bond financing, bids coming in over budget, project scope changes, and environmental studies that dictate project changes.
- Approve funding for the capital outlay projects.

3. Forestry Programs

Background. Revenues generated from timber harvesting in state-owned forests are deposited into the Forest Resources Improvement Fund (FRIF). These funds are used to support forest resource assessment and enhancement programs such as forest pest research and management, forest and rangeland assessment activities, state nurseries, management of the state's forests and urban forestry programs.

The Jackson State Forest is the largest state-owned forest and revenues from this forest have historically generated the bulk of the FRIF revenues. However, since timber harvesting in Jackson State forest has been the subject of ongoing litigation, FRIF revenues have been sharply curtailed. Consequently, these programs have been funded at a reduced level over the past two years with funding from the Renewable Resources Investment Fund (RRIF).

Governor's Budget. The Governor's Budget estimates that $15 million in revenue will be generated from the sale of forest products harvested on state forest land in the current and budget years combined. The budget proposes to expend $4.7 million of these revenues to support forestry programs in 2006-07.

Jackson State Forest Issues Still Unresolved. The department just completed the public comment period on the draft Environmental Impact Report (EIR) to continue timber harvesting at Jackson State Forest. The department indicates that the Board of Forestry will begin to consider the final EIR at the April meeting of the board and will likely need more than one board meeting for a complete review of the EIR. Given this timeline, the department does not realistically expect to receive any revenues from the forest in the current year.

The Legislature was notified on December 19, 2005 that an unanticipated decline in lease revenues had resulted in a $2 million deficit in the RRIF fund. In order to continue to support CDF forest resource assessment and enhancement programs in the current year, DOF approved a $2 million loan from the General Fund. The loan was proposed to be repaid before the end of the current year from revenues generated at Jackson State Forest.

Staff Comments. Staff finds that CDF will not have adequate revenues from the Jackson State Forest to repay the General Fund prior to the end of the fiscal year. Furthermore, staff finds that revenues projected to support forest resource assessment and enhancement activities are uncertain due to continued controversy surrounding timber harvesting at Jackson State Forest.

Furthermore, staff finds that funding for forestry programs must be more diversified. The FRIF funds are an appropriate funding source, but should not necessarily be linked to the amount of FRIF revenues in any given year. Appropriate funding sources include the General Fund, Environmental License Plate Fund revenues, and timber harvest plan fee revenues.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Hold the FRIF-funded activities open pending receipt of a final decision by the Board on the Jackson State Forest EIR.
- Request CDF and DOF to provide information on how they plan to repay the General Fund in the current year.

- Request staff, the LAO, DOF, and the department to work on options for funding forestry programs in the budget year.

4. Urban Forestry Grants

Background. Proposition 12 allocated $10 million in bond funds to CDF for urban forestry grants. The grants were for costs associated with the purchase and planting of trees and up to three years of maintenance of the trees. This program started its implementation in 2000-01 and has spent approximately $1.4 million annually. Proposition 40 allocated an additional $10 million for urban forestry grants.

Governor's Budget. The Governor's budget proposes to expend $1.4 million from Proposition 12 bond funds for urban forestry grants.

Staff Comments. Staff finds that there is projected to be $1.2 million remaining in Proposition 12 after the budget year allocation for urban forestry grants. Furthermore, the entire $10 million allocated for urban forestry grants in Proposition 40 is available for expenditure. Staff finds that there is considerable demand for these types of grants and it is unclear why the department has taken so long to allocate the funding.

Staff Recommendation. Staff recommends that the Subcommittee request staff to work with the LAO, DOF and the department to work on a plan to accelerate the allocation of Proposition 12 and Proposition 40 bond funds for urban forestry projects.

5. Other Budget Proposals

Governor's Budget. The Governor's budget includes the following budget proposals:

- **Computer Aided Dispatch (CAD) System.** The budget proposes $932,000 from the State Emergency Telephone Number Account to continue the implementation of a new CAD system that has greater capacity. This system is used by CDF to link to 911 operators so that they may receive information regarding the location of emergencies quickly and efficiently. This project upgrade started in 1999 and $881,000 of the total is identified for the final installment to upgrade the system.
- **Fire and Life Building Inspection Staff.** The budget proposes $360,000 in reimbursement funds to establish three new inspection positions in the Office of the State Fire Marshall. The Office of the State Fire Marshall is responsible for inspecting 25,000 state-owned facilities annually. Current staffing levels (24 existing inspection staff) are not adequate to provide necessary inspections with the result that the division is delaying requests from other state agencies for inspections. These positions will help the division meet its workload.
- **Disposal of Seized Fireworks.** The budget proposes $500,000 from special funds to support seizure and safe disposal of illegal fireworks. These funds will be used to support overtime, operating expenses, and safe disposal of illegal fireworks. Two existing positions support this program.

Staff Recommendation. Staff recommends that the Subcommittee approve these budget proposals.

6. Equipment Purchases—Informational Item

Background. The 2005-06 budget included $10.8 million for ongoing fire-equipment replacement. This was a 150 percent increase to the department's equipment budget. As part of the 2005-06 budget, the Legislature requested a report on the department's actual equipment expenditures. During discussions regarding this proposal, the LAO recommended that CDF conduct a study to explore options for financing the purchase of helicopters to replace CDF's aging fleet.

Questions.

- What has the department done to explore options for purchasing helicopters to start replacing CDF's fleet?

7. Disabled Veteran Businesses Contracts—Informational Item

Background. As part of the 2005-06 budget, the Legislature requested a report from the department on its efforts to contract with certified disabled veteran businesses, as directed by current law. Inconsistent policies were identified at the department, related to contracting with veteran-owned businesses.

Report Summary. The department's report indicates that disabled veteran businesses were paid $253,239 for services rendered during the 2005 fire season. This number was down significantly from the 2004 fire season given the sharp decline in the number of fires and acres burned in 2005. The department also indicates that it conducted eight hired equipment dispatching training workshops throughout the state for CDF fire dispatchers. A total of 64 dispatchers from 21 of CDF's dispatching centers received training on CDF's emergency equipment hiring and dispatching policies and a special emphasis was placed on how CDF provides preferential hiring opportunities to disabled veteran business enterprises.

Questions.

- How often are the dispatchers trained?

3790 Department of Parks and Recreation

Background. The Department of Parks and Recreation (DPR) acquires, develops, and manages the natural, cultural, and recreational resources of the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state.

The state park system consists of 277 units, including 31 units administered by local and regional agencies. The system contains approximately 1.4 million acres, which includes 3,800 miles of trails, 300 miles of coastline, 800 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

Governor's Budget. The Governor's Budget proposes $344 million to support DPR in 2006-07. This is about a 50 percent reduction from estimated expenditures in the current year due to a reduction in the bond funds available for appropriation. General Fund support for the department is proposed to increase by about 12 percent reflecting a budget proposal to fund remediation activities at the Empire Mine State Historic Park.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Support of the Department of Parks and Recreation	$338,672	$336,203	-$2,469	-0.7
Local Assistance Grants	223,719	45,369	-178,350	-79.7
Capital Outlay	274,412	29,405	-245,007	-89.3
Total	$836,803	$410,977	-$425,826	-50.9
Funding Source				
General Fund	$101,140	$112,784	$11,644	11.5
Special Funds	270,610	200,625	-69,985	-25.9
Bond Funds	327,494	30,864	-296,630	-90.6
Budget Act Total	*699,244*	*344,273*	*-354,971*	*-50.8*
Federal Trust Fund	79,666	31,672	-47,994	-60.2
Reimbursements	56,944	34,060	-22,884	-40.2
Harbors and Watercraft Revolving Fund	689	712	23	3.3
California Missions Foundation Fund	260	260	0	0.0
Total	$836,803	$410,977	-$425,826	-50.9

1. Off-Highway Motor Vehicle Program

Background. The Off-Highway Motor Vehicle Recreation Program (OHV Program) provides opportunities for OHV recreation while protecting California's natural and cultural resources from the negative environmental impacts of OHV recreation. The department operates eight OHV-related state parks. The department also allocates OHV grants for a variety of activities related to OHV facilities, law enforcement operations, resource management, safety and education, and equipment projects. The grant applications must be approved by the OHV Commission, which establishes policy for the program. The Commission is made up of seven members that are required to represent a broad range of interests.

Governor's Budget. The Governor's budget proposes $18 million from the OHV Fund for the OHV grant program.

LAO Recommendation. The LAO finds that the process for establishing guidelines and priorities for the OHV grant program is broken. This is consistent with issues raised by the Bureau of State Audits in a recent audit of the OHV program. The allocation of OHV grants in the current year has been delayed due to ongoing disagreements between the OHV Commission and the department regarding how the funds should be allocated. Furthermore, the LAO recommends deleting the $18 million for OHV grants pending resolution of this breakdown in the process of allocating the grant funds.

OHV Act Sunsets. Staff finds that the entire OHV Recreation Program is scheduled to sunset on January 1, 2007.

Missing Gas Tax Study. Staff finds that OHV users participate in a wide range of activities. These activities range from motorcycle racing to using an OHV to access a remote fishing lake or hiking spot. The department is currently preparing a gas tax study that includes a survey of the range and amount of time OHV users engage in different activities. Data from this study is critical to determining the best way to allocate the OHV Funds to ensure that they support activities that are consistent with the demands of all OHV users. The department has indicated that the gas study will not be complete until after the budget is approved and that the study is instrumental to the development of an OHV strategic plan.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt the LAO's recommendation and delete funding for OHV grants from the OHV fund pending a resolution of the current problems with the grant allocation process.
- Adopt trailer bill language to extend the OHV Program and OHV Commission for one year.
- Adopt supplemental report language requiring the department to submit the gas tax study and a recommended strategic plan for the OHV Program to the Legislature no later than January 10, 2007.

2. Local Park Grants

Governor's Budget. The Governor's Budget proposes $45 million in local park grants. The department also proposes to amend budget bill language to allocate up to 3.7 percent of each project/appropriation to the department to administer its grants. Local assistance funding is proposed for allocation to the following grants:

Local Assistance Program
(Dollars in Thousands)

Fund Source	Recreational Grants	Local Projects	OHV Grants	Historic Preservation Grants	Total
Habitat Conservation Fund	2,709	1,500	-	-	4,209
Off-Highway Vehicle Trust Fund	-	-	18,000	-	18,000
Recreational Trails Fund	7,000	-	1,700	-	8,700
Federal Trust Fund	13,000	-	-	1,200	14,200
California Missions Foundation Fund	-	-	-	260	260
Total	**$22,709**	**$1,500**	**$19,700**	**$1,460**	**$45,369**

Administrative Costs. The Governor proposes to adopt budget bill language that increases the amount the department can allocate to administer its grants from 1.5 percent to 3.7 percent to reflect the true costs of managing grant programs. The department has determined that, over the entire life of the Proposition 40 bond funds grant, administrative costs have averaged 3.2 percent, plus an additional 0.5 percent for auditing responsibilities. Another state audit from 2005 found that State Parks did not consistently follow its own procedures for monitoring progress on local grants. The additional administrative funding will ensure that local grant funds are spent in a way that is consistent with the intent of the Legislature.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Delete funding for the OHV grants from the OHV Fund.
- Approve all other local assistance grants funds.
- Approve budget bill language to increase the maximum amount the department is allowed to allocate for administration of the grant program.

3. Americans with Disabilities Act Upgrades

Background. As the result of a lawsuit, State Parks is required to spend $110 million over 14 years (beginning in 2002-03) for modifications to existing state park facilities in order to make state parks more accessible to visitors with disabilities. These include modifying restrooms, parking areas, picnic sites and trails, to allow for greater access.

Governor's Budget. The Governor's Budget proposes $11.8 million ($11.2 million General Fund) to fund the multi-year effort to make existing state park facilities compliant with the

Americans with Disabilities Act (ADA). This is year five of the multi-year effort to modify park properties to comply with ADA.

Staff Recommendation. Staff recommends that the Subcommittee adopt this budget proposal.

4. Remediation of Empire Mine

Background. The Empire Mine State Historic Park was the site of major mining activities for over 100 years. There are various contaminants present on the site, including asbestos, radon, and various heavy metals.

The department was allocated $500,000 from the Surface Mining and Reclamation Act Fund in 2005 to fund a human health risk assessment and storm water pollution prevention plan to begin to address the pollution caused by the Empire Mine.

Governor's Budget. The Governor's Budget proposes $5 million in General Fund monies for contamination remediation measures at the Empire Mine State Historic Park.

Recent Lawsuit. State Parks and the Deltakeeper entered into a Consent Decree in January of 2006 to settle a lawsuit brought by the Deltakeeper. This Consent Decree requires State Parks' full compliance with industrial and construction storm water permits. The department indicates that it already has a Storm Water Pollution Prevention Plan in place and is working on the necessary permits for implementing best management practices and a permanent pollution prevention strategy. The department also indicates that it is pursuing potential responsible parties that will share in the cost of the cleanup.

Staff Comments. Staff is concerned that the department has not provided sufficient information about how it will expend the $5 million requested, nor how it will comply with storm water permits. The department indicates that it needs to engage in a number of additional studies. Staff understands the need for additional studies, but is also concerned that actual work to reduce pollution at the park not be delayed.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open pending additional information from the department on its plans for cleanup of pollution caused by Empire Mine.

5. Water Infrastructure Upgrades

Background. The department owns 246 water systems, 935 waste water systems, and 12 wastewater treatment plants. Many of these systems are old and require upgrades to meet regulatory requirements.

The department was given $6 million in additional fee authority in 2005-06 to fund water and wastewater infrastructure upgrades. However, these fee revenues have not been realized, mainly

due to weather patterns that reduced attendance at state park facilities. Therefore, very little has been done to upgrade water and wastewater infrastructure at state parks.

Governor's Budget. The Governor's Budget proposes $1.4 million in General Fund monies to support 10 new positions to supervise water and wastewater systems and to ensure safe drinking water and wastewater systems at park facilities.

Workload Justification. The department has experienced numerous system failures that have impacted or threatened natural resources and cultural resources. Many of these failures were due to overuse of old systems designed for lower capacities. The department is legally required to address the deficiencies under the Federal Safe Drinking Water Act and Clean Water Act. Furthermore, the department currently does not have enough staff to manage its water and wastewater systems. State regulations now require water and wastewater systems to be supervised when they are in operation. The budget proposal begins to address this problem by providing 10 additional staff to supervise the department's water and wastewater facilities. The department indicates that it needs an additional nine positions to fully implement this regulatory requirement.

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

6. Concession and Operating Agreement Proposals

Background. Under current law, the Legislature is required to review and approve any proposed or amended concession contract that involves a total investment or annual gross sales over $500,000. The Legislature is also required to approve most types of operating agreements, which are agreements between the department and other government entities (mainly local governments) to allow these entities to operate and maintain a state park unit. In past years, the Legislature has provided the required approval in the supplemental report of the budget act.

Governor's Budget. The budget proposal includes five operating agreements that require legislative approval. These operating agreements include:

- Woodland Opera House
- Folsom Lake Natoma Aquatic Center
- Stone Lake Property
- Lighthouse Field State Beach
- Lucadra and Moonlight State Beaches

The budget proposal includes five concession proposals that require legislative approval. These concession agreements include:

- **Millerton Lake State Recreation Area.** Proposal to operate a marina for up to 30 years with a minimum capital investment of $2 million and the state to receive an undetermined amount.
- **Asilomar State Beach.** Proposal to operate lodging with details to be determined.
- **Hollister Hills State Vehicular Area.** Proposal to operate a park store for ten years with details to be determined.

- **Old Town San Diego State Park.** Proposal to operate food and other retail for up to ten years with the state receiving $5,000 or 8 percent of sales at a minimum capital investment of $100,000.
- **Pismo State Beach.** Proposal to operate lodging and a restaurant with a minimum capital investment of $14 to $17 million and the state to receive an undetermined amount.

LAO Recommendation. The LAO recommends approving all of the operating agreements. Furthermore, the LAO recommends holding open all of the concession proposals due to missing information. Feasibility studies for the first three concession proposals have not been completed thus far and are required in order to determine the minimum rent to the state. The two latter concession proposals have not been approved by the State Parks and Recreation Commission.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the operating agreements.
- Hold open the concession proposals pending receipt of feasibility study reports or approval by the Parks and Recreation Commission.

7. Capital Outlay

Governor's Budget. The budget proposal includes $22.7 million to fund various capital outlay development projects and acquisitions in the budget year. Approximately $6 million is for statewide acquisitions, $600,000 is for OHV acquisitions, $13.6 million is for capital outlay projects to develop and improve existing State Parks facilities, and $2.6 million is for other minor projects.

Development of Existing Park Facilities. The budget includes the following proposals to develop and improve existing park facilities:

- **Structural Improvements to Antelope Valley Indian Museum.** The budget proposes $2 million from Proposition 12 bond funds to make structural improvements to the museum building and to replace the heating and cooling system.
- **Water Improvements to Big Basin Redwoods State Park (SP).** The budget proposes $3.2 million from Proposition 40 bond funds to develop working drawings and to improve the water treatment plan, the water storage tanks, and the distribution system.
- **Drainage Improvements at Columbia State Historic Park (SHP).** The budget proposes $1.7 million from Proposition 12 bond funds to develop working drawings and enlarge selected culverts to improve drainage and alleviate flooding problems at the park.
- **State Support for Joint Maintenance Facility at Jedediah Smith Redwoods SP.** The budget proposes $949,000 from Proposition 40 bond funds to provide one-time state support for a state and National Park Service joint maintenance facility to be constructed in 2008 at Jedediah Smith Redwoods SP. The National Park Services has allocated $10 million for the construction of this facility.
- **Rehabilitate Millerton Lake State Recreation Area (SRA) Facilities.** The budget proposes $131,000 from Proposition 12 bond funds to develop working drawings to rehabilitate and expand day use facilities at the La Playa day use area at the state recreation area.

- **Replace Lifeguard Tower at San Elijo State Beach (SB).** The budget proposes $2.6 million from Proposition 12 bond funds to construct a new lifeguard headquarters building in a new location on the beach.
- **Reimbursements.** The budget proposes $3 million from reimbursement funds to allow the department to be reimbursed for various projects statewide from other departments and entities.

Minor Capital Outlay. The budget includes the following minor capital outlay proposals:

- **Statewide Off-Highway Vehicle (OHV) Projects.** The budget proposes $2.1 million from the OHV Trust Fund for: repaving the shop parking lot at Hungry Valley State Vehicular Recreation Area (SVRA); replace seven toilets at Hungry Valley SVRA; add six restroom buildings at Oceano Dunes SVRA; install a vehicle wash rack at Oceano Dunes SVRA; construct covered vehicle storage an Oceano Dunes SVRA; restore Lost Canyon Hill Trail at Hollister Hills SVRA; and construct two residence pads at Ocotillo Wells SVRA.
- **Volunteer Enhancement Program.** The budget proposes $230,000 from Proposition 12 bond funds for the improvement of two camp host sites located statewide in the State Park System and the construction, enhancement, and improvement of various volunteer facilities. The budget also proposes to revert $86,000 from Proposition 12 bond funds allocated in the 2004 budget for the Volunteer Enhancement Program.
- **Other Minor Projects.** The budget proposes $275,000 from Proposition 12 bond funds to correct road and trail system drainage impacts to the watershed of Sugar Pine Point SP.

Off-Highway Vehicle Acquisitions. The budget includes the following OHV acquisitions:

- **Purchases and Budget Development.** The budget proposes $600,000 in OHV funds for acquisitions of parcels adjacent to existing state and federal OHV areas and the development of future projects and acquisitions.

Acquisitions. The budget includes the following proposed acquisitions:

- **Statewide Habitat Conservation Fund (HCF) Acquisitions.** The budget proposes $1 million from the HCF to acquire habitat lands adjacent to state park lands to support the protection of wildlife habitat.
- **Federal Trust Fund Acquisitions.** The budget proposes $5 million from federal trust funds to potentially acquire properties for the Anza-Borrego Desert SP, Redwoods parks, Santa Cruz Mountains parks, and other statewide acquisitions.

LAO Recommendation. The LAO finds that the OHV Commission has not approved six of the seven OHV minor capital outlay projects and recommends deleting these projects from the budget pending commission approval. The only project approved by the commission is the restoration of the Canyon Hill Trail at the Hollister Hills SVRA.

Staff Comments. Staff finds that $1.4 million in Proposition 40 bond funds were provided in the 2005-06 budget to construct a new lifeguard headquarters at Lake Perris SRA. Since last year the Department of Water Resources has lowered the lake level by 25 feet due to seismic safety risks found in a section of the foundation at Perris Dam. Staff finds that the conditions at

Lake Perris that are likely to last for the foreseeable future may have reduced the demand for this project.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Hold open six of the OHV minor capital outlay projects pending Commission approval.
- Approve the remaining capital outlay proposals.
- Request that the department provide additional information on the impacts of lower lake levels at Lake Perris and the need for the capital outlay project approved in 2005.

8. Main Street Program

Background. The California Main Street Program focuses on enhancing economic, social, cultural, and environmental well being of traditional commercial districts located in California's cities, towns, and neighborhoods. The program assists communities to build a local broad-based organization to implement and manage the revitalization process. This program is currently managed by the Office of Historic Preservation at State Parks, but has not been funded in several years.

Governor's Budget. The Governor's budget provides authority to expend up to $175,000 from the California Main Street Program Fund. However, to date, no revenues have been identified for deposit in the fund.

Value of State Program. Staff finds that there is considerable value in having a state coordinating role for the Main Street Program. Before funding for this program was eliminated, the state Main Street Program provided important training and information resources to help guide local main street efforts. Revitalization efforts are often complicated efforts that require a broad collaborative effort by multiple stakeholders. The experience and transfer of historical knowledge about what has worked and has not worked in other revitalization efforts can be instrumental to moving these processes foreword. Furthermore, state level staff previously generated additional revenues for the program by providing consultation services on a fee-for-service basis. However, without a state-level staff presence and program, the department cannot provide these services.

Value of Revitalization. The mission of the State Main Street Program is consistent with other state efforts to encourage in-fill development and reduce the urban sprawl that has impacted the state's natural landscapes. Many times, in-fill development and the revitalization of historic commercial centers are made difficult by contaminated sites and other hurdles that are not present when developing open space or agricultural land. However, promoting in-fill development not only reduces urban sprawl, but often reduces traffic congestion and can result in more livable communities.

Staff Recommendation. Staff recommends that the Subcommittee request staff to work with the department, LAO, and DOF on alternatives for funding the Main Street Program.

3340 California Conservation Corps

Background. The California Conservation Corps (Corps) assists federal, state and local agencies and nonprofit entities in conserving and improving California's natural resources while providing on-the-job training and educational opportunities to California residents aged 18 through 23. In addition to activities traditionally associated with the Corps, such as tree planting, stream clearance, and trail building, the Corps responds to emergencies caused by fires, floods, earthquakes, and other natural disasters. The Corps also develops and provides funding for 11 community conservation corps.

Governor's Budget. The Governor's Budget proposes $59.8 million to support the California Conservation Corps in 2006-07. This is a 4 percent decline from estimated expenditure levels in the current year due to a reduction in bond funds available for appropriation. General Fund support for the Corps is proposed to increase by about 40 percent in the budget year due to a proposal to increase the department's General Fund support and reduce the department's reliance on reimbursements.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Training and Work Program	$62,320	$58,865	-$3,455	-5.5
Capital Outlay	43,655	13,845	-29,810	-68.3
Administration	7,178	7,178	0	0.0
less distributed administration	*-7,178*	*-7,178*	*0*	*0.0*
Total	$105,975	$72,710	-$33,265	-31.4
Funding Source				
General Fund	$24,073	$33,813	$9,740	40.5
Collins-Dugan California Conservation Corps Reimbursement Account	31,662	23,462	-8,200	-25.9
Other Special Funds	597	621	24	4.0
Bond Funds	5,988	1,896	-4,092	-68.3
Budget Act Total	*62,320*	*59,792*	*-2,528*	*-4.1*
Public Buildings Construction Fund	43,655	12,918	-30,737	-70.4
Total	$105,975	$72,710	-$33,265	-31.4

1. Core Program Funding

Background. Over the past several years, support from the General Fund has been reduced and the Corps budget has become more reliant on the Collins-Dugan Reimbursement Account. The Reimbursement Account earns revenues from reimbursements paid by project sponsors for work done by corpsmembers.

Governor's Budget. The Governor's Budget proposes to shift $8.2 million from the Collins-Dugan Reimbursement Account to the General Fund to maintain the current level of Corps operations.

Justification. The General Fund support for the Corps was reduced by $36.1 million, or 60 percent, over the five year period from 2001-02 to 2004-05. The Corps was able to increase its reimbursement authority marginally over the same period, but, as a result of the reductions, had to curtail operations and reduce the number of fulltime corpsmembers by nearly 40 percent. In an attempt to maintain the Corps core program funding, reserve funds in the Collins-Dugan Reimbursement Account have also been expended. The Corps estimates that it will have exhausted its reserve funds in the Reimbursement Account and will have to make additional program reductions that further erode its core program if additional funding is not provided.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

2. Bond Funds

Governor's Budget. The Governor's Budget includes the following bond proposals:

- **State Projects.** The budget proposes expenditure of $1.4 million from bond funds for resource conservation projects by the Corps ($1.4 million from Proposition 40 and $13,000 from Proposition 12).
- **Local Projects.** The budget proposes expenditure of $510,000 from bond funds to support local conservation corps projects ($72,000 from Proposition 40 and $438,000 from Proposition 12).

Available Bond Funds. The budget proposal exhausts all Proposition 12 bond funds directly allocated to the Corps and leaves $41,000 from Proposition 40 for future allocations.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

3. Capital Outlay

Governor's Budget. The Governor's Budget includes the following capital outlay proposal:

- **Placer Center Water and Wastewater Upgrades.** The budget proposes $779,000 from the General Fund to support the development of preliminary plans and working drawings and to start construction to connect the Placer Center to the new public sewage treatment system and local water district and allow for decommissioning of the existing septic

system which poses health hazards. The total cost of the project will be approximately $4.2 million.

- **Fortuna Center Fire Alarm System.** The budget proposes $83,000 from the General Fund to upgrade the existing fire alarm system at the Fortuna Center. Currently, this facility does not meet code requirements.
- **Placer Center Fire Alarm System.** The budget proposes $65,000 from the General Fund to upgrade the existing fire alarm system at the Placer Center. Currently, this facility does not meet code requirements.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

4. Training Program Plan

Background. In addition to the work the Corps do in conserving natural resources and providing assistance during emergency response, the Corps mission is also focused on providing training and educational opportunities for young men and women.

Training Critical Part of Program. Staff finds that the budget reductions suffered by the Corps during the early part of this decade have required the department to focus on finding work for the corpsmembers. Providing work experience is an important and critical component of the Corps mission. However, the Corps is also responsible for providing young men and women with training and educational opportunities that will help the young people find long-term employment.

The Corps indicates that it still does provide a number of training programs and educational opportunities for corpsmembers. However, staff finds that these programs could be enhanced by the development of a formalized program and strategic plan for involving corpsmembers in in-house training opportunities and linking corpsmembers with other training opportunities outside of the Corps.

Staff Recommendation. Staff recommends that the Subcommittee adopt supplemental report language requesting the Corps to develop, by March 1, 2006, a strategic plan for enhancing the training and educational opportunities for corpsmembers.

Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 2 Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal

Monday, April 3, 2006
3:00 p.m. or Upon adjournment of the
Environmental Quality Committee hearing
Room 112

Item	Department	Page
Climate Change Initiative Overview		2
0555	Secretary for Environmental Protection	5
3360	California Energy Commission	10
8660	California Public Utilities Commission	13
3980	Office of Environmental Health Hazard Assessment	14
3900	Air Resources Board	17
3910	Integrated Waste Management Board	26
3930	Department of Pesticide Regulation	33
3940	State Water Resources Control Board	36
3960	Department of Toxic Substances Control	40

Resources—Environmental Protection—Energy—Utilities

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

Climate Change Initiative Overview

Background. In June 2005, the Governor signed Executive Order S-3-05 which set the following greenhouse gas emission reduction targets:

- By 2010—Reduce GHG emissions to year 2000 levels.
- By 2020—Reduce GHG emissions to year 1990 levels.
- By 2050—Reduce GHG emissions to 80 percent below year 1990 levels.

The Governor directed the Secretary of Cal-EPA to coordinate efforts made to meet these targets and established the Climate Action Team to develop strategies to support the order. The Climate Action Team draft report was released in December 2005. The report recommends that the following actions be taken to meet the Governor's GHG emission reduction targets:

- Require mandatory reporting of GHG emissions.
- Levy a public goods charge on gasoline and diesel to fund the promotion of alternative, cleaner transportation fuels.
- Coordinate the state's investment funds to reward industry development of emission reduction technology.
- Create provisions to credit companies that take early actions to reduce GHG emissions.

The final draft of the Climate Action Team report, due in January, has not been released. The Executive Order also specified that this report would be updated biannually.

Governor's Budget. The Governor's Budget includes $7.2 million ($135,000 in General Fund monies) to implement this initiative. The majority of the funding is for the Air Resources Board (ARB) and the Secretary for Environmental Protection, but activities are also funded at the California Energy Commission, the California Public Utilities Commission, and the Integrated Waste Management Board. More detailed descriptions of these budget proposals are contained in this agenda under each department.

Ongoing Efforts to Reduce GHG Emissions. Prior to the Governor's Executive Order, California was already engaged in a variety of efforts to reduce GHG emissions, including:

- **California Climate Action Registry.** Registers voluntary reports of GHG emissions to establish baselines against which future GHG emission reduction requirements can be applied.
- **GHG Vehicle Emission Standards.** Requires the ARB to regulate GHG emitted by passenger vehicles and light-duty trucks to achieve maximum feasible reductions. (The state is currently engaged in litigation regarding these standards.)
- **Diesel Idling Restrictions.** Requires the ARB to develop regulations to prevent diesel truck engine idling.
- **Renewable Portfolio Standard.** Requires the state's retail sellers of electricity to achieve at least 20 percent of energy sales from renewable sources.
- **Energy Efficiency Programs.** Establishes energy-savings targets for investor-owned utility energy efficiency programs and issues standards that reduce the energy demands of buildings and household appliances.

- **Tire Replacement and Inflation.** Ensures that replacement tires sold in the state are at least as energy efficient as the originals and encourage energy efficient inflation.
- **Recycling Goals.** Establishes 50 percent diversion rates for waste heading to landfills.

The Climate Action Team draft report proposes to build on these efforts to meet the emission reduction targets.

Additional Efforts Needed to Meet GHG Emission Reduction Goals. The draft Climate Action Team report proposes a series of additional actions that are needed to meet GHG emission reduction goals. The Climate Action Team has formed two subgroups: the Scenario Analysis subgroup and the Cap and Trade subgroup. The Scenario Analysis subgroup is charged with evaluating California-specific impacts of climate change and a menu of potential actions that the state could take to reduce GHG emissions. The Cap and Trade subgroup is charged with evaluating options for a GHG emission cap and trading program in the state.

Evaluating the Budget Proposal. In order to evaluate the proposed budget for climate change activities, staff recommends that the Subcommittee consider the following general principles for evaluating each budget request related to the Climate Change Initiative. The general principles include:

- **Detailed Roadmap.** It is critical that the Legislature be presented with a detailed plan for meeting emission reduction goals. All budget proposals should relate directly to the plan.
- **Multi-Pronged Approach.** The state should continue to move forward with proven strategies that reduce GHG emissions. However, at the same time, it is important to fund targeted research that is needed to develop additional GHG reduction strategies.
- **Measurement.** The state must have a system of tracking its performance in meeting GHG emission reduction goals. Without such a system, it will be difficult to determine which strategies are most cost-effective.
- **Consider Cost.** The state should attempt to invest in the most cost-effective GHG emission reduction strategies first.

Legislature Needs Additional Information. Staff finds that the administration has not provided the information needed to effectively evaluate the Governor's Climate Change Initiative. First, the Governor has not submitted a detailed plan on how the state will reduce GHG emissions. The absence of such a plan makes it difficult for the Legislature to determine how individual budget proposals fit into any overall strategy for reducing emissions. Furthermore, the administration is proposing to fund a significant number of new research initiatives. Without an overall portfolio and plan that identifies gaps in current research, it is difficult to determine the need for individual research contracts.

In addition, the proposals provide only minimal funding for developing a comprehensive strategy for measuring GHG emissions. The draft plan, submitted by the Climate Action Team in December 2005, identified this action as a high priority, but the budget does not contain a significant commitment to implement this action. Without this information it is difficult to evaluate and track the efficiency of the strategies proposed for funding.

The budget proposal does appear to take a multi-pronged approach by funding a variety of activities, including funding activities that accelerate existing programs to reduce GHG emissions, as well as funding for varied research contracts. However, without the information identified above, it is difficult to determine whether the proposal is the right mix.

Staff Recommendation. Staff recommends that the Subcommittee hold open the budget proposals that comprise the Climate Change Initiative and request the following information from the Secretary for Cal-EPA:

- A detailed plan for achieving GHG emission reduction goals, including a comprehensive research portfolio.
- A plan for measuring GHG emissions and the development of tools to evaluate the efficiency and cost effectiveness of different emission reduction strategies.

0555 Secretary for Environmental Protection

Background. The California Environmental Protection Agency (Cal-EPA) is charged with implementing federal and state environmental quality standards. This is done through regulatory programs and incentive programs that seek to improve the quality of the environment for all Californians. The Cal-EPA is led by the Secretary for Environmental Protection and the agency oversees the following boards, departments, and office.

Boards:
- Air Resources Board
- Integrated Waste Management Board
- State Water Resources Control Board (including the nine Regional Water Quality Control Boards)

Departments:
- Department of Pesticide Regulation
- Department of Toxic Substances Control

Office:
- Office of Environmental Health Hazard Assessment

Governor's Budget. The Governor's Budget proposes $9.2 million to support the Secretary for Environmental Protection. This is a 60 percent increase over estimated expenditures in the current year due to budget proposals that transfer resources from boards and departments within Cal-EPA to the Secretary's office. General Fund support for the Secretary is proposed to increase by about $650,000 due to these budget proposals.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Administration	$10,196	$13,363	$3,167	31.1
Total	$10,196	$13,363	$3,167	31.1
Funding Source				
General Fund	$1,321	$1,968	$647	49.0
Special Funds	4,467	7,202	2,735	61.2
Budget Act Total	*5,788*	*9,170*	*3,382*	*58.4*
Reimbursements	2,017	1,805	-212	-10.5
State Water Quality Control Fund	117	167	50	42.7
Environmental Enforcement and Training Account	2,124	2,066	-58	-2.7
Environmental Education Account	150	155	5	3.3
Total	$10,196	$13,363	$3,167	31.1

1. Climate Change Initiative

Background. The 2005-06 budget provided $500,000 from the General Fund to the Secretary of Cal-EPA to support climate change activities. These monies were used to fund various studies to support the activities of the Climate Action Team. In addition to the development of a Scenario Analysis report and Cap and Trade report (see Climate Change Initiative Overview), the funds were also used to support studies on the economic impacts of climate change and the science of climate change. These funds are included in the base budget for the Secretary of Cal-EPA.

Governor's Budget. The Governor's Budget includes $900,000 ($135,000 in General Fund monies) in additional funds to fund two positions and $595,000 in additional contracts to lead a statewide effort to meet the GHG emission reduction targets set by the Governor. Contract funding will fund technical support to continue the development and analysis of the various GHG emission reduction scenarios and the implementation of a cap and trade program.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

2. Climate Action Registry

Background. The Climate Action Registry was established in legislation (SB 1771, Sher), enacted in 2000, as a voluntary registry for GHG emissions. The purpose of the registry is to help companies and organizations with operations in the state to establish GHG emissions baselines against which any future GHG emission reduction requirements may be applied. The registry encourages voluntary actions to increase energy efficiency and decrease GHG emissions.

In the past, this registry has been funded with $200,000 in grant funds provided from the Public Interest Energy Research (PIER) program. The Legislature proposed to allocate $500,000 to the Secretary for Cal-EPA for this purpose in 2005, but these funds were vetoed by the Governor. Therefore, no state funds were provided in the current year to fund the registry.

Governor's Budget. The budget does not provide funding to support the registry.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

3. CUPA Oversight

Background. The Certified Unified Program Agencies (CUPA) are designated local agencies that implement six hazardous waste and materials programs, including the regulation of dry cleaning businesses and gas stations. Last year, CUPAs were designated for the remaining jurisdictions that had no CUPA. The state now has 86 total CUPAs. The Department of Toxic Substances Control, the State Water Resources Control Board, the Office of Emergency Services, and the State Fire Marshall all have responsibilities related to the programs implemented by the CUPAs. The Secretary of Cal-EPA is responsible for the statewide oversight of the program, including a required triennial review of the CUPAs' operations.

Governor's Budget. The Governor's budget proposes $294,000 from special funds to fund 2.5 positions to augment efforts to evaluate local CUPA activities.

Workload Justification. The administration currently has 1.5 positions supporting CUPA review activities. This level of staffing is not sufficient to conduct the statutorily required triennial review of local CUPA operations. The additional staffing will enable Cal-EPA to review local CUPA operations on schedule.

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

4. Coordination of California/Mexico Border Issues

Background. There have been long standing collaborative efforts that focus on environmental issues along the California/Mexico border. Many of these programs have been funded by the General Fund and have been subject to budget reductions or redirections over the past several years. Some of the border efforts within Cal-EPA include:

- The Air Resources Board has an air monitoring program in the Tijuana area.
- The Integrated Waste Management Board has solid waste cleanup and monitoring efforts in the border zone.
- The State Water Resources Control Board (SWRCB) has a Border Affairs Unit that coordinates various border-related water quality activities.

Since 2003, the Border Affairs Unit at the SWRCB has served as the ad hoc coordinator of all agency-wide border issues.

Governor's Budget. The Governor's Budget includes the redirection of five positions and $619,000 from Cal-EPA boards to the Secretary to support agency-wide policy and program coordination of California-Mexico border environmental efforts. Redirections include:

- One position from the ARB ($115,000 from special funds).
- One position from the Waste Board ($130,000 from special funds).
- Three positions from the SWRCB ($374,000 from the General Fund).

Justification. Currently, support of border issues are handled on an ad hoc basis by staff at various Cal-EPA boards. An agency-level unit would be more effective in coordination, communication, and development of state policy and priorities related to border issues.

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

5. Cal-EPA Consolidation of Administrative Functions

Background. Legislation (SB 1107, Budget), enacted in 2004, directed the Secretary of Cal-EPA to consolidate selected administrative functions at all of the boards, departments, and offices within the agency. Functions eligible for consolidation include procuring basic office supplies, information technology, collecting fees, and generic human resources functions that support state personnel.

This consolidation was initiated in the 2005-06 fiscal year with a $1 million increase in reimbursement authority for the Secretary to fund consolidated mail and courier operations, electronic imaging, employee safety and parking, facilities management, security, shipping and receiving, and building operations. The Legislature was notified of this consolidation by a March 3, 2006 letter to the legislative fiscal committees.

Governor's Budget. The Governor's Budget includes the redirection of 22 positions and $2.1 million from Cal-EPA boards, departments, and office to the Secretary of Cal-EPA. This proposal represents full-year costs for centralizing administrative functions at Cal-EPA.

Justification. Centralizing selected administrative functions has reduced the number of staff needed to complete the same task, thereby improving efficiency and saving the state money.

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

6. Environmental Protection Indicators of California—Informational Item

Background. The Environmental Protection Indicators for California (EPIC) Project was created in 2000-01 to establish and implement a process for developing environmental indicators. Legislation (AB 1360, Steinberg), enacted in 2003, established this program in law. Environmental indicators are scientifically based tools used to track changes that are taking place in the environment.

Governor's Budget. The budget does not contain any funds specifically to support the EPIC program. However, the Office of Environmental Health Hazard Assessment has invested a small level of effort (a fraction of one position) in updating the indicators.

Report Conclusions. In 2005, the Legislature requested a report in order to update the environmental indicators that are part of the EPIC project. This report has been submitted to the Legislature and states the following conclusions:

- Updated indicators show mixed results that include improvements in California's environmental quality, as well as remaining challenges, and inconclusive trends.
- Carbon monoxide now occurs at levels that meet regulatory standards; ozone and particulate matter continue to occur at unhealthy levels.
- Coastal beach closures increased, while postings declined.
- Population of winter-run Chinook salmon in the Central Valley has increased, but it still remains low.
- Diversion of solid waste and recycling of waste tires continue to increase.
- The amount of hazardous waste shipped for treatment, storage or disposal has been fluctuating, but appears to be on a downward trend when viewed per unit of economic activity.
- The detection of illegal pesticide residues in produce remains at an extremely low rate of less than two percent.

- Indicators of climate change – such as air temperature, spring snowmelt, and sea level rise – show unfavorable trends.

The report also indicates that there continue to be data gaps that need to be filled to better understand the environment. However, these data gaps were not evaluated as part of this study due to the state's fiscal condition.

The report also notes that a long-term commitment to robust environmental indicators will better enable Cal-EPA and other regulatory agencies to identify problem areas, craft cost-effective strategies and regulations, make adjustments to programs, and report on environmental outcomes.

Questions.

- Staff understands that Cal-EPA has reviewed the use of science and data across all of the Cal-EPA boards, departments, and office. What are the outcomes of this review?
- What is the Secretary doing to identify existing data gaps and develop strategies for filling those gaps?

7. Environmental Education Program

Background. Legislation (AB 1548, Pavley), enacted in 2003, created the Education and Environment Initiative (EEI), which mandates that school boards include environmental principles in their instructional materials. Further legislation (AB 1721, Pavley), enacted in 2005, gives decision making authority for incorporating environmental principles into curriculum to the Superintendent of Public Instruction and the State Board of Education. Development of the environmental principles under the EEI has been managed by the Integrated Waste Management Board.

Governor's Budget. The Governor's budget includes $3.5 million to support the implementation of this program ($3.3 million from the Integrated Waste Management Account and $200,000 from the Waste Discharge Permit Fund). These funds support 5.5 positions and include planning for model curriculum and curriculum development.

Missing Report. In 2005, the Legislature requested the Secretary to report by January 10, 2006, on a balanced funding mix for the EEI. The Legislature has not received this report.

Staff Recommendation. Staff recommends that the Subcommittee hold this item open pending receipt of the required report.

3360 California Energy Commission

1. Climate Change Initiative

Governor's Budget. The Governor's Budget proposes $612,000 to support four positions and $200,000 in contracts to implement the Governor's greenhouse gas (GHG) emission reduction targets. The new positions will support the following activities:

- Evaluate and verify electricity carbon policies.
- Evaluate and verify industrial carbon policies.
- Improve the statewide GHG emission inventory.
- Focus on economic issues related to climate change, including overseeing $5 million in PIER contracts related to this subject.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

2. Public Interest Energy Research Natural Gas Program

Background. In 2004, the California Public Utilities Commission (CPUC) issued a decision that established the Public Interest Energy Research (PIER) Natural Gas Program and designated CEC as the administrator of the program. This program will focus on research on and development of science and technologies that benefit natural gas end-users in all market sectors. This program is parallel to the department's PIER Electricity Research Program which is funded by a surcharge on electricity ratepayers.

Governor's Budget. The Governor's Budget proposes $504,000 to support five new positions to identify, develop and manage energy-related research projects that benefit natural gas ratepayers.

Workload Justification. The Governor's proposal would double the staff currently supporting the natural gas research program at the CEC. The additional staff is requested to meet the new mandate that some funds be dedicated to transportation-related research. Additional staff is also requested because the CPUC's annual funding allocation to the CEC for this program is scheduled to grow to $24 million annually over the next four years.

Update on Planning Process. Legislation (SB 76, Budget), enacted in 2005, requires that one-half of the PIER natural gas funds be expended pursuant to a research program jointly approved by the Air Resources Board (ARB) and the Commission. Furthermore, the legislation allowed up to one-third of the funds allocated jointly with ARB to be expended on transportation-related research. The CEC indicates that it has formally engaged the ARB in a joint planning process to develop the 2006 research plan for the natural gas PIER program. The 2006 research plan allocates an initial $3 million to transportation-related projects. Funding for specific projects has not yet been awarded.

Update on Report. Legislation (SB 71, Budget), enacted in 2005, requires that the CEC prepare a five-year long-term workload and staffing plan for the PIER programs by March 31, 2006. The department has released a draft five-year investment plan.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open and request the following information:

- Additional information on the joint planning process between CEC and ARB.
- The final draft of the five-year investment plan.

3. Verification and Evaluation of Energy Efficiency Savings

Background. A 2005 decision by the CPUC created a new administrative structure for evaluating the energy efficiency savings of programs implemented by the investor-owned utilities. The new administrative structure involves additional staff at the CPUC and CEC to assume responsibility for the evaluation, monitoring, and verification of energy savings associated with over $600 million in annual expenditures on energy efficiency programs by the investor-owned utilities. Formerly, the utilities were responsible for measurement and evaluation of their own energy efficiency programs.

Governor's Budget. The Governor's Budget proposes $209,000 from the Energy Resources Program Account to fund two new positions to produce independent and verifiable estimates of the net energy and peak savings from investor-owned utility energy efficiency programs.

Workload Justification. The CEC indicates that it has been forced to redirect staff from programs that focus on demand response in order to start implementing the new measurement and evaluation process. Staff finds that the recent decision by the CPUC has created a new responsibility for the CEC to be carried out jointly with CPUC. Therefore, additional staff at CEC is warranted for this purpose.

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

4. Other Budget Proposals

Governor's Budget. The Governor's budget also includes funding for the following purposes:

- **Information Technology.** The budget includes $311,000 from the Energy Resources Program Account to support two positions to strengthen the Commission's Information Technology Services Branch and $125,000 in one-time funding to replace the CEC's current electronic mail system.
- **Governmental Affairs.** The budget includes $209,000 from the Energy Resources Program Account to support two positions for the Commission's Office of Governmental Affairs to enable the Commission to respond in a timely manner to inquiries from the Legislature.

Workload Justification. The CEC currently has 18 positions and additional contractors supporting the Information Technology Services Branch. The Commission has indicated that this staffing level is not adequate to address the additional information technology applications currently being supported, including video conferencing, blackberry support, and new electronic mail filtering controls. Furthermore, the current Novell GroupWise electronic mail system is outdated and does not integrate well with other applications.

The Commission currently has three staff persons supporting its Office of Governmental Affairs. This office is responsible for preparing bill analyses and responding to inquiries from the Legislature and other branches of government. The Commission indicates that their workload (number of requests and number of bill analyses) has grown over the past five years and has resulted in a significant amount of overtime for the current staff.

Staff Recommendation. Staff recommends that the Subcommittee approve these proposals.

5. Frontier Line—Informational Issue

Background. In April 2005, the Governors of California, Nevada, Utah, and Wyoming signed an agreement to develop the "Frontier Line," which is a transmission line originating in Wyoming with terminal connections in the other three states.

Governor's Budget. The Governor's budget does not propose funding to support the Frontier Line.

Support Continues for Frontier Line. Funding to support development of the Frontier Line was rejected by the Legislature in 2005. However, staff finds that the administration continues to be involved in this effort. A new Frontiers Power Summit is scheduled in April to continue the development of this transmission project.

Staff finds that the Frontier Line, as currently envisioned, would enable California utilities to import cheap coal-fired electricity generation from Wyoming. The burning of coal is a major source of greenhouse gas (GHG) emissions and it is unclear how the state can reduce its GHG emissions according to the Governor's goals and also increase imports of coal-fired electricity generation.

Questions.

- What is CEC's current involvement in the Frontier Line project?

8660 California Public Utilities Commission

1. Climate Change Initiative

Governor's Budget. The Governor's budget proposes to redirect 12 positions and use them to fund various climate change activities:

- One position to coordinate climate change activities at the PUC to ensure climate change goals are being met.
- Three positions to be used to accelerate the renewable portfolio standard to 22 percent by 2020.
- One position to support the solar initiative, including expanding the current distributed generation program and consolidating other existing solar programs.
- Three positions to develop new programs and accelerate existing energy efficiency programs.
- One position to support the Governor's Executive Order to encourage green technology adoption by state buildings.
- Two positions to evaluate cap and trade programs and strategies for measuring and verifying emission reductions.
- One position to develop a new combined heat and power program for projects that are over five megawatts.

Half of the redirected positions are proposed to come from the consumer protection payphone program and the other six positions are redirected from other activities within the energy division.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

3980 Office of Environmental Health Hazard Assessment

Background. The Office of Environmental Health Hazard Assessment (OEHHA) identifies and quantifies the health risks of chemicals in the environment. It provides these assessments, along with its recommendations for pollutant standards and health and safety regulations, to the boards and departments in the California Environmental Protection Agency and to other state and local agencies. The OEHHA also provides scientific support to environmental regulatory agencies.

Governor's Budget. The Governor's Budget proposes $14 million to support OEHHA in the budget year. This is a slight increase in funding from the estimated expenditures in the current year due to new budget proposals. General Fund support for OEHHA remains relatively unchanged in the budget year.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Health Risk Assessment	$15,726	$16,385	$659	4.2
Administration	2,985	3,011	26	0.9
less distributed administration	*-2,985*	*-3,011*	*-26*	*0.0*
Total	$15,726	$16,385	$659	4.2
Funding Source				
General Fund	$8,303	$8,377	$74	0.9
Special Funds	5,281	5,803	522	9.9
Budget Act Total	*13,584*	*14,180*	*596*	*4.4*
Federal Trust Fund	500	500	0	0.0
Reimbursements	1,642	1,705	63	3.8
Total	$15,726	$16,385	$659	4.2

1. Funding Adequacy

Background. During the early part of this decade, OEHHA suffered significant General Fund reductions to its programs. Over the past several years, concerns have been raised by the Legislature regarding the relative instability of OEHHA's funding due to its reliance on the General Fund. In response to this concern, actions have been taken to shift some of the office's budget to appropriate special fund sources.

In 2005, OEHHA submitted a legislatively mandated report on long-term baseline funding requirements. This report identified the need for an additional $6 million to fully fund OEHHA's statutory mandates. Statutory mandates are not being implemented. Because of the funding shortfall, include investigations related to children's health, criteria air pollutants, and pesticide use. The report also identified eligible funding sources for supporting OEHHA's statutory mandates. However, the administration did not recommend any augmentations to OEHHA's budget at this time because there were no balances in special funds available to meet OEHHA's funding needs on an ongoing basis without a fee increase. The funding shortfall reduces the office's ability to address children's health and criteria air pollutants.

The Legislature added $500,000 in General Fund monies to OEHHA's budget in the current year. These funds are being used to increase activities across all of OEHHA's programs, including children's health, Proposition 65 labeling laws, and pesticide reviews.

Governor's Budget. The Governor's Budget includes $266,000 in special funds to augment the department's Proposition 65 program. These funds will be used to support two 2-year limited-term positions to identify "safe" levels (levels that do not pose a significant health risk) for substances listed under Proposition 65 as causing cancer or reproductive toxicity.

Workload Justification. The baseline funding report submitted by OEHHA in 2005 identified an unmet need of nearly $700,000 in the Proposition 65 program. The General Fund augmentation approved in the current year helped marginally to fund this program, but additional funding is needed to fully implement OEHHA's Proposition 65 mandate. Therefore, the budget proposal is justified based on the department's baseline funding needs. Staff finds that the workload associated with the Proposition 65 program is ongoing. However, the administration proposes funding the additional positions on a limited-term basis because the special funds supporting this augmentation are from fines and penalties and are not a stable funding source.

Staff Recommendation. Staff recommends that the Subcommittee adopt the following actions:

- Adopt the budget proposal.
- Request that OEHHA work with staff, the LAO, and DOF to identify appropriate special funds available to fund other unmet baseline funding needs at OEHHA on an ongoing basis.

2. Lead in Candy

Background. The presence of hazardous levels of lead in imported Mexican candy has been recognized as a problem for a number of years. In 2004, the Department of Health Services (DHS) issued two health advisories regarding lead-contaminated candies. Legislation (AB 121, Vargas), enacted in 2005, requires OEHHA to set a lead standard for certain candies and candy wrappers by July 1, 2006. The legislation also requires OEHHA to develop sampling and testing protocols to measure lead in candy and candy wrappers and update the lead standards every three to five years. The legislation requires DHS to operate an ongoing regulatory program to enforce OEHHA's standards.

Governor's Budget. The Governor's Budget includes $125,000 from the General Fund to support one 2-year limited-term position to set lead standards for certain candies and candy wrappers. The proposal also proposes $58,000 in General Fund monies for ongoing support of this program starting in 2008-09.

Workload Justification. The legislation requires OEHHA to set a lead standard by July 1, 2006. This deadline is impossible given the funding shortfalls existing at the department. Furthermore, it normally takes two to ten positions, one to several years, to complete a risk assessment of this magnitude. Nevertheless, the office proposes to complete this activity with one position over a two-year period by building on existing research and assessments.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3. Health Risks of Dry Cleaning Alternatives

Background. Legislation (AB 998, Lowenthal), enacted in 2003, requires the Air Resources Board (ARB) to collect a fee from dry cleaning institutions for the use of perchloroethylene (Perc). These funds will be used to operate a grant program and a demonstration program that encourages dry cleaning institutions to replace Perc systems with other nontoxic and non-smog forming alternatives. Perc is a toxic air contaminant, pollutes groundwater, and is also listed as a carcinogen under Proposition 65. The South Coast Air Quality Management District plans to phase out the use of Perc in dry cleaning by 2020 within its geographic jurisdiction.

Governor's Budget. The Governor's Budget includes $50,000 in reimbursements from the ARB to support 0.5 positions at OEHHA to evaluate the health risks of alternative dry cleaning methods to Perc.

Workload Justification. The OEHHA is already involved in evaluating five Perc alternatives being considered by ARB. Presently, OEHHA is redirecting existing staff away from other mandated programs to assist in evaluating the potential toxicity of these Perc alternatives. This budget proposal would adequately fund this activity and reduce the need to redirect staff from other mandates.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3900 Air Resources Board

Background. The Air Resources Board (ARB), along with 35 local air pollution control and air quality management districts, protects the state's air quality. The local air districts regulate *stationary sources* of pollution and prepare local implementation plans to achieve compliance with federal and state standards. The ARB is primarily responsible for the regulation of *mobile sources* of pollution and for the review of local district programs and plans. The ARB also establishes air quality standards for certain pollutants, administers air pollution research studies, and identifies and controls toxic air pollutants.

Governor's Budget. The Governor's Budget proposes $248 million to support the ARB in 2006-07. This is a two percent reduction from estimated expenditures in the current year due to one-time expenditures in the 2005-06 budget to retrofit old school buses and purchase air pollution control and monitoring equipment. General Fund support for the ARB remains relatively unchanged in the budget year.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Mobile Source	$216,948	$210,045	-$6,903	-3.2
Stationary Source	43,382	43,985	603	1.4
Subvention	10,111	10,111	0	0.0
Capital Outlay	103	1,120	1,017	987.4
Administration	11,619	11,074	-545	-4.7
less distributed administration	*-11,619*	*-11,074*	*545*	*0.0*
Total	$270,544	$265,261	-$5,283	-2.0
Funding Source				
General Fund	$2,211	$2,280	$69	3.1
Special Funds	251,363	245,399	-5,964	-2.4
Budget Act Total	*253,574*	*247,679*	*-5,895*	*-2.3*
Federal Trust Fund	12,389	12,892	503	4.1
Reimbursements	4,581	4,690	109	2.4
Total	$270,544	$265,261	-$5,283	-2.0

1. Climate Change Initiative.

Governor's Budget. The budget includes $5.2 million to support the Governor's greenhouse gas emission reduction targets. The budget includes $1.9 million from the Motor Vehicle Account (MVA) and $3.3 million from the Air Pollution Control Fund (APCF). The MVA funds will be used to support 15.5 positions and the APCF will be used to fund one-time contracts for various research efforts. The additional positions will support the following activities:

- **Bio-fuel Blends.** Two positions to develop and propose regulations related to bio-fuel blends.
- **Perfluorocarbon Emission Reductions.** One position to develop control measures and technology options for reducing emissions from the semi-conductor industry.
- **Manure Management.** One position to develop and propose regulations for manure management options.
- **Refrigerated Transport.** One position to develop and propose regulations to require new refrigerated trucks to be equipped with electric stand-by systems.
- **Port Electrification.** Two positions to develop and propose measures to phase in infrastructure allowing vessels to plug in for shore-side power.
- **Hydrofluorocarbon Emission Reductions.** Three positions to develop and adopt measures to maximize the use of low global warming potential refrigerants in mobile, commercial and residential air conditioning.
- **Light-Duty Vehicles.** One position to develop and propose policies for the implementation of lightweight materials and cool paints to reduce emissions from light-duty vehicles.
- **Heavy-Duty Vehicles.** Two new positions to implement AB 1493 (Pavley) and the Teach the Trainer Program for increasing fuel efficiency.
- **Economic Analysis.** 1.5 positions for continued economic analysis related to various GHG emission reduction efforts.
- **Climate Change Science.** One position to support analysis related to climate change science.

The contract funds are allocated equally between contracts that explore the relationship between air quality and climate change and research that provides direct support for the board's regulatory strategies.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

2. Hydrogen Highway

Background. Legislation (SB 76, Budget) was enacted as part of the 2005-06 budget to provide the ARB with $6.5 million in special funds to fund the Governor's Hydrogen Highway initiative. These funds became available for expenditure on January 1, 2006 for the following:

- Establish up to three publicly accessible demonstration hydrogen fueling stations.
- Lease up to 12 hydrogen-powered vehicles, and purchase up to two hydrogen-powered shuttle buses for use at airports or universities.

- Employment of two-year limited-term staff to support the effort.

The legislation required that the funded activities contribute to the following environmental goals by 2010:

- A 30 percent reduction in greenhouse gas emissions.
- Hydrogen production for vehicles to be derived from 33 percent new renewable energy sources.
- No increase in smog-forming emissions.

The legislation also required the ARB to report every six months on its implementation efforts including the funding spent and its compliance with the environmental goals referenced above. The legislation also included a report due on December 31, 2006 on the status of transportation-related hydrogen activities in other states, including a discussion of siting criteria and selection of actual sites, the impact of hydrogen highway infrastructure and activities on affected communities and neighborhoods, and the development of hydrogen related business activity in California.

Governor's Budget. The Governor's Budget includes $6.5 million in special funds for the second year of implementation of the Governor's Hydrogen Highway Blueprint. A portion of the funding ($1.5 million) will be used to leverage private matching funds to construct three publicly accessible hydrogen fueling stations. The remaining funding ($5 million) will enable the state to leverage federal matching funds for five fuel cell buses to be used in public transit fleets.

The budget also proposes to re-appropriate $3.5 million allocated to the board in the current year. The board does not anticipate that these funds will be expended before December 31, 2006 because of the myriad of issues that need to be worked out before a hydrogen fueling station can be sited.

LAO Recommendation. The LAO recommends denying the administration's request for additional funding for the Hydrogen Highway. The LAO finds the request for additional funding premature until the board submits a statutorily required report to the Legislature. This report is intended to provide the Legislature with information that will enable an evaluation of whether continued funding for this purpose is warranted. This report is not due to the Legislature until December 31, 2006. Furthermore, the LAO indicates that approximately $3.5 million of the original appropriation will be available for expenditure in the budget year. Therefore, it is unclear why additional funding is needed.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

3. Innovative Clean Air Technologies Grant Program

Background. The Innovative Clean Air Technologies Grant Program co-funds practical demonstrations of new or improved technologies and new technological applications that can reduce emissions of air pollutants from mobile and stationary sources. This program is generally allocated around $1 million annually from the Air Pollution Control Fund (APCF).

Governor's Budget. The Governor's Budget includes $2 million in APCF for a one-time expansion of the Innovative Clean Air Technologies Grant Program. The expansion would be used to accelerate the commercialization of new and innovative technologies for reducing GHG emissions.

Justification. Additional technologies are needed to meet GHG emission reduction goals. These funds will help to demonstrate new technologies that reduce GHG emissions.

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

4. Air Quality Enforcement

Background. In 2005, the Secretary for Cal-EPA led an agency-wide enforcement initiative to improve the management of information to better prioritize enforcement activities based on the greatest risks to the environment.

Governor's Budget. The budget includes $5.1 million to increase ARB's enforcement efforts. The budget includes $2.7 million from the Motor Vehicle Account (MVA) and $2.3 million from the Air Pollution Control Fund (APCF). The MVA funds will be used to support 20 new positions and $252,000 in contracts. The APCF funds will fund the one-time purchase of additional equipment to enhance the board's enforcement efforts. The activities proposed for funding include:

- **Heavy-Duty Diesel.** Six new field staff to enforce idling restrictions and additional scan tools to conduct field enforcement. One new position and a new vehicle for the Vehicle Emission Evaluation Training program.
- **Mobile Source.** Purchase of two additional scan tools to conduct taxi cab enforcement at the state's major airports. Seven new positions to create a new branch to focus on enforcement of on-board diagnostic systems and funding for four scan tools and laptops to assist in enforcement.
- **Fuel Enforcement.** Four new inspector positions for sampling and inspection of distribution facilities and to implement Cargo Tank Vapor Recovery regulations and funding for additional mobile laboratory equipment.
- **Consumer Products.** Two new positions to enforce the portable fuel container, consumer products, aerosol coating, and architectural coating regulations and funding to replace obsolete equipment used to determine the volatile organic compound content of consumer products.
- **Stationary Sources.** Funding for additional respiratory equipment for asbestos inspectors.
- **Training and Compliance.** Funding for equipment and contracts to augment the board's training materials.
- **Portable Emissions Measurement System.** Funding for a portable emission measurement system to be used to test the emissions system of heavy-duty trucks while in use.

Workload Justification. The board currently has 81 positions supporting its enforcement efforts. The budget proposal would provide the board with a 25 percent increase in its enforcement resources. Increased enforcement will help the board reduce emissions. The majority of the new enforcement resources are requested for mobile source programs. Justification for the increased enforcement resources are as follows:

- **Heavy-Duty Diesel**. The board currently has 34 positions staffing enforcement of heavy-duty diesel regulations. The budget requests an additional six positions (an 18 percent increase) to enforce new regulations on solid waste collection vehicles, mobile cargo handling equipment at ports, and school bus and commercial vehicle idling.
- **Mobile Source**. The board currently has 11 positions staffing enforcement of mobile source emissions regulations. The budget requests an additional seven positions (a 64 percent increase) to enforce the On-Board Diagnostic (OBD) regulation. The current smog check program has become very dependent on the OBD system. At the same time, software has been specifically designed to disable the OBD system. The board needs to increase its enforcement presence to ensure that OBD systems communicate properly with Smog Check test equipment.
- **Fuel Enforcement**. The board currently has 12 positions staffing fuel enforcement. The budget requests an additional four positions (a 33 percent increase) to enforce gaseous motor vehicle fuel regulations. Due to lack of staffing, these regulations have had minimal enforcement.
- **Consumer Products**. The board currently has seven positions staffing enforcement of consumer product regulations. The budget requests an additional two positions (a 30 percent increase) to address a significant increase in the number of violations and to implement the new portable fuel container regulation.
- **Stationary Source/Special Investigations**. The board currently has 17 positions to enforce stationary source regulations and conduct special investigations. The budget does not request any additional staffing for enforcement in this area.

Staff Recommendation. Staff recommends that the Subcommittee adopt this budget proposal.

5. Goods Movement Activities

Background. California's ports handle nearly 28 percent of the international trade goods entering and leaving the U.S. Based on projections of economic activity in the country and in the state, California's goods movement activity is expected to increase considerably. While there are economic benefits to goods movement, there are also environmental costs. For example, the ports of Los Angeles and Long Beach together contribute 10 percent of the region's nitrous oxide emissions and 25 percent of its diesel particulate matter. Residents living near the busy ports disproportionately experience the negative effects of these pollutants.

The board is limited in regulating many of the emissions sources associated with goods movement, including rail and ship transport. The board is currently working on an Emission Reduction Plan for Ports and International Goods Movement in conjunction with the Business, Transportation and Housing Agency.

The board entered into a memorandum of understanding (MOU) with the major rail companies in the state to voluntarily reduce emissions. The board has been subject to considerable scrutiny for negotiating this MOU without adequate public input. Since then, the board has adopted a policy outlining a process for considering future MOUs that would require more public input.

Governor's Budget. The budget includes $1.7 million from the Motor Vehicle Account (MVA) to support the reduction of air emissions related to goods movement. The funding will be used to support eight new positions and $500,000 in ongoing contracts. The funding will support the following:

- Five positions to support the development of an emissions inventory, air quality modeling, regulatory strategies and incentive strategies for reducing air pollution related to goods movement.
- One position to support outreach and technical assistance.
- Two positions to increase enforcement activities.
- $700,000 ($500,000 ongoing) in contract funding that will be used to support technology demonstration and development of technologies that would assist in reducing emissions from goods movement.

Workload Justification. The board indicates that it currently has redirected 28 existing positions to work on goods movement related activities. These redirections have negatively impacted and slowed down implementation of existing programs. Programs impacted include: the State Implementation Plans required to meet federal Clean Air Act standards in June 2007, the board's Diesel Reduction Plan and work related to toxic air contaminants. The board indicates that some of the current activities related to goods movement are one time and do not require ongoing staffing.

LAO Issue. The LAO indicates that the State Constitution limits the use of MVA funds supporting the mitigation of environmental effects resulting from operation of motor vehicles on the State's public streets and highways. Those vehicles do not include ships, locomotives, or most cargo moving equipment at the ports. Therefore, the LAO recommends that the board resubmit its funding proposal so that it limits MVA funding to those mitigation activities directly related to motor vehicle use on public roadways and suggests alternative funding sources for the mitigation of environmental effects ineligible for MVA funding. The board continues to justify its use of MVA funding by indicating that nearly all goods moved through California ports are ultimately transported on public streets by trucks.

Staff Comments. Staff finds that the comprehensive approach taken by the board to reduce emissions from the goods movement sector is the most beneficial approach to reducing emissions. Furthermore, staff finds that nearly all goods shipped through the ports are moved by trucks at some point. Therefore, staff finds that MVA funds are eligible for funding activities related to reducing goods movement emissions.

Staff Recommendation. Staff recommends that the Subcommittee approve this proposal.

6. NAFTA-Related Air Emissions—Informational Item

Background. The U.S. Supreme Court ruled in 2004 that a full environmental assessment of the impacts of implementing the transportation provisions of NAFTA was not required. This ruling allows commercial travel beyond the current 20 mile commercial zone. The ARB has estimated that an additional 30,000 heavy-duty commercial vehicles are expected to cross daily into the U.S. from Mexico. Since Mexico's fleet of trucks is, on average, considerably older than the U.S. fleet, additional emissions are expected to result.

The 2005 Budget Act provided the ARB with $1.6 million to support 16 new positions and fund contracts with the California Highway Patrol to augment the Heavy-Duty Vehicle Inspection Program along the California-Mexico border and in the Port of Long Beach.

Actual Emissions Remain Uncertain. In 2005, the Legislature requested that the ARB complete a report on the actual increase in emissions resulting from free commercial travel between the U.S. and Mexico. The ARB has submitted this report. The report indicates that free commercial vehicle travel between the U.S. and Mexico has not begun. However, full execution of the transportation provisions of NAFTA is imminent and has been delayed only by negotiations related to the implementation of U.S. safety regulations.

Since free commercial travel has not commenced, actual emissions from NAFTA remain uncertain. However, some studies estimate that free commercial travel could increase smog forming pollution in California by up to 50 tons per day. The board estimates that, by enforcing heavy-duty vehicle regulations, it will be able to prevent Nitrous Oxide (NOx) emissions by 2.9 tons per day and Particulate Matter (PM) by 0.12 tons per day. Obviously, these numbers are considerably less than the 50 tons per day estimated by some studies. The estimates are based on considerably different assumptions about how many U.S. vehicles will be displaced by vehicles from Mexico. Some studies find that there will be a 50 percent displacement, but ARB's surveys show a much lower one percent displacement rate. Furthermore, emissions will also depend on ARB's ability to enforce its heavy-duty vehicle regulations on the commercial vehicle fleet from Mexico and achieve compliance. Last year the ARB reported that 90 percent of the border violations were delinquent.

Staff Comments. Staff continues to be concerned that the current program is inadequate to address the increase in emissions that could result from free commercial travel between the U.S., and Mexico. However, until actual data is received regarding the displacement of U.S. vehicles by vehicles from Mexico it is difficult to determine whether the board has adequate enforcement resources.

Questions.

- Does the board have a system for assessing the adequacy of its current enforcement program?
- Does the board have a system in place to measure the displacement of U.S. vehicles with vehicles originating in Mexico?
- What activities are the new staff engaged in since free commercial travel between the U.S. and Mexico have not commenced?

7. Carl Moyer Program—Cleanup Trailer Bill Language

Background. The Carl Moyer Program provides incentive payments to retrofit or replace dirty diesel engines. Since the program's inception in 1998, 7,000 engines have been replaced, resulting in NOx emission reductions of 18 tons per day and PM emission reductions of one ton per day. The board receives $86 million annually to fund the Carl Moyer Program from the smog check fee and tire fee. In addition, local air districts can collectively raise $55 million annually for the Carl Moyer Program if they elect to increase motor vehicle fees.

Governor's Budget. The Governor's budget proposal includes trailer bill language to cleanup 2004 legislation (AB 923, Firebaugh) that dedicated a portion of the tire fee to the Carl Moyer Program. The trailer bill language is needed to avoid a statutorily mandated reduction in the tire fee that will reduce funding for the Carl Moyer Program by $4.2 million in the budget year and $8.3 million starting in 2007-08.

Staff Comments. Staff finds that the reduction of the tire fee was not intended to impact the Carl Moyer Program, and was the result of a drafting error in AB 923. Staff concurs that the proposed trailer bill language is needed to maintain the current level of funding for the Carl Moyer Program. Emissions from diesel-powered mobile sources account for over 50 percent of smog forming NOx emissions and these funds are needed to continue to address these sources of air pollution.

Staff Recommendation. Staff recommends that the Subcommittee adopt the administration's trailer bill language to amend AB 923.

8. Lower-Emissions School Bus Program—Informational Item

Background. The ARB's Lower-Emissions School Bus Program provides schools with funding to help replace or retrofit diesel school buses to reduce emissions. Since its inception in 2000, the program has allocated over $75 million to replace over 500 pre-1987 buses and retrofit 3,000 in-use diesel buses with emission control devices.

The 2005 Budget Act provided $25 million in one-time funding to replace and retrofit some of the state's oldest school buses. The funding was split evenly between awards to purchase new school buses to replace the oldest buses and awards to retrofit in-use diesel buses with emission control technologies.

Governor's Budget. The Governor's budget does not include new funding for the Lower-Emissions School Bus Program. School buses are eligible for funding under the Carl Moyer program, but many times they do not compete with other applicants because they have relatively low vehicles miles traveled.

Update on Allocation. In late February, the board allocated $12.5 million to replace around 90 of the oldest school buses still in operation in the state. These funds were allocated to the oldest

school buses first. All of the funds provided for bus replacement will replace pre-1977 buses. These buses do not have emissions controls and also do not meet current safety standards.

The board also allocated $12.5 million to retrofit 858 pre-1987 in-use diesel buses with emission control technologies. These funds were allocated on a per capita basis to participating air districts. Buses manufactured before 1987 do not have emission control technologies.

Unmet Need Remains. The ARB estimates that there are still 300 pre-1977 buses operating in the state even after the 90 oldest buses are replaced this year. As mentioned previously, not only do pre-1977 buses lack emission control technologies, but they also do not meet current safety standards. Furthermore, all buses manufactured prior to 1987 also lack emission control technologies. Children are particularly vulnerable to the health impacts of diesel emissions and this program helps to reduce emission exposure.

Questions.

- Does the board plan on allocating additional funds from Carl Moyer to replace or retrofit school buses in the budget year?

9. Haagen-Smit Laboratory Seismic Upgrades

Background. The Haagen-Smit Laboratory is located in El Monte, California and is the site of the majority of the board's emission testing activities.

Governor's Budget. The Governor's budget proposes $1.1 million from the Air Pollution Control Fund to develop working drawings and to make improvements to the existing building to bring the building into compliance with current code requirements.

Justification. A recent seismic evaluation by the Department of General Services found that this building was vulnerable to structural damage in the event of an earthquake. The 2005 Budget Act allocated $103,000 to develop preliminary plans for the upgrades.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3910 Integrated Waste Management Board

Background. The California Integrated Waste Management Board (CIWMB), in conjunction with local agencies, is responsible for promoting waste management practices aimed at reducing the amount of waste that is disposed of in landfills. The CIWMB administers various programs that promote waste reduction and recycling, with particular programs for waste tire and used oil recycling. The board also regulates landfills through a permitting, inspection, and enforcement program that is mainly carried out by local enforcement agencies certified by the board. In addition, CIWMB oversees the cleanup of abandoned solid waste sites.

Governor's Budget. The Governor's Budget proposes $190 million to support CIWMB in the budget year. This is approximately five percent less than in the current year due to revised expenditure projections for the Electronic Waste and Used Oil Recycling programs. The board does not receive any General Fund support.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Waste Reduction and Management	$201,679	$191,906	-$9,773	-4.8
Administration	8,874	8,874	0	0.0
less distributed administration	*-8,874*	*-8,874*	*0*	*0.0*
less loan repayments	*-1,363*	*-1,694*	*-331*	*0.0*
Total	$200,316	$190,212	-$10,104	-5.0
Funding Source				
Special Funds	$199,532	$189,422	-$10,110	-5.1
Bond Funds	141	141	0	0.0
Budget Act Total	*199,673*	*189,563*	*-10,110*	*-5.1*
Federal Trust Fund	91	91	0	0.0
Special Deposits Fund	345	351	6	1.7
Reimbursements	207	207	0	0.0
Total	$200,316	$190,212	-$10,104	-5.0

1. Climate Change Initiative

Governor's Budget. The Governor's Budget includes $466,000 in special funds to fund three new positions to expand existing efforts to capture methane from landfills and enhance recycling efforts to meet the Governor's greenhouse gas emission reduction targets.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

2. Waste Tire Recycling Management Program

Background. California produces more than 33.5 million waste tires annually. The Waste Board is mandated to regulate and manage waste tires within the state, including developing standards for waste tire facilities and taking enforcement actions against illegal tire facilities and haulers. The board also supports research and development for tire-derived products through grants and loans. The board also provides grants and loans to local governments to encourage proper disposal of waste tires and use of tire-derived materials in transportation projects. These programs are supported by a fee assessed on the retail sale of new tires. The current fee is $1.75 per tire.

The board reported, in its *Five-Year Plan* for the Waste Tire Recycling Management Program, that it is currently diverting more than 73 percent of waste tires from landfills. The board reports that, in 2003, waste tires were diverted from landfills for the following uses:

- Tire-derived fuel in kilns for making cement (5.4 million tires).
- Alternative daily cover by landfills (4.9 million tires). (Shredded tires are used instead of soil to cover garbage at landfills.)
- Retreads (4.4 million tires).
- Crumb rubber in various applications, including playgrounds and rubber mats (3.4 million tires).
- Various other uses like roofing shingles, sandals, weights, and agricultural uses (2.7 million tires).
- Rubberized asphalt concrete (2.6 million tires).
- Reuse (1.8 million tires).
- Civil engineering projects (1.8 million tires).
- Tire-derived fuel in power plants (1.3 million tires).

Governor's Budget. The Governor's Budget includes $5.2 million in special funds to expand enforcement efforts and increase the board's tire recycling efforts. The funds will support three new positions ($230,000) to enhance enforcement and a two-year increase in grant funds ($5 million annually) to encourage the use of rubberized asphalt concrete (RAC) and tire-derived aggregate (TDA).

Workload Justification. The Waste Tire Recycling Management Program currently has 15 positions dedicated to enforcement activities. The board indicates that current staffing levels are inadequate to meet the needs of its growing local waste tire enforcement grant program. This program has been increased four-fold over the past two years and currently allocates $6 million in grants annually. Last year, only 40 percent of the grants awarded to local governments were

expended due to lack of training and instruction by the board. Furthermore, the board also indicates that it is not adequately staffed to track enforcement actions and other data required to engage in routine evaluation of the effectiveness of the board's enforcement program. The additional staff requested will help the board to manage its local grant program and evaluate its enforcement program.

Enforcement Program Performance. The board's *Five-Year Plan* includes new performance measures for evaluating the success of the board's enforcement program. The report indicates that the board will prepare several baseline reports in 2007 and 2008 that assess performance of the board's enforcement program. Staff finds that this type of information is needed to determine if the board's allocation of resources is the most effective for maximizing compliance with state waste tire statutes. Furthermore, performance measures would also provide more information on appropriate funding and staffing levels for the enforcement program.

RAC and TDA Grants. The board has several grant programs that provide financial incentives to state and local agencies to build projects using RAC and TDA. (TDA can be used in various civil engineering applications as a lightweight fill material in place of traditional aggregate.) The board currently has $5.4 million in its base budget to fund these grants allocated to the following programs:

- Targeted RAC Incentive Program for first time RAC users ($2.4 million).
- Continuation of RAC Use Grant Program to provide incentives for the continued use of RAC ($1.5 million).
- Civil Engineering Grants and Contracts for projects that use TDA in various civil engineering applications ($1.5 million).

The board proposes to allocate the additional $5 million requested in the budget to the grant programs listed above. The budget proposal does not identify a specific allocation. This would provide a total of $10.4 million for RAC and TDA grants in the budget year.

Legislative Oversight. The board has indicated that it annually budgets a large portion of its local assistance grants as state operations. Therefore, the budget does not reflect the actual amount of local assistance provided by the board in any given year. The board indicates that it has used this practice to preserve the board's flexibility in shifting tire funding from state operations to local assistance grants, given the changing needs of the program. Staff finds that this practice impedes legislative oversight since the budget does not reflect the actual split between local assistance and state operations. Furthermore, there is no way for the Legislature to ensure that the board actually implements the plan approved in the budget.

Tire Fee. The tire fee will be reduced by 25 cents from $1.75 to $1.50 starting January 1, 2007. This will reduce the revenues available for expenditure by the tire program. The Waste Board has made significant progress in diverting tires from landfills, but over 25 percent of tires continue to be deposited in landfills. Furthermore, many of the other uses of tires are not environmentally friendly, including burning tires for fuel. More needs to be done to divert tires from landfills to environmentally friendly alternative uses.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the funding for the new enforcement positions.
- Request that the board work with staff, the LAO, and DOF to develop supplemental report language to provide the Legislature with additional baseline information on the board's tire enforcement program.
- Approve funding for the RAC and TDA grants.
- Request that the board work with staff, the LAO, and DOF to develop budgeting procedures that categorize grant expenditures as local assistance to improve legislative oversight.
- Adopt trailer bill language that would keep the tire fee at its current level ($1.75).

3. Electronic Waste Recycling Program

Background. In order to address the growing problem of electronic waste, the Legislature enacted a statute (SB 20, Sher) in 2003, which instituted a system for the recycling and safe disposal of certain electronic devices (mainly devices with cathode ray tubes and LCD screens over four inches in diameter).

Implementation of this program is a joint effort between the Waste Board and the Department of Toxic Substances Control (DTSC). The Waste Board is responsible for administering the electronic waste recovery and recycling payment system, public education, and coordination with local governments to increase collection. The DTSC is responsible for identifying and regulating hazardous waste and ensuring that electronic waste recyclers and processors are complying with the law. Subsequent legislation (SB 50, Sher), enacted in 2004, required the Board of Equalization (BOE) to collect the electronic waste recycling fee.

Governor's Budget. The Governor's Budget includes $1.2 million in special funds to fund 15 new positions to support the Electronic Waste Recycling Program. The board proposes to establish 12 new positions to create a new E-Waste branch at the board and three new positions to initiate fraud investigations.

Workload Justification. The board currently has six positions staffing the electronic waste program, including three positions reviewing claims, two positions processing payments for the claims, and one position providing clerical support and database support. The budget proposal more than triples the support for this program. However, current staffing levels were not based on 18 months-plus experience the board now has in managing this new program.

Workload data provided find that additional staff is needed to process recycler claims in a timely manner (30 days). Also, additional staff is needed to implement various other aspects of SB 20, including oversight of the annual manufacturer reporting and net cost reporting by the recyclers and collectors. Furthermore, the board currently has minimal field presence at electronic waste recycling facilities. The positions requested by the department for fraud investigations will help the board in developing a system for identifying fraud.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposals for the Electronic Waste Recycling Program.

4. Project Recycle Program and State Agency Buy Recycle Program

Background. The board is responsible for implementing the Project Recycle Program and the State Agency Buy Recycle Program. The Project Recycle Program helps state agencies manage state recycling contracts and provides program implementation assistance for departments to meet the state's 50 percent waste diversion goals. In 2005, only 17 of the 385 total state agencies failed to comply with the 50 percent mandate.

The State Agency Buy Recycle Program is a joint effort between the board and the Department of General Services to implement state law requiring state agencies to purchase minimum levels of products with recycled content. The board estimates that the state government should be purchasing $3 billion in products with recycled content. However, the most recent reports show that state government is procuring less than $180 million annually with only 70 percent of state departments reporting. The board is not aware of current compliance rates with this program because the reporting requirement was suspended by legislation (AB 79, Dutra) enacted in 2004. However, 2005 legislation (SB 1106, Environmental Quality Committee) reinstates the reporting requirement and the first reports are due to the board in 2007.

Governor's Budget. The budget proposes to shift $1.1 million that supports the Project Recycle Program and State Agency Buy Recycle Program from the Recycling Market Development Revolving (RMDZ) Loan Subaccount to the Integrated Waste Management Account (IWMA).

Justification. The RMDZ Subaccount is a subaccount of the IWMA that was established specifically to provide loans to encourage markets for recycled products. The state recycling programs are more appropriately funded directly out of the IWMA that supports many of the board's programs that provide tools and assistance in diverting waste from landfills.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget request.

5. Recycling Market Development Zone Loan Program

Background. The Recycling Market Development Zone (RMDZ) Loan program provides direct loans to manufacturers who make a recycled product in California. The purpose of these loans is to promote market development of waste materials.

Governor's Budget. The Governor's budget proposes $108,000 from the Integrated Waste Management Account to fund one staff counsel position. This position would provide a variety of legal services for the loan program, including support of debt collection activities.

Justification. The board currently manages a portfolio of 68 RMDZ loans that generate $5.5 million in annual principle and interest payments. The loans made by the board are often riskier than loans made by comparable commercial loan programs and require additional legal support. The legal counsel position requested in the budget will provide loan documentation review and assist in the collection of loans that have defaulted. The legal position requested will also support debt collection activities in the tire recycling program.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget request.

6. Financial Assurances for Landfills

Background. The state took over operations at the BKK Class I landfill in West Covina, California last year, after the BKK Corporation informed the state that it was on the verge of bankruptcy and would no longer be able to fund post closure operations. Taking over management of the BKK landfill has cost the state well over $15 million General Fund and has also raised concerns about the financial assurances in place to maintain landfills after they close.

Current financial assurance requirements at solid waste landfills do not necessarily provide for longer-term protection of public health and safety beyond the first 30 years of post-closure maintenance. Under current law, operators are responsible for post-closure maintenance until the waste no longer posses a threat, but they are only required to provide financial assurance for the first 30 years of post-closure maintenance. However, because current "dry tomb" landfills may, in some cases, continue to pose a threat to the public health and safety beyond that time frame, some stakeholders consider the 30-year minimum to be an inadequate standard.

The board has hosted two workshops to explore optional financial mechanisms for long-term protection of public health and safety from pollution caused by closed landfills. The board also held three working group meetings with stakeholders and plans to return to the board this summer with potential statutory and regulatory options for addressing this issue.

Staff Recommendation. Staff recommends that the Subcommittee request that the board work with staff, the LAO, and DOF to develop supplemental report language to provide the Legislature with recommendations for providing additional financial assurances for post-closure landfills to ensure the protection of public health and safety.

7. Universal Waste—Informational Item

Background. On February 9, 2006, regulations changed so that all wastes considered universal wastes are now banned from the trash. The following common items considered universal wastes include the following:

- All fluorescent lamps and tubes
- All batteries
- All electronic devices
- Thermostats that contain mercury

The board has indicated that it has taken the following actions, in conjunction with the Department of Toxic Substances Control (DTSC), to encourage both household and small business compliance with regulations and to promote local development of infrastructure for convenient disposal of the items:

- Developed a universal waste team made up of the board and DTSC to coordinate universal waste actions.

- Funded contracts to explore different models for diverting universal waste from landfills.
- Developed corporate retail take-back partnership programs.
- Provided Household Hazardous Waste grants to projects that develop innovative universal waste management strategies and planning.
- Developed web-pages that provide uniform and consistent information on the proper disposal of universal waste.

Staff Comments. Staff finds that the actions listed above are a good first step to ensuring compliance with the new universal waste rules. However, staff also finds that much more needs to be done to ensure higher rates of compliance.

Questions.

- What policies does the board plan to pursue to divert the universal waste streams from landfills?

8. Manufacturer Take-Back Programs

Background. Manufacturer "take back" programs are becoming increasingly important in achieving global waste reduction objectives. These programs are being developed in the European Union, and elsewhere, and require manufacturers to extend their responsibility for products beyond manufacturing and sale, and to extend their responsibility to the re-use and recycling of products for the entire life-cycle of a product.

Staff Comments. California has begun to implement manufacturers' take-back programs. These include take-back programs for cell phones, rechargeable batteries, and video display devices. Other such programs are being developed in the private sector. However, more of these programs are needed to make further progress in recycling and waste diversion. This is especially true for the manufactured goods section which currently makes up three-quarters, by weight, of the materials discarded in landfills.

Staff Recommendation. Staff recommends that the Subcommittee adopt supplemental report language, due to the Legislature January 10, 2007, requiring the board to prepare a report on the feasibility of requiring most or all manufacturers of goods purchased or procured by the state to be subject to extended producer responsibility, including recommendation of a date by which this could be implemented.

3930 Department of Pesticide Regulation

Background. 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.

Governor's Budget. The Governor's Budget proposes $59 million to support DPR in 2006-07, which is approximately the same level of expenditures as in the current year. The department does not receive any General Fund support.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Registration and Health Evaluation	$18,446	-	-	-
Pest Management and Environmental Activities	42,262	-	-	-
Pesticide Programs	-	62,115	-	-
Administration	8,822	8,941	119	1.3
less distributed administration	*-8,822*	*-8,941*	*-119*	*0.0*
Total	$60,708	$62,115	1,407	2.3
Funding Source				
Special Funds	$58,035	$59,434	$1,399	2.4
Budget Act Total	*58,035*	*59,434*	*1,399*	*2.4*
Federal Trust Fund	2,194	2,202	8	0.4
Reimbursements	479	479	0	0.0
Total	$60,708	$62,115	$1,407	2.3

1. Mill Assessment Collection

Background. California assesses a fee on all pesticides (agricultural and nonagricultural) at the point of first sale in the state. This fee is paid either by the pesticide manufacturer, distributor, or retailer. The current mill assessment rate is 21 mills (2.1 cents per dollar of sales). Mill assessment revenues are the major source of funding for the state's pesticide regulatory program.

A department audit identified that the mill assessment was not being collected on a large number of pesticide products being sold at nationwide chain stores. Furthermore, the audit discovered that these stores were also selling a large number of pesticide products that had not been registered by the department. The department estimated that, in 2005, the state was failing to collect at least $4 million in mill revenues (mainly from nationwide chain stores).

Legislation (AB 1011, Matthews) was enacted in 2005 to address the loophole uncovered by the department's audit activities. The legislation expanded the pesticide broker licensing requirements to include all first sellers of pesticides in California, which required nationwide chain stores to register as pesticide brokers. By licensing these sellers, the department anticipates that it will better be able to track the collection of the mill assessment and the products sold to ensure that unregistered pesticide products are not being sold in California.

Governor's Budget. The Governor's Budget includes $425,000 from the Department of Pesticide Regulation fund to support four new positions to ensure that all sellers of pesticides are in compliance with licensing and pesticide product registration requirements.

Workload Justification. The complex distribution chains of many companies have made it difficult to determine when the first sale of a pesticide product takes place. (The mill assessment is assessed at the first sale of pesticides products in California.) The department has identified the following gaps in mill assessment collection and noncompliance with product registration requirements:

- Internet and mail-order catalog sales.
- Intermediary or third-party distributors that transport pesticides from manufacturers out of state to retail outlets in California.
- Nationwide chain stores that have national purchasing power and their own product distribution networks.

Furthermore, the LAO has identified an increase in audit staff at the department as an option for increasing mill collection compliance.

Additional Mill Revenues Likely. The department indicates that it has licensed ten new pesticide brokers since the new statute went into effect on January 1, 2006. The department also indicates that it expects additional revenues from the mill assessment to be received within the budget year. However, the Governor's budget does not assume a significant increase in revenues collected from the mill assessment.

Funding Needs at the Department. The department suffered over $7 million in General Fund reductions to its programs over the past several years. Funding reductions negatively impacted the department's efforts to evaluate major environmental and health impacts posed by pesticide use, to develop integrated pest management programs, and to improve the timeliness of the pesticide registration process. Specifically, the department suffered an $833,000 reduction in its risk assessment program.

Risk Assessment Report. The department has submitted the report requested by the Legislature in 2005 on the department's risk assessment process and level of activities. The department's report indicates that it conducted risk assessments for seven active ingredients in 2004-05. However, only a few of these risk assessments were completed in the prior year.

The report also illustrates that, over the past few years, the department has made its risk assessment process more comprehensive. For example, the department indicates that it now considers all appropriate exposure routes and scenarios when it initiates the risk assessment of a pesticide. Furthermore, the department also indicates that it will evaluate every pesticide as a possible toxic air contaminant candidate. Staff finds that this comprehensive approach to completing risk assessments improves protection of human health. However, staff also finds that, given current staffing levels, this analysis is often lengthy and does not result in a timely determination of the environmental and health impacts posed by pesticide use.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt the budget proposal to augment audit resources.
- Adopt a conservative revised revenue requirement ($500,000) for the Department of Pesticide Regulation Fund due to increased mill revenues.
- Adopt a $500,000 increase to the department's risk assessment activities to partially backfill the General Fund reduction made to this program earlier this decade.

2. Department Budget Reorganization

Background. When the department was transferred from the Department of Food and Agriculture to Cal-EPA, the department's budget was split into two programs. These programs include the Registration and Health Evaluation program and the Pest Management, Environmental Monitoring, Enforcement and Licensing program.

Governor's Budget. The Governor's Budget proposes to consolidate the department's two budget programs. This action will not impact the department's organizational structure. This proposal also provides additional information in the budget display on funding levels for the department's 11 program functions.

Justification. The department has indicated that the original budget program split between the two programs was arbitrary and not based on the department's current organization. The consolidation of the department's two budget programs will enhance legislative oversight since the department has provided additional information on the department's budget in the budget display.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget request.

3940 State Water Resources Control Board

Background. The State Water Resources Control Board (SWRCB), in conjunction with nine semi-autonomous regional boards, regulates water quality in the state. The regional boards — which are funded by the state board and are under the state board's oversight — implement water quality programs in accordance with policies, plans, and standards developed by the state board.

The board carries out its water quality responsibilities by: (1) establishing wastewater discharge policies and standards; (2) implementing programs to ensure that the waters of the state are not contaminated by underground or aboveground tanks; and (3) administering state and federal loans and grants to local governments for the construction of wastewater treatment, water reclamation, and storm drainage facilities. Waste discharge permits are issued and enforced mainly by the regional boards, although the state board issues some permits and initiates enforcement actions when deemed necessary.

The state board also administers water rights in the state. It does this by issuing and reviewing permits and licenses to applicants who wish to take water from the state's streams, rivers, and lakes.

Governor's Budget. The Governor's Budget proposes $462 million to support SWRCB in the budget year. This proposal is approximately $400 million less than current year expenditure levels, mainly due to a reduction in bond funding available for appropriation. The budget proposes a slight reduction in General Fund support for the board due to a redirection of positions to the Secretary for Environmental Protection to coordinate environmental issues related to the California/Mexico border region.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Water Quality	$1,027,553	$618,834	-$408,719	-39.8
Water Rights	12,717	13,428	711	5.6
Administration	17,706	17,222	-484	-2.7
less distributed administration	*-17,706*	*-17,222*	*484*	*0.0*
Total	$1,040,270	$632,262	-$408,008	-39.2
Funding Source				
General Fund	$29,694	$28,760	-$934	-3.1
Special Funds	355,730	363,634	7,904	2.2
Bond Funds	484,220	69,059	-415,161	-85.7
Budget Act Total	*869,644*	*461,453*	*-408,191*	*-46.9*
Federal Trust Fund	128,835	128,898	63	0.0
Reimbursements	9,913	9,999	86	0.9
State Water Quality Control Fund	22,441	22,197	-244	-1.1
State Water Pollution Control Revolving Fund	-2,682	-2,682	0	0.0
Petroleum Underground Storage Tank Financing Account	12,118	12,397	279	2.3
Total	$1,040,269	$632,262	-$408,007	-39.2

1. Monitoring Activities

Background. The state's ambient water monitoring programs include the Surface Water Ambient Monitoring Program (SWAMP). Funding for ambient water quality monitoring was negatively impacted by General Fund reductions during the first part of this decade. The board has broad deficiencies in its current ambient water monitoring program and lacks critical information needed to support management decisions. Specifically, the Total Maximum Daily Loads (TMDL) program, agriculture waiver program, and basin planning activities are in critical need of better water quality monitoring data.

Governor's Budget. The Governor's Budget proposes $8.5 million in special and federal funds (Section 106 funds) to improve the SWAMP Program. About $4 million of this increase is proposed as a one-time augmentation to expand water monitoring infrastructure. Funding this

program will result in a $4 million increase to National Pollutant Discharge Elimination System (NPDES) permit fees. These fees can be increased by the SWRCB.

Justification. There are considerable unmet monitoring needs at the board. Currently, the SWAMP program is monitoring only about 50 sites statewide. This level of monitoring leaves significant data gaps since many of the state's water bodies remain unmonitored. Furthermore, federal law directs that Section 106 federal funds be used, at least in part, to support a robust monitoring program. Theses funds were being used to support the NPDES permit program, which is more appropriately supported by fees on waste dischargers.

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

2. Basin Planning/Water Quality Standards

Background. State law requires the board to adopt, and regularly update, Basin Plans that establish state policy for water quality control. This includes updating the scientific basis and policy decisions regarding the beneficial uses of the state's waters. The federal Clean Water Act Section 303 requires states to adopt water quality standards and to review these standards every three years. Water quality standards are the basis for the board's entire regulatory program.

Governor's Budget. The Governor's Budget includes $1 million in funding from the Waste Discharge Permit Fund to fund contracts to provide scientific data needed to update water quality standards contained in existing basin plans. This proposal will be funded by a current surplus in the Waste Discharge Permit Fee Account and will not require the board to increase fees.

Workload Justification. During the last triennial update of the water quality standards, the regional boards identified 70 issues that needed attention. However, because of limited resources, only a small number of the issues can be addressed. This additional funding will provide technical support needed to update and ensure the scientific validity of water quality standards.

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

3. Underground Storage Tank Cleanup Fund Program

Background. The Underground Storage Tank Cleanup Fund Program is an insurance program supported by fees from underground storage tank owners to fund cleanup of leaky tanks. The funds are allocated to cleanup leaky tanks based on the following priority ranking:

- Residential tank owners;
- Small businesses, governmental organizations, and nonprofit organizations;
- Businesses, governmental organizations and nonprofit organizations with fewer than 500 employees; and

- All other entities with more than 500 employees (major oil companies and large local governments).

Legislation (AB 1906, Lowenthal), enacted in 2004, increased the fee that supports this program by $0.01 per gallon on January 1, 2005 and another $0.01 per gallon on January 1, 2006. These fee increases will raise an additional $33 million in the budget year. The total petroleum tank fee is now $0.14 per gallon and will generate approximately $243 million annually. The legislation also required $10 million to be shifted to the Orphan Subaccount to support the cleanup of abandoned Brownfield sites contaminated by petroleum products. Transfers to the Orphan Subaccount will sunset on January 1, 2008 and the entire underground storage tank cleanup program will sunset in 2011.

Governor's Budget. The Governor's budget proposes to shift eight positions that currently exist in the board's bond program to the Underground Storage Tank Cleanup Fund program. The budget also requests a one-time increase of $10 million in expenditure authority of reverted funds to accelerate distribution of cleanup funds.

Workload Justification. The board indicates that the payment processing time for this program has grown to 98 days. Current law requires the board to make payments within 60 days of receipt. Furthermore, the board indicates that it has suspended pre-approvals of corrective action costs, which is an important process for small businesses. Staff finds that the Legislature approved 9.5 new positions for this program in the current year to meet increased workload. It is unclear why additional staff is needed to support this program. Furthermore, there have been ongoing concerns about the performance of the board's grant administration functions. Some of the concerns were related to delays due to lack of staff available to manage the bond programs. Staff finds that a large number of the bond funds have been allocated, but there remains a significant workload until the bond funds are expended.

Staff Recommendation. Staff recommends that the Subcommittee do the following:

- Adopt the one-time $10 million increase in Underground Storage Tank Cleanup Funds for claims.
- Hold open the support proposal to redirect positions from the board's bond program until additional information is received.

3960 Department of Toxic Substances Control

Background. The Department of Toxic Substances Control (DTSC) regulates hazardous waste management, cleans up or oversees the cleanup of contaminated hazardous waste sites, and promotes the reduction of hazardous waste generation. The department is funded by fees paid by persons that generate, transport, store, treat, or dispose of hazardous wastes; environmental fees levied on most corporations; the General Fund; and federal funds.

Governor's Budget. The Governor's Budget proposes $132 million to support DTSC in 2006-07. This is approximately $13 million less than estimated expenditures in the current year. This reduction is due to one-time expenditures in the current year related to the state's takeover of the BKK Class I landfill and reductions to the Toxic Substances Control Account to balance the fund. The department's General Fund expenditures are also proposed to decline in the budget year due to one-time expenditures related to the BKK Class I landfill in the current year.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Site Mitigation and Brownfields Reuse	$103,905	$93,261	-$10,644	-10.2
Hazardous Waste Management	65,478	64,181	-1,297	-2.0
Science, Pollution Prevention, and Technology	10,834	10,148	-686	-6.3
State as Certified Unified Program Agency	-	1,156	-	-
Capital Outlay	3,963	-	-	-
Administration	34,483	30,464	-4,019	-11.7
less distributed administration	*-34,483*	*-30,464*	*4,019*	*0.0*
Total	$184,180	$168,746	-$15,434	-8.4
Funding Source				
General Fund	$26,474	$22,689	-$3,785	-14.3
Special Funds	119,087	109,663	-9,424	-7.9
Budget Act Total	*145,561*	*132,352*	*-13,209*	*-9.1*
			0	0.0
Federal Funds	25,536	26,258	722	2.8
Reimbursements	13,083	10,136	-2,947	-22.5
Total	$184,180	$168,746	-$15,434	-8.4

1. Toxic Substances Control Account

Background. The Toxic Substances Control Account (TSCA) is funded by the environmental fee that is assessed on corporations which employ at least 50 employees. This fee is a broad-based fee based on the assumption that all businesses use products that contain hazardous materials, such as computers, printers, automobiles, fluorescent lights, and cleaning products. The current fee ranges from $243 to $11,625 per year depending on the number of workers employed in California. Revenues from this fund are estimated at approximately $31 million annually.

The TSCA is the primary funding source for the department's Site Mitigation and Brownfields Reuse Program and its Science, Pollution Prevention and Technology Development Program. In the current year, the account supports 340 positions and $10.5 million in contracts for these programs.

Over the past few years, the TSCA has developed a $12 million operating deficit. This deficit is mainly the result of over $6 million in General Fund reductions since 2001. These reductions reduced required state matching funds to cleanup federal superfund sites and to fund investigation and remediation of state funded superfund sites.

Governor's Budget. The Governor proposes to address the $12 million operating deficit in the Toxic Substances Control Account over a two-year period. To address this shortfall, the Governor's budget proposes the following actions:

- Adopt trailer bill language to expand the environmental fee to all businesses with 50 or more employees ($5.5 million ongoing starting in 2007-08).
- Adopt trailer bill language to eliminate the Hazardous Substances Subaccount and redirect fines and penalties to TSCA to fund the state's share of federal superfund sites and state-only superfund sites ($1 million ongoing).
- Adopt trailer bill language to eliminate other obsolete funds and transfer balances to TSCA ($2.8 million one-time).
- Reduce operating expenses and equipment activities ($2.8 million in the budget year and $3.7 million ongoing starting in 2007-08).
- Reduce contract funds ($250,000 ongoing).
- Suspend TSCA transfer to the Expedited Site Remediation Trust Fund ($500,000 ongoing starting in 2006-07).

Equity of Environmental Fee. The department indicates that the current environmental fee is not equitable since it only applies to corporations. Other businesses also use products that contain hazardous materials, but they are currently exempt from paying the environmental fee. Furthermore, recent law changes have resulted in a 500 percent increase in the number of limited liability companies (LLCs) in California. All of these companies are not subject to the environmental fee regardless of their size. The department's trailer bill language to expand the environmental fee to all businesses would create an even playing field for all businesses with more than 50 employees.

Expenditure Reductions. The department indicates that it has had large savings in operating expenses and equipment over the past few years. Therefore, the proposed reductions should have a minimal impact on actual program operations. The department has also had excess contracting authority over the last few years. Therefore, the proposed reductions should not negatively impact program operations.

Elimination of Obsolete Accounts. The department proposes to eliminate the following accounts:

- Hazardous Substance Subaccount
- Site Operation and Maintenance Account of the Hazardous Substances Account
- Hazardous Substance Clearing Account
- Superfund Bond Trust Fund

These funds were created to spend the proceeds and pay the principle and interest on the Hazardous Substance Cleanup Bond Funds. These bond funds were fully repaid in December 2005, therefore, the department is proposing trailer bill language to eliminate the obsolete funds and transfer the fund balances to TSCA. Furthermore, the department is also proposing trailer bill language to change the use of the criminal and civil penalties collected for violations of the state's hazardous waste control laws. Currently, these funds are directed to the payment of bond interest, which is now an obsolete function since relevant bond funds have been repaid. The department proposes to spend these funds to provide the state match for federal superfund sites and for remediation of state-only superfund sites. This trailer bill language will require a two-thirds vote since it amends the Proposition 65 ballot initiative (The Safe Drinking Water and Toxic Enforcement Act of 1986).

Unmet Need for Brownfield Cleanup. It is estimated that there are between 90,000 and 120,000 Brownfield properties in California where redevelopment has been delayed due to real or perceived hazardous materials contamination. Contamination at these sites hampers the ability of developers and local governments to capitalize on infill development projects that could reduce the urban sprawl, provide additional housing supply, and revitalize blighted urban communities.

The Governor's budget provides $10.9 million from TSCA to fund orphan site cleanup contracts in the budget year, including the state's share of federal superfund sites and state-only superfund sites. The State Water Resources Control Board also has around $10 million available to fund orphan site cleanup from the Underground Storage Tank Cleanup Fund. The TSCA budget proposal indicates that it may have to reduce TSCA's funding for orphan site cleanup contracts by $1.5 million in 2007-08 if the structural deficit in TSCA is not fully addressed. The state funding currently available for cleanup of contaminated Brownfield properties addresses only a small percentage of the total properties that need attention. Any reductions to these funds will reduce the number of orphan properties that can be rehabilitated.

Pollution Prevention Programs Cost Effective. In addition to Brownfield cleanup, the TSCA also supports pollution prevention programs. These programs seek to promote pollution prevention by providing state leadership, guidance, and assistance to industry, local governments and other agencies on how to reduce demand for hazardous substances. These programs are very

cost-effective and any further reductions to these programs would reduce the department's ability to reduce pollution from hazardous waste. The department adopted a pollution prevention plan and a two-year work plan to guide the department's pollution prevention efforts. Recent efforts include the following:

- **Mercury Elimination Leadership Program**. Since 2002, the department has been successful in removing two tons of mercury from 79 California hospitals through this cooperative program. This program is supported by two positions at DTSC.
- **Vehicle Service Repair Program.** Since 2000, 63 model shops have reduced hazardous waste by 655 tons. The DTSC developed best management practices and training for the vehicle service repair industry that not only result in reduction of hazardous waste, but also reduce volatile organic compound emissions, reduce storm water pollution, and reduce worker exposure to toxic chemicals.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt trailer bill language to expand the environmental fee to all businesses with 50 or more employees.
- Adopt trailer bill language to eliminate the Hazardous Substances Subaccount and redirect fines and penalties to TSCA to fund the state's share of federal superfund sites and state-only superfund sites.
- Adopt trailer bill language to eliminate other obsolete funds and transfer balances to TSCA.
- Reduce operating expenses and equipment activities by $2.8 million.
- Reduce contract funds by $250,000.

2. Electronic Waste Recycling Program

Background. As mentioned under the Waste Board's budget, implementation of the Electronic Waste Recycling Program is a joint effort between the Waste Board and the DTSC. The Waste Board is responsible for administering the electronic waste recovery and recycling payment system, public education, and coordination with local governments to increase collection. The DTSC is responsible for identifying and regulating hazardous waste and ensuring that electronic waste recyclers and processors are complying with the law.

Governor's Budget. The Governor's Budget proposes $1.6 million in special funds to enhance enforcement efforts related to the Electronic Waste Recycling program. These funds will be used to support 14.5 new positions mainly to increase the department's enforcement presence through inspections of facilities and fraud investigations. In addition, $105,000 is proposed to fund contracts for the preparation of fact sheets and facility guidance documents in multiple languages.

Workload Justification. The department currently has five positions implementing the Electronic Waste Recycling Program, including 4.5 positions conducting enforcement and inspection activities and 0.5 positions developing regulations and providing guidance and technical support to participants in the program. The budget proposal triples the support for this

program at the department. However, current staffing levels were not based on 18 months-plus experience the department now has in managing the new program.

Workload data show that additional staff is needed to inspect the growing number of electronic waste collectors, exporters, transporters, and dismantlers. For example, there was a 45 percent increase in the number of electronic waste facilities from 2004 to 2005. Additional ongoing resources are also needed to continue to identify devices that are included in the program given the number of new electronic devices entering the market annually. The department is also proposing 4.5 positions to initiate fraud investigations in conjunction with the Waste Board. There are significant incentives for fraud in the program given the incentive payments for recycled electronic waste. The department plans to develop a fraud prevention program similar to the program implemented by the Department of Conservation for the beverage recycling program.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3. Uniform Hazardous Waste Manifest

Background. Hazardous waste manifests have been used since the early 1980s to track the shipment of hazardous waste from the generator to a storage, disposal, treatment, or recycling facility. The manifest data collected is critical to tracking hazardous waste in the state and is used to monitor compliance with state hazardous waste laws. Furthermore, the data is the basis for assessing hazardous waste generator fees, which generate $23 million annually to support the department. The department also collects the Manifest User Fee, which is assessed for each manifest used, except manifests for recycled waste which are exempt from the fee. This fee generates approximately $1.5 million annually.

On March 4, 2005, the U.S. EPA published final regulations to create a mandatory Uniform Hazardous Waste Manifest. This law change preempts state-specific manifest laws and manifest forms. Changes are needed in state law to conform to the changes in federal law and to ensure that the state can continue to collect manifest information and fee revenues.

Governor's Budget. The Governor's budget proposal includes trailer bill language to change the California Uniform Hazardous Waste Manifest to the Uniform Hazardous Waste Manifest to conform to recent changes in federal law. The language also proposes to eliminate the current exemption from paying the Manifest User Fee for out-of-state shippers of hazardous waste.

Justification. Without this change in law, the department could lose the ability to collect important hazardous waste manifest information that is used to monitor compliance with state hazardous waste laws. This change in law will also ensure that the department can continue to collect fees that support department activities.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

4. Metal Plating Pollution Prevention Program

Background. There are in excess of 800 metal plating facilities in California. A 2001 inspection of 37 metal plating facilities found that 100 percent of the metal plating facilities inspected were out of compliance in one or a multiple of environmental media (hazardous wastes generated by metal plating facilities included cyanide, metal sludge, and acid wastes). Since these inspections, the department has provided pollution prevention/compliance site visits at a number of metal plating facilities and developed a Model Shop Program in Southern California. The Model Shop Program was developed to assist the metal plating industry in identifying possible sources of pollution and developing alternative business practices in order to run cleaner, safer shops.

Legislation (AB 721, Nunez), enacted in 2005, requires the Business, Transportation and Housing Agency, in conjunction with DTSC, the Air Resources Board and the State Water Resources Control Board to develop a loan guarantee program to help chrome plating facilities invest in environmental control technologies. The legislation also requires DTSC to establish a Model Shop Program in Northern California with no more than $200,000.

Governor's Budget. The Governor's Budget includes $85,000 in reimbursements from the Business, Transportation and Housing Agency to fund one 2-year limited-term position to establish a Model Shop Program in Northern California.

Workload Justification. Given the large number of metal plating facilities in Southern California, there is still a significant need to continue Model Shop Program activities in Southern California. Therefore, in order to expand the program to Northern California, additional staff resources are needed to identify and establish partnerships with local agencies in Northern California and to initiate pollution prevention/compliance site visits to reduce pollution from metal plating facilities.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

5. Military Site Clean Up

Background. The department is required to participate in technical work groups with the Department of Defense, other government agencies, and the public to develop cleanup plans for contaminated military sites. This group provides regulatory oversight of the cleanup, and reviews and comments on technical reports.

The Department of Defense has recently made it a priority to accelerate cleanup of some high priority sites by 2007. This has increased the number of technical reports that need to be reviewed by the technical work groups.

Governor's Budget. The Governor's Budget includes $209,000 in federal funds to support two 5-year limited-term positions to participate in the technical work groups overseeing the cleanup of McClellan Air Force Base and Fort Ord Army Base.

Workload Justification. McClellan Air Force Base and Ford Ord Army Base have been targeted for accelerated cleanup activities and early transfer to productive industrial, commercial, residential, or recreational reuses. The accelerated schedule requires additional positions at the state to participate actively in the cleanup of these properties.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

6. BKK Class I Landfill

Background. In 2005, the State took over operation and maintenance activities related to the BKK Class I (hazardous waste) landfill in West Covina, California, when the BKK Corporation informed DTSC that it was on the verge of bankruptcy and would no longer be able to fund post closure obligations. The BKK Corporation is a subsidiary of the Washington Mutual Corporation. The DTSC assumed operations of the landfill because of the direct health and safety risks to surrounding communities living in close proximity to the landfill.

Thus far, $15.5 million from the General Fund has been appropriated to maintain the BKK landfill and to start to address major deferred maintenance projects. The department has been in negotiations with potential responsible parties that contributed hazardous waste to this site and has received $2.3 million in the current year.

Governor's Budget. The Governor's budget proposes $5.5 million General Fund in the base budget for continued operations and maintenance of the BKK landfill in the budget year. The budget also makes a one-time reduction to the department's current year allocation from the General Fund due to the receipt of payments from potential responsible parties.

Update. The department indicates that it expects to receive an additional $1.5 million in payments from potential responsible parties in the current year and indicates that the department's current year appropriation from the General Fund could be reduced by a like amount.

Furthermore, the department indicates that a consent decree was entered into in early March with a large group of potential responsible parties. The consent decree requires that the potential responsible parties manage essential operations for at least two years. The group has not agreed to do any groundwater monitoring or work related to the storm drain system which is in need of a major upgrade. The department has indicated that the signing of this consent decree will reduce the need for the $8.5 million from the General Fund provided to support operations of the landfill in the budget year.

The department indicates that it hopes to negotiate a longer-term agreement with the potential responsible parties for management of the site during the next two years. Caltrans and the state of California remain a major responsible party and will share in the costs associated with managing this landfill.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Reduce the department's current year appropriation from the General Fund by $1.5 million and increase reimbursements by a like amount.
- Request that the department work with staff, the LAO, and DOF to reduce the department's General Fund support by an appropriate amount based on the recent consent decree entered into by the department.

7. Universal Waste—Informational Item

Background. On February 9, 2006, regulations changed and all wastes considered universal wastes are now banned from the trash. The following common items considered universal wastes include the following:

- All fluorescent lamps and tubes
- All batteries
- All electronic devices
- Thermostats that contain mercury

The department has taken the following actions, in conjunction with the Waste Board, to encourage both household and small business compliance with regulations and to promote local development of infrastructure for convenient disposal of the items:

- Developed a universal waste team made up of the department and the Waste Board to coordinate universal waste actions.
- Funded contracts to explore different models for diverting universal waste from landfills.
- Developed corporate retail take-back partnership programs.
- Provided Household Hazardous Waste grants to projects that develop innovative universal waste management strategies and planning.
- Developed web-pages that provide uniform and consistent information on the proper disposal of universal waste.

Staff Comments. Staff finds that the actions listed above are a good first step toward ensuring compliance with the new universal waste rules. However, staff also finds that much more needs to be done to ensure higher rates of compliance.

Questions.

- What policies does the department plan to pursue to ensure that universal waste streams do not end up in landfills?

Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 2 Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal

Monday, April 24, 2006
Upon Adjournment of Session
Room 4203

Item	Department	Page
3600	Department of Fish and Game	2
3640	Wildlife Conservation Board	20
3110	Tahoe Regional Planning Agency	25
3720	California Coastal Commission	27
3820	San Francisco Bay Conservation and Development Commission	31
3480	Department of Conservation	33

Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

3600 Department of Fish and Game

Background. The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres, including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

Governor's Budget. The Governor's Budget proposes $200 million to support DFG in the budget year. This is about 25 percent less than estimated expenditures in the current year due to a reduction in bond funds available for appropriation. General Fund support for the department is proposed to increase by 26 percent to mitigate the impacts of recent legislation that requires funding to be diverted for the fish hatchery program.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Biodiversity Conservation Program	$206,640	$128,837	-$77,803	-37.7
Hunting, Fishing, and Public Use	44,013	46,375	2,362	5.4
Management of Lands and Facilities	43,047	44,876	1,829	4.2
Conservation Education and Enforcement	49,059	58,515	9,456	19.3
Spill Prevention and Response	30,600	31,544	944	3.1
Capital Outlay	2,250	1,299	-951	-42.3
Administration	33,756	35,236	1,480	4.4
less distributed administration	*-33,756*	*-35,236*	*-1,480*	*0.0*
Total	$375,609	$311,446	-$64,163	-17.1
Funding Source				
General Fund	$42,499	$53,560	$11,061	26.0
Special Funds	144,442	140,504	-3,938	-2.7
Bond Funds	78,906	6,140	-72,766	-92.2
Budget Act Total	*265,847*	*200,204*	*-65,643*	*-24.7*
Federal Trust Fund	68,442	68,343	-99	-0.1
Reimbursements	38,928	39,671	743	1.9
Salton Sea Restoration Fund	2,387	2,615	228	9.6
Harbors and Watercraft Revolving Fund	5	5	0	0.0
Special Deposit Fund	-	608	-	-
Total	$375,609	$311,446	-$64,163	-17.1

1. Basic Budget Transparency

Background. The basic mission of the Department of Fish and Game has evolved from a governmental agency formed to regulate hunting and fishing activities to a department with broad public trust responsibilities for the protection of California's fish and wildlife. Many of these changes occurred in the 1970s, including the enactment of the California Environmental Quality Act (CEQA) and the California and federal Endangered Species Acts.

It is well known that the department's funding base has not been augmented to sufficiently support the department's public trust responsibilities and mission. Many of the public trust mandates were added without adequate funding. Furthermore, the department's funding

problems have been compounded by declining hunting and fishing revenues and increasing pressure on fish and wildlife habitats from human population growth.

This flawed funding structure has caused the department to shift resources away from basic fish and wildlife monitoring activities, data analysis, and land management, to the review of development and resource extraction projects that have potential impacts on fish and wildlife resources. The department has indicated that the consequences of this shift, over time, include the degradation of the information on fish and wildlife being used by the department and a backlog of environmental improvement work on department lands.

During the 2005 budget process, DFG's budget was extensively reviewed. In budget hearings, the department reported that it did not have reliable data sufficient to report on what it was doing to maintain and restore wildlife habitat and species. Furthermore, it was impossible to determine the extent to which legislative mandates were being implemented by the department. As part of the 2005 Budget Act, supplemental report language was enacted to require the department to provide extensive information on which activities the department is accomplishing and how those activities are being funded. The department was also provided $200,000 from the General Fund to support activities to help the department answer the questions in the supplemental report language.

Governor's Budget. In late March, the department submitted the supplemental report language requested as part of the 2005 budget. This report did not provide sufficient detail to determine the level of activities being performed by the department and the funding dedicated to each activity. The department has indicated that its internal workload tracking system and budgeting system do not make it possible to report this information.

The department has initiated a multi-phase project with external consultants to develop systems to allow the department to provide the Legislature and public with the information requested in the 2005 supplemental report. Work on this project was started in the fall of 2005 and is projected to continue through calendar year 2006.

Recent DFG Report to the Federal Government Cites Need for Additional Funding. Information in a recent report released by DFG entitled "California Wildlife: Conservation Challenges" finds that "…success or failure to conserve California's wildlife may well hinge on the level of funding dedicated to wildlife conservation and restoration programs over the next few decades." The report specifically finds that additional funding for the following efforts is needed to effectively protect wildlife and habitat in California:

- **Resource Assessment.** Currently there are major gaps in data available for making decisions about the impacts of a project on a species or even the basic status of a species. Additional information is critical for making decisions, prioritizing expenditures, and planning projects that maximize benefits for wildlife. This investment would improve the efficiency and efficacy of DFG's conservation efforts.
- **Conservation Planning.** Over the past 15 years, California has been implementing voluntary multi-species regional approaches to wildlife habitat conservation in some parts of the state. Expanding these planning processes is critical for maintaining habitats and wildlife corridors before development occurs. These proactive planning efforts are

essential in a fast growing state for maintaining key habitats and will also provide increased certainty for landowners.

- **Habitat Management and Restoration.** Over the past 25 years, the amount of land DFG manages has quadrupled from 250,000 acres to about 1 million acres. However, over this same time period, funding for management of this land has not kept pace. Currently there is one DFG person per 10,000 acres and many lands have no dedicated staff. The lack of adequate management on state lands results in vandalism, habitat destruction by invasive species and potential threat of fire.

LAO Findings. The LAO finds that a recent report by the Bureau of State Audits has raised concerns that the department does not have a clear set of priorities to guide its allocation of fiscal resources among multiple objectives. The LAO also finds that the Legislature has repeatedly asked the department for information on the level of activity in its various program areas, and the department has been unable to provide an adequate response.

Staff Comments. Staff finds that the report submitted by the department does not provide the information requested in the 2005 report on activities, statutory mandates, funding sources, and outcomes. This information is critical to the Legislature's ability to evaluate the department's current activities and determine the level at which the department is implementing its statutory mandates. The department indicates that it is working on making changes to its current accounting and reporting systems in order to facilitate the collection of this information.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Request the department to provide information on a timeline for completing its current work plan to modify current workload tracking and budgeting systems.
- Request that staff, the department, the LAO and DOF work on supplemental report language that mirrors the report requested in 2005 on activities, statutory mandates, funding sources, and outcomes, including setting an appropriate deadline for the report.

2. Fish and Game Preservation Fund

Background. This Fish and Game Preservation Fund receives revenues from hunting and fishing licenses and taxes, commercial fishing permits and fees, and environmental review fees paid by project proponents. Statute provides that some of these revenues may be used to support a broad range of programs related to hunting and fishing, as well as fish and wildlife protection and management activities. These revenue sources are referred to as "nondedicated" revenues. The Fish and Game Preservation Fund is also supported by revenue sources that are "dedicated" by statute for specific activities relating to the sources from which they were collected.

In 2005, the LAO found that DFG had been addressing shortfalls in certain accounts within the Fish and Game Preservation Fund by shifting funds from the reserves of other accounts to cover those shortfalls. As a result, some dedicated accounts within the Fish and Game Preservation Fund have significant negative balances. The Legislature directed the department in supplemental report language to address the Fund's structural deficits in the Fish and Game Preservation Fund in the Governor's 2006-07 budget proposal.

Governor's Budget and Finance Letter. The Governor's Budget and Finance Letter (dated March 30, 2006) proposes $4.7 million in General Fund monies to address the shortfall in the nondedicated account of the Fish and Game Preservation Fund. In addition, the budget and Finance Letter also propose to shift $1.6 million in expenditures funded by the nondedicated account to various dedicated accounts. The Governor's Finance Letter also proposes $1.2 million in General Fund monies to address the revenue shortfall projected from the closing of salmon fishing season on the North Coast.

LAO Recommendation. The LAO finds that the budget proposal does bring the Fish and Game Preservation Fund into balance, but does not address the structural deficit problem in the fund's individual accounts. Specifically the department has provided information showing that two accounts—the streambed alteration account and the nondedicated account—will begin the budget year with a negative beginning balance of $8.2 million and $15.8 million, respectively. The LAO recommends a two-step process for addressing the existing negative account balances. First, the LAO recommends the following options for addressing the immediate problem of the negative fund balances:

- Provide General Fund or special fund loans to the accounts with negative balances, with specified repayment terms. These loans could be repaid over a term by either reducing expenditures or increasing revenues from fees.
- Provide loans from Fish and Game Preservation Fund accounts with available fund balances to the accounts with the negative balances, with specified repayment terms. These loans could also be repaid over a term by either reducing expenditures or increasing revenues from fees.
- Providing a General Fund transfer to the accounts with negative balances.

Second, the LAO recommends that the Legislature take action to require each account in the Fish and Game Preservation Fund to have a prudent reserve. The LAO finds that adopting this policy will help the department address the risks inherent in the department's revenue projections and help to avoid negative fund balances in the future.

The LAO also recommends adopting trailer bill language to require that the annual fund condition statement displayed in the Governor's budget document for the Fish and Game Preservation Fund include both the dedicated and nondedicated revenue sources. The LAO finds that this information would enhance legislative oversight of this fund in the future.

Status of Salmon Season. On April 6, the Pacific Fisheries Management Council voted to limit salmon fishing opportunities for commercial and recreational anglers due to the predicted low abundance of naturally spawning Fall Chinook on the Klamath River system. Salmon spawning on the Klamath River system has been impacted by poor water quality related to low flows in the river, due mainly to agricultural diversions and barriers to fish passage related to hydropower facilities. The National Marine Fisheries Services is scheduled to take an action on the recommendations of the Council sometime later this month. The DFG estimates that the economic impact of a partial salmon season closure could exceed $60 million.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt the budget proposals to increase General Fund by $4.7 million to address the ongoing imbalance in the nondedicated account of the Fish and Game Preservation Fund.
- Adopt the budget proposal to shift $1.6 million in expenditures from the nondedicated account in the Fish and Game Preservation Fund to various dedicated accounts.
- Hold open the budget proposal to add $1.2 million in General Fund to address the projected revenue shortfall from the projected closing of salmon fishing season on the North Coast.
- Request staff, the department, DOF, and the LAO to evaluate the accounts within the Fish and Game Preservation Fund that have negative fund balances and develop strategies to repay these structural budget deficits using the LAO's options.
- Request staff, the department, DOF and the LAO to develop trailer bill language to require that the annual fund condition statement displayed in the Governor's budget document for the Fish and Game Preservation Fund include both the dedicated and nondedicated revenue sources.

3. Trout Fish Hatcheries

Background. In 2005, legislation (AB 7, Cogdill) was enacted to require that effective July 1, 2006, one-third of the fees derived from sport fishing licenses be deposited into the newly created Hatchery and Inland Fisheries Fund. Previously all fees derived from sport fishing licenses were deposited in the non-dedicated account of the Fish and Game Preservation Fund and used to support all game programs, including hatchery activities. This legislation specifies that the funds from this account may only be used to support the management, maintenance, and capital improvement of California's fish hatcheries, the Heritage and Wild Trout Program, and related enforcement activities. The statute also sets forth a schedule for achieving specific trout production goals.

In the current year, about $6 million is being spent from the Fish and Game Preservation Fund for hatcheries and other purposes specified in AB 7. Effective, July 1, 2006, AB 7 requires that $16.8 million be spent on these purposes, resulting in a $10.8 million or 180 percent projected increase to hatchery operations.

Governor's Budget. The Governor's Budget proposes $13.7 million ($12 million from the Fish and Game Preservation Fund and $1.7 million from federal funds and reimbursements) to fund AB 7, which is less than what is required under AB 7. The Governor also proposes trailer bill language that would make the following changes to AB 7:

- Extend the schedule for achieving the trout production goals set forth in AB 7.
- Reduce from one-third to 27 percent the amount of sport fishing fees that would be used for the purposes of AB 7.
- Allow for federal funds and reimbursements to be used to meet the requirements of AB 7.

The budget also proposes $6 million in General Fund to "hold harmless" the programs that would be affected by the redirection of sport fishing license revenues to hatchery operations. These programs include management of the department's wildlife areas, resource conservation

planning, environmental document review, and other projects to enhance sport fishing opportunities and address unhealthy fish populations.

LAO Recommendation. The LAO finds that the department has not submitted a specific plan, including identifying the positions needed to implement AB 7. The LAO recommends that the department submit an implementation plan and a request for positions prior to budget hearings. The department has not provided a plan.

The LAO has also found a technical budget error related to the scheduling of expenditures in the budget bill to reflect the implementation of AB 7. The department concurs with the LAO's finding which would transfer $6 million from Program 40—Conservation Education and Enforcement to Program 30—Management of Department Lands and Facilities.

Staff Comments. Staff notes that the department has indicated that it is still developing a plan for implementing AB 7, including a possible revision to the trailer bill language that was recommended with the January 10 budget. Staff finds now it plans to implement AB 7 as it was enacted would cost an additional $4.8 million in General Fund in order to avoid reductions to other programs that are currently supported by the Fish and Game Preservation Fund.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open pending a plan from the administration on how it plans on implementing AB 7.

4. Technical Budgeting Issues

Governor's Budget and Finance Letter. The Governor's budget requests federal expenditure authority of $68.2 million and reimbursement expenditure authority of $39.7 million. However, the Finance Letter (dated March 30, 2006) for DFG indicates that an initial review by the department has identified excess budget authority in these schedules. In other words, actual funding from these funding sources is expected to be less than the amount reflected in the Governor's budget.

The Finance Letter proposes redirecting $2 million in excess reimbursement authority and $500,000 in excess federal authority to support initial work on one or more habitat conservation plans for the Delta.

LAO Recommendation. The LAO recommends that the department's federal expenditure authority be reduced by $10.5 million due to a lower than projected grant award related to salmon and steelhead recovery efforts.

Update. The department concurs with the LAO's findings and after a review by the department and DOF finds that both federal funds and reimbursements are overstated in the Governor's budget. The department now proposes to reduce reimbursement authority by $523,321 and federal expenditure authority by about $11,994,515 for the budget year.

Staff Recommendation. Staff recommends that the Subcommittee reduce DFG's reimbursements by $523,321 and federal funds by $11,994,515.

5. Department Re-Harmonization

Background. During the fall of 2005 the department indicated that it was going through an internal re-harmonization process to consolidate activities and consider shifting certain programs to other divisions.

Governor's Budget and Finance Letter. The Governor's budget proposal does not include a proposal to re-harmonize the department's activities. However, the Finance Letter (dated March 30, 2006) proposes changing the name of the department's Program 40 from Conservation Education and Enforcement to Enforcement and proposes transferring funding for the conservation education program to Program 25—Hunting, Fishing, and Public Use. No details have been provided to support this change.

LAO Recommendation. The LAO finds that little information has been provided on the department's efforts to re-harmonize its programs and activities. Therefore, the LAO recommends that the department report at budget hearings regarding the proposed organizational changes and how they will impact the level of program activities of the department.

Update. The department has provided staff with a brief outline on what it hopes to accomplish in its re-harmonization effort. The efforts include the following:

- Create a straight line enforcement branch.
- Reallocate program activities for native anadromous fish and of the Watershed Branch into the Fisheries Branch and Habitat Conservation Planning Branch.
- Reallocate program activities of the Lands and Facilities Branch into the Wildlife Branch and Habitat Conservation Planning Branch.
- Consolidate geographic information system activities into the Biogeographic Data Branch.
- Consolidate the Resource Assessment Program into the Wildlife Branch.
- Consolidate grants administration into a Grants Branch in the Administration Division.
- Consolidate information technology functions into an Information Technology Branch in the Administration Division.
- Consolidate the Office of Natural Resource Education and Conservation Education into the Office of Communications, Education, and Outreach Division.

The department indicates that the efforts listed above are intended to improve efficiency and effectiveness while enhancing transparency and communication.

Staff Comments. Staff finds that additional information is needed regarding the impact of reallocating program activities to other branches within the department. Staff is generally supportive of efforts to consolidate similar functions, including information technology, grant administration, and enforcement efforts. However, it is unclear how priorities might change with the consolidation of other program activities. For example, it is unclear how priorities related to the Resource Assessment Program would be changed by consolidating this program with the Wildlife Branch, which is responsible for the department's hunting programs.

Staff Recommendation. Staff recommends that the Subcommittee hold open the department's administration budget and request the department to provide additional information on the rationale for its re-harmonization efforts.

6. Fisheries Restoration Grant Funds

Background. Since 1981, DFG has provided grant funds through the Fisheries Restoration Grant Program to landowners, public agencies (including DFG), and nonprofit groups to restore salmon and steelhead populations through improved habitat. The program funds a variety of different activities including education projects, on-the-ground restoration work, and field surveys by DFG.

Current law requires that $8 million in tidelands oil revenues be expended to support salmon and steelhead restoration efforts, including the Fisheries Restoration Grant Program. The 2005 Budget Act provided $8 million from tidelands oil revenues for this purpose, but $4 million was vetoed by the Governor. On average, over the past several years, expenditures on this program have leveraged about $13 million annually in federal funds. Federal funding for this program requires a 25 percent match by the state.

Governor's Budget. The Governor's Budget proposes $4 million in General Fund monies for the Fisheries Restoration Grant program to restore habitat for Coho Salmon and Steelhead Trout. These funds will be used to leverage approximately $6.5 million in federal funding for this activity.

Tidelands Oil Revenues. The budget does not contain funding from tidelands for this program since current law is scheduled to expire on June 30, 2006. Legislation (SB 1125 [Chesbro] and AB 2134 [Harman]) is currently being considered to reauthorize the expenditure of tidelands oil revenues on the Fisheries Restoration Grant Program and other resources programs.

Staff Comments. If legislation is enacted to allocate tidelands oil revenues to the Fisheries Restoration Grant Program, staff finds that the General Fund could be allocated to meet other needs within the department.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt the budget proposal to allocate $4 million in General Fund monies to the Fisheries Restoration Grant Program.
- Request that staff, the department, the LAO, and the DOF evaluate allocating additional funding from tidelands oil revenues for the Fisheries Restoration Grant Program in the budget year.

7. Land Management

Background. The amount of lands managed by DFG has quadrupled in the last 25 years from 250,000 acres to over one million acres. Funding to manage these lands has not kept pace.

Currently, DFG is spending, annually, an average of $13 per acre to maintain, restore, and manage state-owned wildlife areas and ecological reserves. This level of funding supports approximately one staff person for every 10,000 acres. Some lands are being operated with as little as $1 per acre.

Land management entails providing site security, managing public health and safety on the lands, managing wildlife and natural resources, maintaining infrastructure, and managing recreation and other uses. Without adequate funding, department lands are subject to vandalism, illegal dumping and trespassing that degrades the land and makes the state a bad neighbor. Funding for land management is also needed to realize the wildlife potential of some lands and to meet the habitat goals for which they were purchased.

Governor's Budget and Finance Letter. The Governor's Budget and Finance Letter (dated March 30, 2006) has four proposals to enhance management of state-owned lands.

- **Bond Funds.** The budget proposes allocating the remaining $886,000 in Proposition 12 bond funds to support two 1-year limited-term positions and fund the following projects: (1) the acquisition of short-term wetland easements for the California Waterfowl Habitat Program ($647,000), (2) other projects to manage and enhance lands owned by the department ($159,000) and (3) activities to control noxious weeds on DFG land in San Diego County ($80,000).
- **Endowment Funds.** The budget proposes to spend $608,000 in interest from the Special Deposit Fund for management and projects on lands received as mitigation for threatened and endangered species. The department currently has $30 million in endowment funds to manage in perpetuity 5,000 acres of land under 280 different mitigation agreements.
- **Other Capital Outlay.** The budget proposes $1.3 million in special funds ($1.1 million Public Resources Account, $130,000 federal funds, $75,000 Proposition 12 bond funds) for various other capital outlay improvements on state lands.
- **Management of Bolsa Chica Lowlands.** The Finance Letter requests $216,000 in reimbursement funds to support three positions to manage the Bolsa Chica Lowlands. The reimbursements are from a mitigation account managed by the State Lands Commission. The Commission received $17 million through port mitigation for the management and restoration of the Bolsa Chica Lowlands.

Complete Infrastructure Plan Needed. The 2006 California Five-Year Infrastructure Plan identified $5.5 million in infrastructure needs for the next five years. However, the plan also indicates that the *total* infrastructure need for DFG's existing wildlife areas and ecological reserves is unknown. The Infrastructure Plan serves as a starting point, but, because it is not complete, more work is needed to create a more comprehensive plan. The Infrastructure Plan indicates that the DFG is working on several studies to inventory existing facilities, including conditions and infrastructure needs. This information is needed to develop a strategic investment plan for capital improvements that will preserve and enhance the ecological values of the lands owned and managed by DFG.

Ongoing Management Inadequate. The department's land management needs have grown significantly over the past 25 years, but staffing has not kept pace. As mentioned previously, many state lands do not even have adequate security and are at risk of posing a nuisance in some

neighborhoods. The department indicates that it has completed 84 land management plans and is working on 46 other plans. It is encouraging that plans are being developed for the DFG's lands. However, lack of funding has not allowed these plans to be implemented. More resources are needed to manage state-owned lands to ensure public safety and to maintain the ecological values of the land.

The department's Finance Letter proposal to fund the management of the Bolsa Chica Lowlands does augment ongoing land management resources for this property. The Bolsa Chica Lowlands property is 880 acres, which includes approximately 380 acres that are currently being restored to full tidal wetlands. The department currently has only one position to manage 2,400 acres of other state lands in this area in addition to the Bolsa Chica Lowlands. This is not an adequate level of staffing especially given the size of the restoration project being conducted on the Bolsa Chica Lowlands property.

Oversight of Endowment Funds. The department indicates that it currently has around $30 million in endowment funds to manage lands received by the department as mitigation for threatened and endangered species. The department is responsible for using the interest earned from these funds to cover annual land management costs in perpetuity. These funds are currently held in the Special Deposit Fund in special accounts set up by legislation (AB 2517, Berg) enacted in 2004.

Assembly Bill 2517 not only established two special accounts within the Special Deposit Fund, but it also made the interest on these endowment funds subject to appropriation by the Legislature. Therefore, the department proposes to expend $608,000, which is the amount of interest the department estimates it will earn annually on the endowment. The department indicates that there is $6 million in accumulated interest that has not been expended. The department does not currently have a plan for expending the $608,000 or the accumulated interest, but indicates that it will develop and implement a plan over the next three years.

The department also indicates that it currently expends about $100,000 annually that is continuously appropriated from a different account within the Special Deposit Fund. It is not clear to staff why these funds are treated differently than those that require an appropriation by the Legislature.

Staff finds that legislative oversight of the expenditure of these funds is relatively ineffective without the ability to review a plan for expending these funds. Furthermore, legislative oversight could be enhanced if the annual budget display included a fund condition of the interest that is available for appropriation.

Consider Other Funding Sources. Staff finds that the department proposes to fund a majority of its capital outlay projects from the Public Resources Account. While this is an appropriate funding source, staff finds that the nature of the activities being proposed may appropriately be funded by other funding sources. For example, staff finds that there is a significant need for fencing around state properties that will reduce the amount of trespassing, illegal dumping, and unauthorized off-highway vehicle (OHV) use. Therefore, the Subcommittee may want to

consider funding this type of activity with one-time grants from the OHV Fund and/or the Integrated Waste Management Account.

Furthermore, around $500,000 of the capital outlay projects proposed are on wetlands that are required to be operated as part of the Central Valley Project Improvement Act. It is unclear why these expenditures are not made by the Central Valley contractors who are required to contribute around $20 million annually to the Central Valley Improvement Fund for ecosystem restoration.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal to expend the remaining Proposition 12 bond funds to various land management projects.
- Approve the budget proposal to expend endowment funds for management of mitigation properties.
- Request the department to provide additional information on the endowment funds that it currently expends through continuous appropriation.
- Request the staff, department, LAO, and DOF to develop trailer bill language to require the annual budget act to include additional information about the interest funds available for expenditure from the department's endowment funds.
- Request the staff, department, LAO, and DOF to develop supplemental report language to require the department to prepare a report on its plans to expend the endowment interest funds.
- Hold open the budget proposal to fund other capital outlay projects and request the staff, department, LAO, and DOF to explore other one-time sources of funding that could be used to fund infrastructure improvements on department lands.
- Approve the Finance Letter proposal to augment staffing to manage the Bolsa Chica Lowlands property.

8. Bay-Delta Sport Fishing Enhancement

Background. In 2003, legislation (SB 692, Kuehl) was enacted to establish the Bay-Delta Sport Fishing Enhancement Stamp program. This program funds projects that have a long-term sustainable benefit to sport fishing and sport fish populations in the San Francisco Bay-Delta. The revenues are generated by the sale of a stamp that is required for all anglers fishing in the San Francisco Bay-Delta. The legislation requires the director to appoint a stakeholder advisory committee to recommend projects for funding.

The San Francisco Bay-Delta is the largest estuary on North America's West Coast and is also the source of the majority of drinking water for Southern California. The Bay-Delta also delivers water for agricultural uses in the Central Valley. In 1994, the CALFED Program was created as a consortium of state and federal agencies that have regulatory authority over resource management in the Bay-Delta region. The objectives of the program are to provide good water quality, improve fish and wildlife habitat, reduce the gap between water supplies and projected demand, and reduce the risk from deteriorating levees in the Delta. So far, a little over $4 billion has been spent on this program from state, federal, and local sources.

In most cases, enhancement of sport fishing in the Bay-Delta does not conflict with the goals of the CALFED program. However, historically, the department has stocked the Bay-Delta with striped bass to enhance sport fishing opportunities in the Bay-Delta. Because striped bass are piscivorous (they eat other fish), this action was detrimental to native fish populations in the Bay-Delta, including salmon, steelhead, and delta smelt. This action to enhance sport fishing opportunities reduced other efforts by the department to recover native salmon and steelhead trout populations in the Bay-Delta. The department discontinued stocking striped bass in 2003.

Governor's Budget. The Governor's Budget provides $1.5 million from special funds and 2.5 positions to support a program for the long-term sustainable benefit of sport fishing in the San Francisco Bay-Delta. This program is supported by the Bay-Delta Sport Fishing Enhancement Stamp and an advisory committee has recommended several projects to be pursued with this funding, including sport fishing access, monitoring and research, fisheries and habitat restoration, and public outreach.

Avoid Working at Cross Purposes. As mentioned above, enhancing sport fishing opportunities are sometimes in conflict with restoration purposes. The department indicates that any restoration projects funded under the Bay-Delta Sport Fishing Enhancement Stamp program will be required to meet CALFED objectives. However, the department will seek proposals in a process separate from the CALFED program. Staff finds that this is a step in the right direction towards avoiding projects that work at cross purposes with DFG's efforts to restore the ecosystem of the Bay-Delta.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal to fund the Bay-Delta Sport Fishing Enhancement Stamp Program.
- Approve trailer bill language to amend Fish and Game Code §7361 to require that fishery and ecosystem restoration projects be consistent with CALFED ecosystem restoration objectives.

9. Marine Life Protection Act

Background. The Marine Life Protection Act (MLPA) of 1999 requires DFG to review and develop a Master Plan and recommend alternative networks of marine protected areas in order to protect marine life and habitats, marine ecosystems, and marine natural heritage. After two failed attempts to implement the MLPA, the department has partnered with the Resources Agency and the Resources Legacy Fund Foundation to achieve the MLPA goals. In 2004, the Secretary for Resources convened a Blue Ribbon Task Force to make public policy recommendations on implementing the MLPA to the Fish and Game Commission.

In April 2005, the task force recommended a draft MLPA Master Plan Framework to DFG, which the Fish and Game Commission subsequently adopted in August 2005. This framework sets forth a recommended process for designing alternative marine protected area network proposals and recommends issues to consider when designing marine protected areas such as science and habitat. In December 2005 and January 2006, the task force forwarded to the Secretary for Resources a set of recommendations for long-term funding of a system of marine

protected areas in California. The report recommended the following strategies for funding the MLPA:

- Pursue General Fund monies.
- Pursue statute to establish an occupancy tax on lodging in coastal areas.
- Pursue statute to direct fines and/or legal settlements from harmful acts in marine environments.
- Pursue statute to revise business permits or licenses for activity in marine environments so that they cover the costs to enhance marine life.
- Pursue statute to revise permits or regulations for businesses that impact the ocean so that they cover the costs to enhance marine life.
- Convene a rigs-to-marine life agreement to set aside funds for decommissioning oil rigs and enhancing marine life.
- Seek federal and private sector support on a matching basis.

In March 2006, the task force recommended three packages of marine protected areas for the central coast. These alternatives are now being considered by the Fish and Game Commission. The task force is currently working on developing recommendations for coordinating the management of marine protected areas with the federal government and will have recommendations by November 2006. The ultimate goal of the taskforce is to secure agreement and commitment among state agencies with marine protected area responsibilities by November 2006 to complete statewide implementation of the Master Plan by 2011.

Governor's Budget and Finance Letter. The Governor's budget includes $500,000 from the Environmental License Plate Fund in the base budget to support the department's efforts to implement the MLPA. The Finance Letter (dated March 30, 2006) submitted by the administration includes an additional $380,000 from the General Fund to support 3.75 existing positions to continue to implement the MLPA. These positions have been supported by a contract with the Resource Legacy Fund Foundation, which will expire on December 31, 2006.

Governor's Proposal Falls Short. The Master Plan adopted by the Fish and Game Commission in August 2005 reviewed the current state of enforcement resources at DFG and found that the department does not have sufficient resources to enforce existing state laws and marine protected areas. The proposed budget augmentation is not enough to address the identified deficiencies in enforcement. Furthermore, it will not allow the department to establish and enforce the new network of marine protected areas for the central coast as recommended by the task force. In addition, the department will need additional resources if it is to stay on track in implementing new networks of marine protected areas statewide by 2011.

The MLPA was enacted in 1999 and this is the third attempt to implement the act. If funding is not provided to continue implementation it may result in further delays. It is critical that the department have the resources to implement the Master Plan, which lays out a transparent process that designs marine protected areas based on science and input from stakeholders. If corners are cut on this planning process it will probably result in further delays. Staff understands that it will likely cost the state around $8 million annually to implement the Master Plan framework over the next several years. This would include funding for monitoring, management, enforcement, and education at the Channel Islands and along the central coast of

California. It would also include funding the department's continued efforts to implement the MLPA statewide by 2011.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open and request that the department provide additional information on what it would cost to fund the following activities in the budget year:

- Monitoring, management, enforcement, and education of marine protected areas at the Channel Islands and along the Central Coast of California.
- Initiating design efforts for a network of marine protected areas along a different section of the California coast.

10. Regulation of Bottom Trawling

Background. Bottom trawling is the practice of towing fishing nets along or near the bottom of the ocean floor, in order to catch bottom-dwelling species of fish. Bottom trawlers primarily target California halibut and other flatfish, prawns and pink shrimp, and sea cucumbers. Bottom trawling can result in a large amount of by-catch such as rockfish, alteration of the ocean floor, and stirring up of large amounts of sediment. Legislation (SB 1459, Alpert), enacted in 2004, required the phase out of bottom trawling by moving it further offshore, limiting entry into the fisheries, and giving the Fish and Game Commission authority to manage all bottom trawl fisheries.

Governor's Budget. The Governor's budget does not provide additional funding to implement these regulations.

Update on Implementation. The department recently indicated that it was unable to implement SB 1459 due to lack of funding. The department has requested that the Fish and Game Commission postpone promulgating regulations for this legislation due to the department's inability to implement the regulations with current budgetary resources. It is unclear why the Governor has not proposed funding to implement the legislation he signed into law in 2004. Without the permanent permitting process in place as required under the legislation, the state's trawl fishers are unable to pursue fishing opportunities in a way that protects the environment.

Staff Recommendation. Staff recommends that the Subcommittee request that the department provide additional information on the projected costs to implement SB 1459.

11. Early Detection of Avian Influenza

Background. Avian influenza is an infectious disease of birds. Aquatic birds are considered the natural host of this virus. Influenza viruses usually do not cause disease in wild birds, but certain influenza virus strains are causing mortality in domestic poultry and some wild species in Asia and Eastern Europe. The influenza strains have been transferred to humans in a limited number of cases when humans had direct contact with bodily fluids of the diseased bird.

Finance Letter. The Finance Letter (dated March 30, 2006) submitted by the administration requests $1.1 million in General Fund monies to support one permanent position and 13 temporary help positions to set up a program for monitoring waterfowl and shore bird populations in urban areas for avian influenza. Approximately $863,000 is proposed to support the positions and to contract with U.C. Davis for laboratory testing. The remaining funding is one-time to upgrade the department's mobile diagnostic lab equipment.

Workload Justification. The department indicates that it is currently conducting some activities that fit within strategies for detection identified in the recently developed National Plan for detection. These activities include work by the department's Wildlife Investigations Laboratory to investigate wildlife disease problems statewide and providing information on the occurrence of disease. The department's Waterfowl Program also routinely coordinates population assessments and other migratory game bird management duties in the Pacific Flyway. However, neither of these programs have temporary help, vehicles, nor a budget to collect samples and support laboratory diagnostic costs. The department is requesting one position to supervise a team of 13 temporary help positions to help improve the department's ability for early detection and diagnostic capabilities necessary.

Coordination with Other Efforts. The department indicates that it is a member of an interagency taskforce of state and federal agencies that is developing and monitoring research and response strategies for avian influenza in wildlife. Participants in this interagency taskforce include the California Department of Food and Agriculture, the U.S. Department of Agriculture, the National Parks Service, the California Department of Health Services, the Office of Emergency Services, the U.S. Fish and Wildlife Service, the U.S. Geological Survey, and U.C. Davis.

Maximizing Federal Funding. Over the past five years, California has received nearly $1 billion in federal funding for Homeland Security Grants. A large portion (88 percent) of that funding has been allocated to local governments and the remainder has been used to fund various state efforts related to homeland security and emerging threats. Avian influenza is an emerging threat that may be eligible for funding from the federal government. It is unclear whether the department has applied to the State Office of Homeland Security for federal funding to offset one-time costs associated with funding the department's efforts to detect avian influenza in the migratory bird population. However, the department indicates that it may be eligible for $125,000 in grant funds from the U.S. Fish and Wildlife Service.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open pending additional information about the department's plans to maximize federal funding for this effort.

12. Other Budget Change Proposals

Governor's Budget. The Governor's budget includes funding for the following purposes:

- **Mitigation Fish Hatchery Program**. The budget includes $681,000 from reimbursements and federal funds to support eight permanent positions and 2.1 temporary positions mainly to restore personnel at four mitigation fish hatcheries in the Central Valley. These hatcheries are operated by DFG, but are funded by various water districts

and the federal government to ensure that salmon and steelhead populations that were lost above the dams are adequately mitigated.

- **Automated License Data System.** The budget includes $448,000 in one-time funding from the non-dedicated account of the Fish and Game Preservation Fund to support the implementation of an information technology project to replace DFG's current paper-based licensing system. This proposal is consistent with an approved Feasibility Study Report and Special Project Report.
- **Federal Trust Fund Financial Coordination**. The budget includes $189,000 from the Environmental License Plate Fund to support two positions to manage expenditures and reporting to ensure accountability to federal grant organizations.

Workload Justification. The department indicates that 5.7 positions were lost during the hiring freeze and vacant position sweep during 2002-03 and 2003-04 at the Feather River, Mokelumne River, and Nimbus Hatcheries. The loss of these positions has resulted in inadequate maintenance of hatchery infrastructure and grounds and little to no long-term planning to improve fish culture and planting practices. This budget proposal restores these positions and requests additional positions to address additional facility needs and augment interpretive activities at no cost to the state.

The automated license data system is projected to save the state $1.5 million annually in staffing and operations and equipment expenditures due to operational efficiencies gained by the automated system. The department will fully implement the system in 2007-08. The funding proposed for the budget year funds the continued development of a system that is similar to systems already implemented in other states.

Over the past five years, the state has received over $250 million in federal funds to support various activities. The department receives grants from 11 different federal agencies and must ensure proper documentation is available for billing and audit purposes. Furthermore, many of these funding sources require specific reporting that must be completed in a timely manner or else the department risks losing future funding allocations. The federal government recently concluded that DFG had insufficient coordination and financial administration of federal grant funds to ensure full compliance with the federal guidelines. The budget proposal will help the department fully comply with federal guidelines to ensure federal funds are maximized.

Staff Recommendation. Staff recommends that the Subcommittee approve these proposals.

13. Salary Issues

Background. The department currently has 200 game wardens patrolling all of California. Each warden is responsible for patrolling approximately 1,700 square miles. California currently has the same number of wardens it did in the early 1950s even though the state's population has grown about four times over the same period, putting additional pressure on the state's wildlife resources. Over the last decade, the department has had difficulty recruiting wardens because of the relatively low pay for a law-enforcement position. Currently the bottom step for a game warden is less than $38,000 annually, which is significantly less than comparable jobs with the

California Highway Patrol. Game wardens are also not paid differential pay for holidays or overtime and must work alone without backup the majority of the time.

The Legislature provided $5 million from the General Fund to establish 40 new positions in the 2005 Budget Act. These funds were vetoed by the Governor.

Governor's Budget. The Governor's budget does not provide additional funding to increase the number of wardens the department has statewide or propose augmentations to employee compensation levels to address the recruitment problems.

Staff Recommendation. Staff recommends that the Subcommittee request that staff, the department, the LAO, and DOF evaluate alternatives for funding the following:

- The current pay-differential between wardens and California Highway Patrol officers.
- Hiring additional wardens to augment the department's enforcement efforts.

14. Timber Harvest Plan Review – Informational Item

Background. The 2005 Budget Act provided $1.7 million from the General Fund to establish 15 new positions to restore statewide review of timber harvest plans.

Update. The department indicates that it has hired 11 new staff in the Central and Southern Sierra regions. The department indicates that 39 plans were received in the current year and the department has been able to do a full review of about 15 plans -- 40 percent of the plans. The department was able to do a desk review of the other plans. In addition, the department has reestablished four positions in the North Coast and Central Coast regions to serve as liaisons with the U.S. Forest Service.

3640 Wildlife Conservation Board

Background. The Wildlife Conservation Board (WCB) acquires property in order to protect and preserve wildlife and provide fishing, hunting, and recreational access facilities. The WCB is an independent board in the Department of Fish and Game and is composed of the Director of the Department of Fish and Game, the Director of the Department of Finance, and the Chairman of the Fish and Game Commission. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

Governor's Budget. The Governor's Budget proposes $40 million to support the WCB in the budget year. This is over a 90 percent reduction from estimated expenditures in the current year due to a reduction in the resources bond funds available for appropriation. General Fund support for the board remains unchanged in the budget year.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
State Operations	$6,102	$3,655	-$2,447	-40.1
Capital Outlay	543,804	36,423	-507,381	-93.3
Total	$549,906	$40,078	-$509,828	-92.7
Funding Source				
General Fund	$195	$195	$0	0.0
Special Funds	20,814	5,122	-15,692	-75.4
Bond Funds	512,342	34,761	-477,581	-93.2
Budget Act Total	*533,351*	*40,078*	*-493,273*	*-92.5*
Reimbursements	11,555	-	-	-
Oak Woodlands Conservation Fund	5,000	-	-	-
Total	$549,906	$40,078	-$509,828	-92.7

1. Natural Heritage Preservation Tax Credit Program—Informational Item

Background. The Natural Heritage Preservation Tax Credit Program was enacted by legislation in 2000 (SB 1647, O'Connell). The program allows a 55 percent credit on the appraised fair market value of donated property. Under the program, up to $100 million in tax credits is authorized for donations of qualified land and water. Due to reduced levels of General Fund available for this program, it was suspended in 2002. However, legislation enacted in 2004 (AB

2722, Laird) amended the program and removed the suspension to allow the lost General Fund revenues resulting from the tax credit to be reimbursed using certain bond funds.

Update. To date, $48.2 million in tax credits have been awarded. This results in a balance remaining of $51.8 million.

2. Continuously Appropriated Bond Funds—Informational Item

Background. Recent bond funds approved by the voters provided WCB with allocations that are continuously appropriated. Therefore, after an initial allocation, they are not part of the board's annual budget appropriations. The following table provides an update on the funds that have been allocated to date and the balance remaining for new acquisitions. (Not all of the funds listed below are continuously appropriated.)

Proposition 50 Bond Funds (dollars in thousands)	Appropriated	Allocated	Balance	% Remaining
Statewide - Integrated Watersheds	$131,500	$131,359	$141	0.1
Salton Sea Area (per SB 71)	8,500	451	8,049	94.7
Colorado River/Salton Sea	50,000	36,432	13,568	27.1
Coastal Wetlands - Five Southern California Counties	250,000	157,551	92,449	37.0
L.A./Ventura Counties	300,000	299,137	863	0.3
Bay Area	200,000	158,832	41,168	20.6
Total	$940,000	$783,762	$156,238	16.6
Proposition 40 Bond Funds				
Statewide	$300,000	$142,063	$157,937	52.6
Rangeland, Grazing, and Grasslands	19,200	11,693	7,507	39.1
Oak Woodlands	4,800	1,730	3,070	64.0
Total	$324,000	$155,486	$168,514	52.0
Proposition 12 Bond Funds				
Various Projects	$265,500	$255,746	$9,754	3.7
Total	$265,500	$255,746	$9,754	3.7
Grand Total	$1,529,500	$1,194,994	$334,506	21.9

Update. Approximately $335 million or 22 percent of the total bond funds appropriated are available for expenditure. In calendar year 2005, the board allocated funding to the following projects:

- **Grants.** The board allocated $44.7 million in grants to other entities to acquire nearly 6,300 acres of land.
- **Restoration and Public Access Projects.** The board allocated $29.5 million to restore and provide public access to nearly 23,000 acres of land.
- **Fee Acquisitions.** The board allocated $23 million to acquire 5,500 acres of land for management by the Department of Fish and Game.
- **Conservation Easements.** The board allocated $8.2 million to acquire conservation easements on over 19,000 acres of land.

3. Habitat Conservation Fund

Background. The Habitat Conservation Fund was created by Proposition 117, the California Wildlife Protection Act of 1990 that, among other things, requires an annual General Fund transfer of $30 million to the Habitat Conservation Fund unless other funding sources are available. The funds may be used for the purpose of acquiring, restoring, and enhancing habitat as necessary to protect wildlife and plant populations.

Governor's Budget. The Governor proposes allocating $21 million to WCB for acquisition, restoration, and enhancement of habitat from the Habitat Conservation Fund. The administration proposes to use a combination of Proposition 50 bond funds ($17.7 million) and Unallocated Cigarette and Tobacco Product Surtax ($3.3 million) to satisfy this obligation in the budget year. (Remaining Habitat Conservation Fund allocations include $4.5 million to the Department of Parks and Recreation, $4 million to the State Coastal Conservancy, and $500,000 to the California Tahoe Conservancy.)

Future Allocations Uncertain. Since 2002-03 the administration has funded the Habitat Conservation Fund using various bond funds. This action has saved the state $30 million in General Fund monies. The state likely has enough bond funds to satisfy the Habitat Conservation Fund requirement for the next few years, but these funds will soon run out. Current law requires a portion of tidelands oil revenues to be used to fund the Habitat Conservation Fund. However, this law is set to sunset on June 30, 2006. If a long-term sustainable funding source is not identified for this funding requirement, additional General Fund will be needed.

Staff Recommendation. Staff recommends the Subcommittee take the following actions:

- Approve the budget proposal to fund the Habitat Conservation Fund.
- Request staff, the board, the LAO, and DOF to evaluate when additional funding will be needed to satisfy the Habitat Conservation Fund and to identify options for funding sources once bond funds are exhausted.

4. Proposition 12 Bond Program

Background. The Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond (Proposition 12) was passed by the voters in 2000. This bond provided WCB with $265.5 million for acquisition, restoration, and development of real property benefiting fish and wildlife resources. The funds were allocated for the following types of acquisition and restoration projects:

- Restoration of wetland habitat - $10 million.
- Restoration or acquisition of riparian habitat and watershed conservation programs - $10 million.
- Restoration or acquisition of habitat for threatened and endangered species - $45 million.
- Restoration or acquisition of ancient redwoods and oak woodlands - $13 million.
- Restoration or acquisition of habitat and habitat corridors that promote recovery of threatened, endangered, or fully protected species - $82 million.
- Acquisition of property subject to a natural community conservation plan - $100 million.
- Salton Sea restoration projects - $5 million.

Governor's Budget. The Governor's budget proposes to appropriate the remaining Proposition 12 bond funds. The budget proposes to revert $11.7 million in Proposition 12 bonds that have not been expended. The budget also proposes to appropriate $15.2 million in Proposition 12 bond funds, including the $11.7 million proposed for reversion. Funding is available in the following categories:

- Restoration or acquisition of habitat for threatened and endangered species - $3.3 million.
- Restoration or acquisition of habitat and habitat corridors that promote recovery of threatened, endangered, or fully protected species – $6.2 million.
- Acquisition of property subject to a natural community conservation plan - $5.8 million.

The Governor's budget also proposes $200,000 to continue management of the board's Proposition 12 bond program.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposals.

5. Proposition 50 Bond Programs

Background. The Water Security, Clean Drinking Water, Coastal, and Beach Protection Fund of 2002 provided $940 million to the board for various acquisition and restoration projects.

Governor's Budget. The budget includes the following proposals:

- **Colorado River.** The budget proposes that $12.5 million of unexpended Proposition 50 bond funds be reappropriated for grants for canal lining and other projects necessary to reduce Colorado River water use. The 2003 Budget Act provided $32.5 million for this purpose.
- **Program Delivery.** The budget proposes to reduce the board's program delivery budget by $2.5 million from Proposition 50 bond funds. The board originally requested these

funds to assist DFG in implementing the Quantification Settlement Agreement to reduce Colorado River use. Since then, legislation was enacted in 2003 that provided DFG with direct funding for this activity.

All-American Canal. The Governor's budget proposes to allocate $86 million from General Fund monies to fund the lining of the All-American canal in the budget year. The $12.5 million in bond funds proposed for reappropriation by the board are eligible for funding this activity. Thus far, $19 million in Proposition 50 bond funds have been allocated to the lining of the Coachella and All-American canals. Shifting $12.5 million of the funding for the All-American Canal from the General Fund to bond funds would not reduce the state's obligation to provide the $32.5 million that is owed under current law to complete this project.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Request, staff, the board, DOF, and LAO to evaluate shifting $12.5 million of the funding for the All-American Canal from the General Fund to Proposition 50 bond funds.
- Approve the budget proposal to reduce the board's program delivery costs.

6. Oak Woodlands Conservation Program

Background. Legislation (AB 262, Thomson) enacted in 2001 established the Oak Woodlands Conservation Act to support and encourage long-term private stewardship and conservation oak woodlands. The legislation provided $5 million from the Proposition 12 bond fund to provide incentives for private farming and ranching operations to protect oak woodlands, local land use planning that preserves oak woodlands, and other efforts that preserve oak woodlands. These funds were appropriated to the board in the 2003 Budget Act.

The Act requires the preparation of an Oak Woodland Management Plan prior to awarding grant funds. The board indicates that the development of these plans has generated a great deal of controversy and concern. However, the plans are being developed by local governments and, to date, ten counties have completed the required plan, five counties are close to completing their plans, and three counties are still struggling to reach consensus. One county has voted not to prepare a plan, which makes them ineligible for bond funds under this program.

Governor's Budget. The board requests that $5 million from Proposition 12 bond funds (on deposit in the Oak Woodlands Conservation Fund) be reappropriated so that the board can award grants to implement the Oak Woodlands Conservation Act. The expenditure of these funds has been delayed by the need to prepare Oak Woodland Management Plans prior to awarding grant funds.

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

3110 Tahoe Regional Planning Agency

1. 2007 Pathway Planning Process – Informational Issue

Background. The Tahoe Regional Planning Agency is currently involved in the 2007 Pathway planning process with other federal and state agencies to update resource management plans by 2007 for the Lake Tahoe Basin. These regional plan updates will guide land management, resource management, and environmental regulations over the next 20 years. The plans will address how much additional development will take place at Lake Tahoe and the projected state of the water quality in the lake, among other things. The Agency is working in conjunction with the U.S. Forest Service, the Lahonton Regional Water Quality Control Board, and the Nevada Division of Environmental Protection to update this plan.

Staff Comments. To date, California taxpayers have pledged over $275 million in state funds to implement the Environmental Improvement Program in the Lake Tahoe basin. The outcome of the regional plans currently being developed could degrade the investments already made by the state to improve the environment in the Tahoe Basin. Furthermore, planning decisions could also make it more difficult and costly for the state to achieve specific environmental standards going forward. Staff is concerned that the outcomes of the planning process could work at cross purposes with other state agency efforts to implement the Environmental Improvement Program.

Questions.

- Will the Agency consider weakening the environmental standards for the Lake Tahoe Basin to accommodate additional development?
- The environmental threshold standards that are currently in place have not been reached. How will the Agency account for this fact when developing the plan?

2. Permit Tracking System

Finance Letter. The Finance Letter (dated March 30, 2006) from the Governor requests a $572,000 one-time augmentation from the Environmental License Plate Fund to replace the Agency's antiquated permit tracking system. The State of Nevada will provide $286,000 to share in the funding support for this system.

Justification. The Agency recently commissioned an agency-wide operational audit and one of the key recommendations from the audit was to replace the Agency's permit tracking system. The current system does not allow for tracking land-use and environmental threshold requirement data, which reduces the effectiveness of the permitting process in meeting the environmental standards. Furthermore, the current system is essentially a paper based system that greatly reduces the efficiency of staff in processing permits and providing public access to documents.

Staff finds that the new system will improve the efficiency and effectiveness of the Agency's permitting process. However, it is unclear whether this proposal has gone through the normal

feasibility study report (FSR) process. Because of the importance of FSRs for project planning and budgeting, the Legislature stated intent in the 2005-06 budget (Control Section 11.05) that funding not be approved for information technology projects without FSRs approved at the time of the budget request.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open and request the Agency to provide an approved FSR for this project.

3720 California Coastal Commission

Background. The California Coastal Commission, following its initial creation in 1972 by a voter initiative, was permanently established by the State Coastal Act of 1976. In general, the act seeks to protect the state's natural and scenic resources along California's coast. It also delineates a "coastal zone" running the length of California's coast, extending seaward to the state's territorial limit of three miles, and extending inland a varying width from 1,000 yards to several miles. The commission's primary responsibility is to implement the act's provisions. It is also the state's planning and management agency for the coastal zone. The commission's jurisdiction does not include the San Francisco Bay Area, where development is regulated by the San Francisco Bay Conservation and Development Commission.

Governor's Budget. The Governor's Budget proposes $11.2 million for support of the Coastal Commission in 2006-07. This is approximately the same as estimated expenditures in the current year. General Fund support for the department is also proposed to stay at the same level.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Coastal Management Program	$14,795	$14,687	-$108	-0.7
Coastal Energy Program	716	719	3	0.4
Administration	1,613	1,624	11	0.7
less distributed administration	*-1,532*	*-1,543*	*-11*	*0.0*
Total	$15,592	$15,487	-$105	-0.7
Funding Source				
General Fund	$9,935	$9,845	-$90	-0.9
Special Funds	1,358	1,314	-44	-3.2
Budget Act Total	*11,293*	*11,159*	*-134*	*-1.2*
Federal Trust Fund	3,021	3,040	19	0.6
Reimbursements	1,279	1,288	9	0.7
Total	$15,593	$15,487	-$106	-0.7

1. Improving Coastal Access and Development Mitigation

Background. The Coastal Commission has employed the use of "offers to dedicate" (OTDs) as a mitigation tool in its permitting process. This tool was developed as a result of legal and statutory limitations on imposing mitigation as a permit condition for coastal development.

OTDs are different from the upfront mitigation requirements often employed by other land use permitting agencies such as the San Francisco Bay Conservation Development Commission. Under OTDs, the permittee offers to transfer an interest in a portion of their land at some point *in the future* (when an entity is found to accept the offer) in return for a permit to develop their property *now*.

Once the OTD is recorded, the commission attempts to identify organizations which will accept the OTD, a process which typically takes several years. By accepting the OTD, the accepting agency assumes responsibility for providing and maintaining the mitigation. Pursuant to commission practice, the "offer" of an OTD typically remains in effect for a period of 21 years. If an OTD is not accepted by a third party within the specified time, the OTD expires, which results in a permanent loss of the mitigation measure agreed to at the time the permit was granted.

There are two major categories of OTDs used by the commission: access and non-access. Access OTDs provide access within the coastal zone—usually directly to the ocean. The second broad category of OTDs are non-access (mainly conservation) dedications. These are generally conservation areas or environmentally important areas where public access is not the primary goal of the mitigation.

Last year, in response to recommendations by the LAO, the Legislature approved $600,000 to establish five new positions to address the backlog of work related to tracking, accepting and opening OTDs. The Governor vetoed this augmentation. The Legislature also requested that the Commission prepare an inventory of outstanding OTDs and an annual report on its progress in getting these OTDs accepted.

Governor's Budget. The Governor's budget does not provide additional funding for the Coastal Commission to address the backlog of OTDs.

Reports Completed. The Commission has prepared two reports that inventory outstanding OTDs and its progress in getting these OTDs accepted. The two reports cover public access OTDs and conservation/open space OTDs. The results of the reports are as follows:

- **Public Access.** The Commission reports that 1,496 public access OTDs have been recorded and 75 percent of these OTDs have been accepted. In Calendar year 2005, the Commission was successful in getting 52 public access OTDs accepted. There are approximately 350 public access OTDs that remain outstanding and 57 will expire in calendar years 2006 and 2007.
- **Conservation/Open Space.** The Commission reports that 968 conservation OTDs have been recorded and one-third of these OTDs have been accepted. In Calendar year 2005 the Commission was successful in getting 34 conservation OTDs accepted. There are approximately 524 conservation OTDs that remain outstanding and 103 OTDs that have an unknown status. Approximately 70 conservation OTDs are set to expire in calendar years 2006 and 2007.

Staff Comments. The reports illustrate that there are a significant number of OTDs that have not been accepted. A significant number of OTDs are set to expire in the next two years.

Furthermore, the Commission has generally not been as successful in getting conservation OTDs accepted. This may be because current law requires the State Coastal Conservancy to accept all public access OTDs that are set to expire. There is no parallel law for conservation OTDs and, to date, 17 conservation OTDs have expired. Furthermore, conservation OTDs often require additional research when recorded documents are unconfirmed. Staff finds that the Commission could use additional staffing resources to ensure that all OTDs are accepted prior to expiration, especially conservation OTDs.

Coastal Commission Permit Fees. Staff finds that the commission's current permit fees have not been increased since 1991 and that its fees are considerably lower than comparable fees at local governments. The commission has the authority to increase its fees without action by the Legislature. However, the Commission indicates that additional staff resources are needed to develop a revised fee schedule. If the commission raised its fees to cover approximately 50 percent of its current permitting program it would raise approximately $2.3 million. Current law requires that the commission fees be transferred to the State Coastal Conservancy for coastal access projects.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt trailer bill language that allocates $1 million of the permit fees annually to the State Coastal Conservancy for coastal access projects, including accepting and opening OTDs. The remainder of the fee revenues ($1.3 million) should be deposited in the General Fund to support the Commission's budget.
- Augment the budget by $450,000 General Fund to establish four new positions. Two new positions should be allocated to address the backlog of conservation OTDs, one new position should be allocated to address the public access OTDs, and one position should be dedicated to help put in place a new fee schedule (this position should be dedicated to the department's permitting program after implementing the new fee schedule).
- Adopt trailer bill language to require annual reporting to the Legislature on the status of outstanding OTDs.

2. Review of LNG and Off-Shore Oil Leases

Background. The California Coastal Commission permits all development within the coastal zone, which includes new liquefied natural gas (LNG) terminals on the coast and associated pipelines related to new LNG terminals and existing marine oil terminals (MOT). The Commission is required to review these proposals for their consistency with Local Coastal Plans prior to issuing a permit and is also required to engage in compliance activities to ensure that the conditions of the permit are being implemented.

The commission has a relatively small staff (approximately 4 positions) to review all energy-related applications. This is of concern given the amount of work related to the court ordered review of 36 marine oil terminal leases and several complex LNG proposals that are expected to require review by the commission in the upcoming months.

Governor's Budget. The Governor's budget does not provide additional funding for the Commission's energy-related workload.

Staff Comments. Staff finds that the Commission's workload related to energy-related projects has increased significantly over the past few years. However, the Commission's resources have not been augmented to address this increased workload. The Legislature provided additional funding to address this need in the 2005-06 budget, but it was vetoed by the Governor. The recent FERC decision has significantly reduced the state's influence over the siting of an LNG facility. However, the Coastal Commission's permitting authority is still relevant making it one of the only entities that can shape the way in which the facility is sited. Staff finds that additional resources are needed at the Commission to address this increased workload.

Furthermore, the Commission has lost 34 positions, or 20 percent of its workforce, since 2001. This has slowed the time it takes for the Commission to review permit applications, which has resulted in a considerable backlog of work at the Commission. This has reduced the Commission's ability to carry out its mission to protect and enhance the California Coast for all Californians to enjoy.

Staff Recommendation. Staff recommends that the Subcommittee take the following action:

- Augment the budget by $200,000 General Fund to establish 2 new positions to augment the energy unit in the Commission that reviews LNG proposals and the MOT leases.

3. Coastal and Marine Education

Background. The California Coastal Act directs the Commission to carry out a public education program that includes outreach efforts to schools, youth organizations, and the general public for the purpose of promoting the conservation and wise use of coastal and ocean resources. The Commission conducts a wide variety of educational programs, including Coastal Cleanup Day, Adopt-A-Beach, and others. The Commission currently has an ongoing grant program to fund education projects that is funded by the sale of whale tail license plates. Since the inception of this program in 1998, the Commission has supported 202 projects.

Governor's Budget. The budget proposes $349,000 from the whale tail license plate revenues to support additional grants to non-profits and government agencies to enhance coastal and marine education. The budget proposal indicates that $100,000 would be a permanent augmentation to the baseline for this program and $249,000 would be a one-time augmentation for 2006-07. There is $359,000 in the current baseline budget for this program.

Justification. The Commission indicates that there is a very large unmet need for additional coastal and marine education programs. The Commission estimates that its programs reached 175,000 school age children in 2004-05. However, California's total school age population is about 6.9 million. Furthermore, the Commission indicates the Commission's grants for the adopt-a-beach program and Coastal Cleanup Day have saved California taxpayers $10 million annually in trash removal costs.

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

3820 San Francisco Bay Conservation and Development Commission

Background. The San Francisco Bay Conservation and Development Commission (BCDC) implements and updates the San Francisco Bay Plan and the Suisun Marsh Protection Plan. Under these plans, BCDC regulates and issues permits for (1) all filling and dredging activities in the San Francisco, San Pablo, and Suisun Bays including specified sloughs, creeks, and tributaries; (2) changes in the use of salt ponds and other "managed wetlands" adjacent to the bay; and (3) significant changes in land use within the 100-foot strip inland from the bay. The commission's main objectives are to minimize fill in San Francisco Bay and maximize public access to the shoreline.

Governor's Budget. The Governor's Budget proposes $4.1 million for support of BCDC in 2006-07. This is approximately the same as estimated expenditures in the current year. General Fund support for the department is also proposed to stay at the same level.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Bay Conservation and Development	$4,064	$4,103	$39	1.0
Total	$4,064	$4,103	$39	1.0
Funding Source				
General Fund	$3,197	$3,230	$33	1.0
Budget Act Total	*3,197*	*3,230*	*33*	*1.0*
Reimbursements	671	678	7	1.0
Bay Fill Clean-Up and Abatement Fund	196	195	-1	-0.5
Total	$4,064	$4,103	$39	1.0

1. Restoration of Budget

Background. Since 2001 the Commission has lost 16 positions due to General Fund budget reductions. This is a reduction of nearly one-third of the 49 staff the department had in 2000. The BCDC reports that these staff reductions have resulted in a general deterioration in the quality of service provided by the Commission.

Governor's Budget. The Governor's budget does not propose an augmentation to the Commission's budget.

Impacts of Budget Reductions. The Commission indicates that there have been numerous impacts related to the budget reductions suffered by BCDC. These impacts include the following:

- Delayed permit processing.
- Reduced enforcement and inspections to review permits for compliance.
- Slowed update of the San Francisco Bay Plan.
- Significantly reduced the Long Term Management Strategy for Bay dredging and disposal, delayed dredging projects, and slowed the development of projects that utilize dredged materials to restore wetlands.
- Eliminated BCDC's ability to fulfill legislatively mandated seismic safety and flood prevention responsibilities.
- Reduced compliance with state-mandated administrative procedures.
- Reduced collaboration with other agencies.

Commission's Investment Proposal. In order to address the budget reductions suffered by BCDC, the Commission has developed a proposal to augment the Governor's proposed 2006-07 budget by about $1.0 million from General Fund monies to restore 11 positions. The Commission reports that it needs the following expertise to restore functions at BCDC that have been reduced over the last several years:

- Information Technology Managers (2).
- Permit Analysts (2).
- Enforcement Analyst (1).
- Senior Engineer (1).
- Dredging Analysts (2).
- Contracts Manager (1).
- Secretaries (2).

The BCDC's Permit Fees. In 2004, budget bill language was approved that directed BCDC to revise its fee schedule to cover 20 percent of the total cost of the commission's regulatory program. This resulted in an increase in the commission's fee schedule. Staff finds that the commission's permit fees are still lower than comparable fees at local governments and other state agencies, including the Coastal Commission. The commission has the authority to increase its fees without action by the Legislature. If the commission raised its fees to cover approximately 50 percent of its current regulatory program it would raise approximately $1 million in revenues that would be deposited in the General Fund.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt budget bill language to request the commission to augment its fee schedule to cover 50 percent of its regulatory program, which will generate approximately $600,000 in additional revenue for the General Fund.
- Augment the commission's budget by $1 million from the General Fund to support 11 positions as outlined in the Commission's investment plan.

3480 Department of Conservation

Background. The Department of Conservation (DOC) is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of: geology, seismology, and mineral resources; oil, gas, and geothermal resources; agricultural and open-space land; and beverage container recycling.

Governor's Budget. The Governor's Budget proposes $874 million to support DOC in the budget year. This is the same level of funding as is estimated for expenditure in the current year. General Fund support for the department is proposed to be 16 percent less in the budget year due to a one-time transfer from the General Fund to the department's Oil, Gas, and Geothermal Administrative Fund due to a recent statutory change.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Geologic Hazards and Mineral Resources Conservation	$27,474	$22,695	-$4,779	-17.4
Oil, Gas, and Geothermal Resources	16,951	16,984	33	0.2
Land Resource Protection	44,819	12,839	-31,980	-71.4
Beverage Container Recycling and Litter Reduction	797,670	827,302	29,632	3.7
Office of Mine Reclamation	-	5,363	-	-
Administration	11,301	11,438	137	1.2
less distributed administration	*-11,301*	*-11,438*	*-137*	*0.0*
Total	$886,914	$885,183	-$1,731	-0.2
Funding Source				
General Fund	$4,938	$4,165	-$773	-15.7
Special Funds	828,050	859,477	31,427	3.8
Bond Funds	42,545	9,964	-32,581	-76.6
Budget Act Total	*875,533*	*873,606*	*-1,927*	*-0.2*
Federal Trust Fund	1,745	1,779	34	1.9
Bosco-Keene Renewable Resources Investment Fund	872	901	29	3.3
Reimbursements	8,765	8,897	132	1.5
Total	$886,915	$885,183	-$1,732	-0.2

1. Williamson Act

Background. The Williamson Act allows cities and counties to enter into contracts with landowners to restrict certain property to open space and agricultural uses. In return for these restrictions, the property owners pay reduced property taxes. The contracts entered into between local governments and property owners are ten-year contracts, which are typically renewed each year for an additional year, such that the contract remains at a constant 10 years. Landowners that do not renew their contracts face gradual increases in their property tax over a ten-year period to the level that unrestricted land is taxed. Landowners that cancel their Williamson Act contracts must pay a penalty of 12.5 percent of the unrestricted fair market value of the land.

Governor's Budget. The Governor's Budget proposes $896,000 ($463,000 from the Soil Conservation Fund and $433,000 from Proposition 12 bond funds) to fund five 2-year limited-term positions and additional contract funds to increase enforcement of the Williamson Act.

Workload Justification. The department currently has 7.5 positions supporting the Williamson Act. The budget proposal would augment this program by over 60 percent. However, the department estimates that, with the new positions, it could raise an additional $4.5 million in revenues to the General Fund by ensuring accurate and timely payment of Williamson Act contract cancellation fees and ensuring that state subventions to local governments are based on qualifying contracted lands. This is a projected five to one return on investment for the state. The department will reassess its enforcement efforts after the two-year period to determine whether the increased enforcement efforts are justified. The Legislature provided $350,000 for this purpose in the 2005 budget, but these funds were vetoed by the Governor.

Staff Comments. The Governor proposes $433,000 from Proposition 12 bond funds to support this program. These funds have been supporting the Williamson Act program since 2004-05 when General Fund monies were cut from this program. While staff understands that bond funds have been utilized to backfill General Fund reductions to this program over the past two years, this is not an appropriate use of bond funds and it is not a sustainable source of funding for this program. These bond funds were intended to be used to acquire agricultural easements, which is a more appropriate use of bond funding.

Current law allows the department to deposit the first $2 million of Williamson Act fines and penalties it receives in the Soil Conservation Fund to support its program. The remaining fines and penalties from the Williamson Act are transferred to the General Fund. Staff finds that since the budget proposal is projected to bring in $5 for every $1 spent by the department it seems appropriate to fund the entire program from the fines and penalties raised by the department. This would free up nearly $1 million in additional bond funding for the California Farmland Conservancy Program.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve trailer bill language that amends Government Code §51283 to increase by $500,000 the amount of Williamson Act penalties the department can keep to fully fund the expanded Williamson Act program.
- Approve $896,000 from the Soil Conservation Fund to fund the Governor's budget proposal.

2. California Farmland Conservancy Program

Background. The California Farmland Conservancy Program was established in 1996 and provides grant funding for the planning and voluntary acquisition of agricultural easements. Proposition 40 provided $75 million for the preservation of agricultural lands, grazing lands, and oak woodlands. These funds have been allocated to the following programs:

- California Farmland Conservancy Program - $38 million.
- Rangeland, Grazing and Grassland Program (Wildlife Conservation Board [WCB]) - $19 million.
- Oak Woodlands Conservation Program (WCB) - $5 million.

Governor's Budget. The Governor's Budget proposes $8.9 million from Proposition 40 for grants to conserve agricultural lands. These funds will fund the California Farmland Conservancy Program and are available for the planning and voluntary acquisition of agricultural conservation easements.

Staff Comments. Staff finds that the administration has made a policy choice to allocate the remaining Proposition 40 bond funds to the California Farmland Conservancy Program at the department. These funds are also eligible for preserving agricultural land through the Rangeland, Grazing, and Grassland Program and the Oak Woodlands Conservation Program, which are both administered by WCB.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open and request that staff, the department, the WCB, the LAO and DOF evaluate the relative needs and the cost effectiveness of each of these programs in preserving agriculture land.

3. Beverage Container Recycling Program

Background. The DOC's Division of Recycling administers the California Beverage Container Recycling and Litter Reduction Act (commonly referred to as the bottle bill) to achieve and maintain high recycling rates for beverage containers included in the program. The DOC provides a number of services to achieve these goals, including enforcement, auditing, grant funding, technical assistance, and education. Revenues to the Beverage Container Recycling Fund increased 40 percent in 2004-05 due to the implementation of legislation (AB 28, Jackson) enacted in 2003 that increased the deposit for beverage containers sold in California.

Governor's Budget and Finance Letter. The Governor's Budget proposes $904,000 from the Beverage Container Recycling Fund to fund eight 2-year limited-term positions to combat fraud in the Beverage Container Recycling Program. The Finance Letter (dated March 30, 2006) proposes $5.2 million in one-time funds from the Beverage Container Recycling Program to support the implementation of an integrated information technology system for the Division of Recycling (DORIIS) to improve the department's ability to provide timely remittances and to detect fraud.

Workload Justification. The department reports that between 2001 and 2004 the department conducted audits of 206 recycling centers. These audits revealed that as many as 90 percent of all claims were fraudulent and $45 million in claims were not paid to these centers. On average the department's 12 auditors each uncovered $1 million in fraud annually, which is a nine to one return on investment. The budget proposal would increase the department's auditing resources by over 60 percent. However, the department plans to re-evaluate the performance of the audit resources after a two-year period to determine whether the increase in audit resources is justified.

The department estimates that the integrated information technology program will save the department $18 million annually due to improved revenue collection and improved ability to track fraudulent activities. Furthermore, the department estimates that it will save the industry over $20 million due to the increased convenience of an e-government interface and by shortening the "float" time that it takes the department to reimburse processors.

LAO Recommendation. In their analysis of the 2006-07 Budget, the LAO has raised concerns that recycling rates below target have resulted in a swelling fund balance within the program. Currently, the Beverage Container Recycling Fund is expected to carry an overall fund balance of $429 million. The department has had a large surplus balance over the last several years and, starting in 2002-03, about $325 million total was loaned to the General Fund to address the budget problem. The majority of these loans require repayment by 2008-09. Repayment of these loans will add further to the growing balance. In their analysis, the LAO has proposed various options the Legislature could use to address this problem, including:

- Increasing the California Redemption Value (CRV) to increase recycling rates.
- Expanding consumer education programs.
- Increasing Convenience Zone handling payments or expanding entities eligible for payments.
- Increasing grants to community organizations and local governments to encourage increased recycling**.**
- Increasing market development grants**.**
- Increasing supplemental payments to curbside recyclers**.**
- Reducing the Flow of Revenues into the Fund by suspending payments made by beverage container distributors into the fund.

The LAO recommends that the Legislature request the department to prepare a supplemental report evaluating the cost effectiveness of options to decrease the residual balance in the Beverage Container Recycling Fund, including the options listed above.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal to augment enforcement resources.
- Approve the Finance Letter proposal to fund the integrated information technology project.
- Approve the supplemental report language recommended by the LAO.
- Request staff, the department, the LAO, and DOF to work on a one-time project to increase grants to the California Conservation Corp and local conservation corps to increase recycling activities.

4. Division of Oil, Gas, and Geothermal Resources

Background. The Division of Oil, Gas, and Geothermal Resources ensures the safe exploration and development of hydrocarbon and geothermal resources. The division ensures that operators use sound engineering practices to protect life, health, property, and natural resources. The division oversees all operations related to mineral extraction from drilling to the plugging of abandoned wells.

Governor's Budget and Finance Letter. The Governor's budget proposes $354,000 from the Oil, Gas, and Geothermal Administrative Fund to support four new positions to fill existing gaps in regulating geothermal resources in Northern California and oil and gas extraction in the San Joaquin Valley. These positions are funded by annual regulatory fees on the oil, gas, and geothermal industries.

The Finance Letter (dated March 30, 2006) proposes authorizing expenditure authority of $1.5 million from the Acute Orphan Well Account established by recently enacted legislation (AB 1471, McCarthy). This account is funded by a one-time industry assessments (assessment expires 1/1/08) and will be made available only if the department needs to plug an abandoned orphan well that poses immediate danger to human health and safety. The department also allocates $1 million from the Oil, Gas, and Geothermal Trust Fund to plug orphan wells. The new Acute Orphan Well Account will be used only after the department has expended the $1 million from the Oil, Gas, and Geothermal Trust Fund.

Workload Justification. Since 2001, the Division of Oil, Gas, and Geothermal Resources has lost 17 positions. This has negatively impacted the department's ability to meet its statutory obligation to regulate the oil, gas, and geothermal industries. Last year the department added four clerical staff to allow engineers to be out in the field inspecting the oil and gas facilities. The department's proposal this year is to add four new inspection staff to slowly replace some of the positions lost over the last several years.

The department currently has no field engineer to regulate geothermal energy production in the northern portion of California. This budget proposal adds one position to regulate these facilities. The Coalinga District (Fresno County) currently has three field staff to regulate 5,339 active wells. The budget proposal adds one position so that each person is responsible for regulating approximately 1,330 wells. The Bakersfield district (Kern County) currently has 12 field staff to regulate 64,145 active wells. The budget proposal adds two positions so that each person regulates about 4,580 active wells.

There is a large discrepancy between Fresno County and Kern County on the number of wells each inspector has to regulate. The department indicates that the well-to-inspector metric is not the best indicator of regulatory effort since some districts have oil wells that are geographically concentrated, allowing for a more efficient inspection program. The department indicates that in Kern County the wells are grouped into fields, which make them easier to regulate. Furthermore, the department indicates that it regulates wells that are closer to urban areas more often because of concerns related to health and safety. Some of the wells in Kern and Fresno are only inspected every two years because of relatively low human health and safety risks.

Staff Comments. Staff is concerned that the reduced level of regulatory presence in Kern County, the largest oil producing county in the state, results in less protection of the state's natural resources. Kern County has significant groundwater supplies that are critical to meeting the state's water supply needs and significant populations of threatened and endangered species in and around the oil wells that are at risk of contamination. Furthermore, oil and gas prices are currently at historic levels and it is likely that additional wells will come on line, further increasing the department's workload. Given this, staff finds that additional regulatory staff in Kern County is warranted.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt the budget and Finance Letter proposals.
- Approve an augmentation of $177,000 to fund two additional inspectors for Kern County from the Oil, Gas, and Geothermal Administrative Fund.

5. Surface Mining and Reclamation Act

Background. The department's Office of Mine Reclamation provides expertise and advice to lead agencies and operators to implement the Surface Mining and Reclamation Act (SMARA). This act sets forth provisions to promote the use and development of mineral resources consistent with sound conservation practices, and promotes effective mine land reclamation to prevent adverse impacts.

The State Mining and Geology Board operates within the DOC, and serves as a regulatory, policy and appeals body representing the state's interest in geology, geologic and seismologic hazards, conservation of mineral resources, and reclamation following surface mining activities. The board is the main regulatory agent in adopting regulations for SMARA.

April Letter. The April Letter (dated March 30, 2006) submitted by the administration proposes $561,000 from the SMARA Account to fund two 2-year limited term positions and contracts to accelerate efforts to inventory abandoned mines on state-owned lands.

Workload Justification. There are approximately 47,000 abandoned mines statewide. Many of these sites are dangerous and may be causing significant water quality problems. For example, the Department of Parks and Recreation was recently sued due to the contaminated run-off from the Empire Mine State Historic Park. The department indicates that more information is needed on the nearly 1,400 abandoned mine sites that have been located on state properties so that the department can prioritize the workload associated with remediation of these sites. Because these sites are located on state-owned property, they are a potential liability to California.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal.
- Request staff, the department, LAO and DOF to evaluate options for augmenting the department's remediation of abandoned mines that pose a health and safety risk to Californians.

6. Other Budget Proposals

Governor's Budget. The Governor's budget contains the following other proposals:

- **Information Technology Upgrades.** The budget proposes $537,000 annually for the next three years for lifecycle upgrades to the department's network computing infrastructure. This proposal is funded by various funds at the department ($268,000 from the Beverage Container Recycling Fund, $161,000 from the Oil, Gas, and Geothermal Administrative Fund, $54,000 from the Surface Mining and Reclamation Account, and $54,000 from the Mine Reclamation Account).
- **Geologic and Seismic Hazard Review for School Construction.** The budget proposes $450,000 in reimbursements from the Division of State Architect within the Department of General Services to support six permanent positions to complete reviews of geologic and seismic hazard reports for school construction.

Workload Justification. The department indicates that the funding provided for the information technology upgrades will allow the department to complete a four-year "refresh" project of its information technology infrastructure that will extend the life of its existing equipment.

The department indicates that the number of reviews requested by the Division of the State Architect has increased significantly over the last few years. The Department of Finance has already allowed the department to establish six positions administratively in the current year to deal with the increased workload. Delays were experienced in the prior year because of a lack of staffing at the department for the geologic and seismic hazard review for new school construction.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposals.

Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 2 Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal

Monday, May 1, 2006
10:00 a.m.
Room 112

Item	Department	Page
3480	Department of Conservation	2
3460	Colorado River Board	9
3940	State Water Resources Control Board	11
3860	Department of Water Resources	16
CALFED Program		31
3840	Delta Protection Commission	43

Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

3480 Department of Conservation

Background. The Department of Conservation (DOC) is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of: geology, seismology, and mineral resources; oil, gas, and geothermal resources; agricultural and open-space land; and beverage container recycling.

Governor's Budget. The Governor's Budget proposes $874 million to support DOC in the budget year. This is the same level of funding as is estimated for expenditure in the current year. General Fund support for the department is proposed to be 16 percent less in the budget year due to a one-time transfer from the General Fund to the department's Oil, Gas, and Geothermal Administrative Fund due to a recent statutory change.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
Geologic Hazards and Mineral Resources Conservation	$27,474	$22,695	-$4,779	-17.4
Oil, Gas, and Geothermal Resources	16,951	16,984	33	0.2
Land Resource Protection	44,819	12,839	-31,980	-71.4
Beverage Container Recycling and Litter Reduction	797,670	827,302	29,632	3.7
Office of Mine Reclamation	-	5,363	-	-
Administration	11,301	11,438	137	1.2
less distributed administration	*-11,301*	*-11,438*	*-137*	*0.0*
Total	$886,914	$885,183	-$1,731	-0.2
Funding Source				
General Fund	$4,938	$4,165	-$773	-15.7
Special Funds	828,050	859,477	31,427	3.8
Bond Funds	42,545	9,964	-32,581	-76.6
Budget Act Total	*875,533*	*873,606*	*-1,927*	*-0.2*
Federal Trust Fund	1,745	1,779	34	1.9
Bosco-Keene Renewable Resources Investment Fund	872	901	29	3.3
Reimbursements	8,765	8,897	132	1.5
Total	$886,915	$885,183	-$1,732	-0.2

1. Williamson Act

Background. The Williamson Act allows cities and counties to enter into contracts with landowners to restrict certain property to open space and agricultural uses. In return for these restrictions, the property owners pay reduced property taxes. The contracts entered into between local governments and property owners are ten-year contracts, which are typically renewed each year for an additional year, with the result that the contract remains at a constant 10 years. Landowners who do not renew their contracts face gradual increases in their property tax over a ten-year period to the level at which unrestricted land is taxed. Landowners who cancel their Williamson Act contracts must pay a penalty of 12.5 percent of the unrestricted fair market value of the land.

Governor's Budget. The Governor's Budget proposes $896,000 ($463,000 from the Soil Conservation Fund and $433,000 from Proposition 12 bond funds) to fund five 2-year limited-term positions and additional contract funds to increase enforcement of the Williamson Act.

Workload Justification. The department currently has 7.5 positions supporting the Williamson Act. The budget proposal would augment this program by over 60 percent. However, the department estimates that, with the new positions, it could raise an additional $4.5 million in revenues for the General Fund by ensuring accurate and timely payment of Williamson Act contract cancellation fees and ensuring that state subventions to local governments are based on qualifying contracted lands. This is a projected five-to-one return on investment for the state. The department will reassess its enforcement efforts after the two-year period to determine whether the increased enforcement efforts are justified. The Legislature provided $350,000 for this purpose in the 2005 budget, but these funds were vetoed by the Governor.

Staff Comments. The Governor proposes $433,000 from Proposition 12 bond funds to support this program. These funds have been supporting the Williamson Act program since 2004-05 when General Fund monies were cut from this program. While staff understands that bond funds have been utilized to backfill General Fund reductions to this program over the past two years, this is not an appropriate use of bond funds and it is not a sustainable source of funding for this program. These bond funds were intended to be used to acquire agricultural easements, which is a more appropriate use of bond funding.

Current law allows the department to deposit the first $2 million of Williamson Act fines and penalties it receives in the Soil Conservation Fund to support its program. The remaining fines and penalties from the Williamson Act are transferred to the General Fund. Staff finds that since the budget proposal is projected to bring in $5 for every $1 spent by the department, it seems appropriate to fund the entire program from the fines and penalties raised by the department. This would free up nearly $1 million in additional bond funding for the California Farmland Conservancy Program.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve trailer bill language that amends Government Code §51283 to increase by $500,000 the amount of Williamson Act penalties the department can keep to fully fund the expanded Williamson Act program.

- Approve $896,000 from the Soil Conservation Fund to fund the Governor's budget proposal.

2. California Farmland Conservancy Program

Background. The California Farmland Conservancy Program was established in 1996 and provides grant funding for the planning and voluntary acquisition of agricultural easements. Proposition 40 provided $75 million for the preservation of agricultural lands, grazing lands, and oak woodlands. These funds have been allocated to the following programs:

- California Farmland Conservancy Program - $38 million.
- Rangeland, Grazing and Grassland Program (Wildlife Conservation Board [WCB]) - $19 million.
- Oak Woodlands Conservation Program (WCB) - $5 million.

Governor's Budget. The Governor's Budget proposes $8.9 million from Proposition 40 for grants to conserve agricultural lands. These funds will fund the California Farmland Conservancy Program and are available for the planning and voluntary acquisition of agricultural conservation easements.

Staff Comments. Staff finds that the administration has made a policy choice to allocate the remaining Proposition 40 bond funds to the California Farmland Conservancy Program at the department. These funds are also eligible for preserving agricultural land through the Rangeland, Grazing, and Grassland Program and the Oak Woodlands Conservation Program, which are both administered by WCB.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open and request that staff, the department, the WCB, the LAO and DOF evaluate the relative needs and the cost effectiveness of each of these programs in preserving agriculture land.

3. Beverage Container Recycling Program

Background. The DOC's Division of Recycling administers the California Beverage Container Recycling and Litter Reduction Act (commonly referred to as the bottle bill) to achieve and maintain high recycling rates for beverage containers included in the program. The DOC provides a number of services to achieve these goals, including enforcement, auditing, grant funding, technical assistance, and education. Revenues to the Beverage Container Recycling Fund increased 40 percent in 2004-05 due to the implementation of legislation (AB 28, Jackson) enacted in 2003 that increased the deposit for beverage containers sold in California.

Governor's Budget and Finance Letter. The Governor's Budget proposes $904,000 from the Beverage Container Recycling Fund to fund eight 2-year limited-term positions to combat fraud in the Beverage Container Recycling Program. The Finance Letter (dated March 30, 2006) proposes $5.2 million in one-time funds from the Beverage Container Recycling Program to support the implementation of an integrated information technology system for the Division of

Recycling (DORIIS) to improve the department's ability to provide timely remittances and to detect fraud.

Workload Justification. The department reports that between 2001 and 2004, the department conducted audits of 206 recycling centers. These audits revealed that as many as 90 percent of all claims were fraudulent and $45 million in claims were not paid to these centers. On average, the department's 12 auditors each uncovered $1 million in fraud annually, which is a nine-to-one return on investment. The budget proposal would increase the department's auditing resources by over 60 percent. However, the department plans to re-evaluate the performance of the audit resources after a two-year period to determine whether the increase in audit resources is justified.

The department estimates that the integrated information technology program will save the department $18 million annually due to improved revenue collection and improved ability to track fraudulent activities. Furthermore, the department estimates that it will save the industry over $20 million due to the increased convenience of an e-government interface and by shortening the "float" time that it takes the department to reimburse processors.

LAO Recommendation. In their analysis of the 2006-07 Budget, the LAO has raised concerns that recycling rates below target have resulted in a swelling fund balance within the program. Currently, the Beverage Container Recycling Fund is expected to carry an overall fund balance of $429 million. The department has had a large surplus balance over the last several years and, beginning in 2002-03, about $325 million total was loaned to the General Fund to address the budget problem. The majority of these loans require repayment by 2008-09. Repayment of these loans will add further to the growing balance. In their analysis, the LAO has proposed various options the Legislature could use to address this problem, including:

- Increasing the California Redemption Value (CRV) to increase recycling rates.
- Expanding consumer education programs.
- Increasing Convenience Zone handling payments or expanding entities eligible for payments.
- Increasing grants to community organizations and local governments to encourage increased recycling.
- Increasing market development grants.
- Increasing supplemental payments to curbside recyclers.
- Reducing the flow of revenues into the Fund by suspending payments made by beverage container distributors into the fund.

The LAO recommends that the Legislature request that the department prepare a supplemental report evaluating the cost effectiveness of options to decrease the residual balance in the Beverage Container Recycling Fund, including the options listed above.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal to augment enforcement resources.
- Approve the Finance Letter proposal to fund the integrated information technology project.
- Approve the supplemental report language recommended by the LAO.

- Request that staff, the department, the LAO, and DOF work on a one-time project to increase grants to the California Conservation Corps and local conservation corps to increase recycling activities.

4. Division of Oil, Gas, and Geothermal Resources

Background. The Division of Oil, Gas, and Geothermal Resources ensures the safe exploration and development of hydrocarbon and geothermal resources. The division ensures that operators use sound engineering practices to protect life, health, property, and natural resources. The division oversees all operations related to mineral extraction, from drilling to the plugging of abandoned wells.

Governor's Budget and Finance Letter. The Governor's budget proposes $354,000 from the Oil, Gas, and Geothermal Administrative Fund to support four new positions to fill existing gaps in regulating geothermal resources in Northern California and oil and gas extraction in the San Joaquin Valley. These positions are funded by annual regulatory fees on the oil, gas, and geothermal industries.

The Finance Letter (dated March 30, 2006) proposes authorizing expenditure authority of $1.5 million from the Acute Orphan Well Account established by recently enacted legislation (AB 1471, McCarthy). This account is funded by a one-time industry assessment (assessment expires 1/1/08) and will be made available only if the department needs to plug an abandoned orphan well that poses immediate danger to human health and safety. The department also allocates $1 million from the Oil, Gas, and Geothermal Trust Fund to plug orphan wells. The new Acute Orphan Well Account will be used only after the department has expended the $1 million from the Oil, Gas, and Geothermal Trust Fund.

Workload Justification. Since 2001, the Division of Oil, Gas, and Geothermal Resources has lost 17 positions. This has negatively impacted the department's ability to meet its statutory obligation to regulate the oil, gas, and geothermal industries. Last year, the department added four clerical staff to allow engineers to be out in the field inspecting the oil and gas facilities. The department's proposal this year is to add four new inspection staff to slowly replace some of the positions lost over the last several years.

The department currently has no field engineer to regulate geothermal energy production in the northern portion of California. This budget proposal adds one position to regulate these facilities. The Coalinga District (Fresno County) currently has three field staff to regulate 5,339 active wells. The budget proposal adds one position so that each person is responsible for regulating approximately 1,330 wells. The Bakersfield district (Kern County) currently has 12 field staff to regulate 64,145 active wells. The budget proposal adds two positions so that each person regulates about 4,580 active wells.

There is a large discrepancy between Fresno County and Kern County on the number of wells each inspector has to regulate. The department indicates that the well-to-inspector metric is not the best indicator of regulatory effort since some districts have oil wells that are geographically concentrated, allowing for a more efficient inspection program. The department indicates that, in

Kern County, the wells are grouped into fields, which make them easier to regulate. Furthermore, the department indicates that it regulates wells that are closer to urban areas more often because of concerns related to health and safety. Some of the wells in Kern and Fresno are inspected only every two years because of relatively low human health and safety risks.

Staff Comments. Staff is concerned that the reduced level of regulatory presence in Kern County, the largest oil producing county in the state, has resulted in diminished protection of the state's natural resources. Kern County has significant groundwater supplies that are critical to meeting the state's water supply needs and significant populations of threatened and endangered species in and around the oil wells that are at risk of contamination. Furthermore, oil and gas prices are currently at historic levels and it is likely that additional wells will come on line, further increasing the department's workload. Given this, staff finds that additional regulatory staff in Kern County is warranted.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt the budget and Finance Letter proposals.
- Approve an augmentation of $177,000 to fund two additional inspectors for Kern County from the Oil, Gas, and Geothermal Administrative Fund.

5. Surface Mining and Reclamation Act

Background. The department's Office of Mine Reclamation provides expertise and advice to lead agencies and operators to implement the Surface Mining and Reclamation Act (SMARA). This act sets forth provisions to promote the use and development of mineral resources consistent with sound conservation practices, and promotes effective mine land reclamation to prevent adverse impacts.

The State Mining and Geology Board operates within the DOC, and serves as a regulatory, policy and appeals body representing the state's interest in geology, geologic and seismologic hazards, conservation of mineral resources, and reclamation following surface mining activities. The board is the main regulatory agent in adopting regulations for SMARA.

April Letter. The April Letter (dated March 30, 2006) submitted by the administration proposes $561,000 from the SMARA Account to fund two 2-year limited-term positions as well as contracts to accelerate efforts to inventory abandoned mines on state-owned lands.

Workload Justification. There are approximately 47,000 abandoned mines statewide. Many of these sites are dangerous and may be causing significant water quality problems. For example, the Department of Parks and Recreation was recently sued due to the contaminated run-off from the Empire Mine State Historic Park. The department indicates that more information is needed on the nearly 1,400 abandoned mine sites that have been located on state properties so that the department can prioritize the workload associated with remediation of these sites. Because these sites are located on state-owned property, they are a potential liability to California.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal.

- Request staff, the department, LAO and DOF to evaluate options for augmenting the department's remediation of abandoned mines that pose a health and safety risk to Californians.

6. Other Budget Proposals

Governor's Budget. The Governor's budget contains the following other proposals:

- **Information Technology Upgrades.** The budget proposes $537,000 annually for the next three years for lifecycle upgrades to the department's network computing infrastructure. This proposal is funded by various funds at the department ($268,000 from the Beverage Container Recycling Fund; $161,000 from the Oil, Gas, and Geothermal Administrative Fund; $54,000 from the Surface Mining and Reclamation Account; and $54,000 from the Mine Reclamation Account).
- **Geologic and Seismic Hazard Review for School Construction.** The budget proposes $450,000 in reimbursements from the Division of State Architect within the Department of General Services to support six permanent positions to complete reviews of geologic and seismic hazard reports for school construction.

Workload Justification. The department indicates that the funding provided for the information technology upgrades will allow the department to complete a four-year "refresh" project of its information technology infrastructure that will extend the life of its existing equipment.

The department indicates that the number of reviews requested by the Division of the State Architect has increased significantly over the last few years. The Department of Finance has already allowed the department to establish six positions administratively in the current year to deal with the increased workload. Delays were experienced in the prior year because of a lack of staffing at the department for geologic and seismic hazard reviews for new school construction.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposals.

3460 Colorado River Board

Background. The Colorado River Board (CRB) of California was established in 1937 by State statute to protect California's rights and interests in the resources provided by the Colorado River and to represent California in discussions and negotiations regarding the Colorado River and its management.

Governor's Budget. The Governor's budget proposes a small increase in funding for CRB. The CRB is funded entirely by reimbursements from local water districts.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
State Operations	$1,253	$1,393	$140	11.2
Total	$1,253	$1,393	$140	11.2
Budget Act Total	*0*	*0*	*0*	*0.0*
Reimbursements	1,253	1,393	140	11.2
Total	$1,253	$1,393	$140	11.2

1. Lower Colorado River Multi-Species Conservation Program—Informational Issue

Background. The board is involved in implementing the Lower Colorado River Multi-Species Conservation Program, which is one of the largest endangered species and habitat conservation plans to be adopted in the United States. This program was initiated in April 2005 and will lead to the restoration and maintenance of over 8,000 acres of native riparian, wetland, and aquatic habitats along the Lower Colorado River from Lake Mead to the Mexican border. This conservation program will allow the state to divert 4.4 million acre feet (California's full entitlement) from the Colorado River.

The conservation program ensures that the long-term needs of the federal and state endangered species act are met and maintained over the 50 year period of the program. The total cost of the program is estimated to be $626 million. Approximately half of the funding will be provided by federal parties and the remaining half of the funding will be from non-federal parties. California parties will fund 50 percent of the non-federal share with the remaining 50 percent being funded equally by Nevada and Arizona parties. No state funding is proposed to support this program.

Update. Since implementation began, nearly three thousand acres of private lands have been acquired for habitat restoration in both Arizona and California. The U.S. Bureau of Reclamation has also initiated native habitat restoration activities on the Cibola Valley Conservation Area in Arizona, and on the Palo Verde Ecological Reserve lands in California just north of Blythe, California.

U.S. Bureau of Reclamation's Fiscal Year 2006 Work Plan commits over $12 million to the conservation program for implementation activities through the year. Of the funds, over $4 million is directed to habitat restoration, $2.4 million for monitoring, $1.7 million for species research activities, and just over $1 million for native fish augmentation. The remaining funds are directed at habitat maintenance, adaptive management, and program administration.

2. Technical Positions

Governor's Budget. The Governor's budget proposes $132,000 from reimbursement funds to re-establish two positions that were eliminated when the board was still supported by the General Fund. The positions proposed for funding are one senior hydraulic engineer and one office technician.

Workload Justification. The board indicates these positions are needed to restore positions that were eliminated earlier in this decade. The engineer position supports important analysis and investigations related to reservoir and river operations on the Colorado River. This analysis supports California's position in negotiations with the federal government and other state agencies. This additional position is needed to augment the three other engineers at the board that work on these issues in order to ensure that analysis is done in a timely manner. The office technician is also needed to ensure overall efficiency of the board's office. Currently, the board has only one office technician to support its office.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3940 State Water Resources Control Board

1. Water Rights Program

Background. The board is responsible for regulating a number of surface water rights, including issuing new water rights, approving changes to existing rights, and enforcing existing rights. In 2003, legislation was enacted to implement water rights fees to shift funding for the board's water rights program from the General Fund to fees. The new fees are assessed annually on parties applying for or holding water rights that are under the jurisdiction of the SWRCB.

The water rights program was reduced by approximately $3.3 million (about 30 percent) in 2002-03. The reductions to the water rights program have increased an already existing backlog of water rights applications pending at the board. This backlog has been further exacerbated by the new fee program given the extra staff time required to address issues related to fee collection.

Governor's Budget. The Governor's Budget includes $3.6 million in special funds to improve the efficiency of the water rights program in processing water rights applications. The funds will support six new positions ($669,000) to aid in reducing the current backlog of water rights applications and change petitions.

The remaining funding ($2.9 million) will be used to fund a one-time investment in information technology upgrades to the board's water rights database management and tracking system. Funding for the database management and tracking system will be provided through a loan from the Underground Storage Tank Fund that will be paid back over a 5-year period in order minimize increases to the water rights fees. This financing arrangement adds approximately $400,000 to the total cost of the project.

Workload Justification. The six additional positions will enable the board to process about 25 more water rights applications annually. The current backlog of pending petitions and applications for water rights is nearly 1,200, and this will provide a marginal improvement to the program.

Furthermore, the board's current water rights database tracking system is antiquated and does not allow the board to easily comply with new mandates that require the board to enable the public to track water rights applications on the Internet. Furthermore, the current system does not do a good job of supporting the board in tracking and collecting water rights fees. A new system will be designed to comply with the new mandates and improve the efficiency of the department, thereby freeing up additional staff resources to process water rights applications. The board has completed the necessary feasibility study report.

Audit of Water Rights Program. The Bureau of State Audits (BSA) recently completed an audit on the board's Water Rights program. This audit found that a sampling of the board's water rights permit data had many errors. This data is the basis for setting water rights fees, which are based on the amount of water diverted by the permit holder. The board indicates that it plans to fix the errors found in the data sampling reviewed by BSA. The board also plans to

review and update other key water rights permits to ensure that they are correct. However, the LAO finds that the board does not have plans to review all of the permits in its system to ensure that the data that will be input into the new computer system will be accurate. Therefore, the LAO finds that the board may be charging fees that are based on erroneous and out of date information. The board indicates that, given existing budgetary resources, it will not be able to complete a comprehensive review of all of the records in its system to determine if they are correct.

Staff Recommendation. Staff recommends the Subcommittee take the following actions:

- Approve $669,000 and six new positions to process water rights permit applications.
- Approve a $2.9 million loan for information technology upgrades.
- Request that staff, DOF, the LAO, and the board evaluate options for adding additional funding to research and correct errors in the water rights permit database.

2. Bond-Funded Grant Programs

Background. The board implements several bond programs, including bond programs that support the CALFED program. Concerns have been raised over the last few years regarding the length of time it takes the board to award grants and contracts. The board has taken several actions to improve the efficiency of its bond program and to improve communication with potential applicants for bond monies. This has improved the board's bond program.

Governor's Budget. The Governor's budget proposes allocating bond monies to the following programs:

- **Groundwater Monitoring.** The budget proposes $10 million from Proposition 50 bond funds to support the board's groundwater monitoring program.
- **Integrated Regional Water Management.** The budget proposes $20 million from Proposition 50 bond funds to fund Integrated Regional Water Management grants.
- **Water Use Efficiency.** The budget proposes $950,000 from Proposition 50 bond funds for grants to implement water recycling projects.
- **Watershed Program.** The budget proposes $2.7 million from Proposition 13 bond funds for watershed restoration grants.
- **Non-Point Source Pollution.** The budget proposes $4.7 million in Proposition 13 bond funds for non-coastal non-point source pollution grants. The budget also proposes $1.5 million in Proposition 13 bond funds for coastal non-point source pollution grants.

The budget also proposes additional bond funding (around $17 million) to support the CALFED program. (These funds will be considered as part of an overall CALFED package.) The budget also proposes to shift eight positions from the bond program to the Underground Storage Tank Program.

Workload Justification. The board indicates that the shift of eight positions from the bond program will result in a 10 percent reduction in staffing for the board's bond program. The board indicates that less than one-third of the bond funding allocated to the board remains

unallocated. Funding for some bond programs is completely committed and these positions are not needed at this time.

Staff Recommendation. Staff recommends that the Subcommittee adopt the board's non-CALFED bond proposals.

3. Underground Storage Tank Cleanup Fund Program

Governor's Budget. The Governor's budget proposes to shift eight positions that currently exist in the board's bond program to the Underground Storage Tank Cleanup Fund program. The budget also requests a one-time increase of $10 million in expenditure authority of reverted funds to accelerate distribution of cleanup funds.

Previous Subcommittee Direction. At the meeting of Senate Budget Subcommittee #2 on April 3, 2006 the Subcommittee held open the proposal to redirect positions from the board's bond program and requested additional information supporting this proposal.

The Subcommittee approved the one-time $10 million increase in Underground Storage Tank Cleanup Funds to pay additional claims.

Workload Justification. The board indicates that the payment processing time for this program has grown to 98 days. Current law requires the board to make payments within 60 days of receipt. Furthermore, the board indicates that it has suspended pre-approvals of corrective action costs, which is an important process for small businesses. Staff finds that the Legislature approved 9.5 new positions for this program in the current year to meet increased workload. However, additional workload, associated with implementing legislation (AB 1906, Lowenthal) enacted in 2004, has further increased the board's need for additional positions. This legislation will result in an additional $33 million annually for the Underground Storage Tank Cleanup Fund program and requires the board to create a new program that funds cleanup of sites where there is no identifiable responsible party.

Staff Recommendation. Staff recommends that the Subcommittee adopt the Governor's proposal to shift eight positions from the bond program to the Underground Storage Tank Cleanup Fund program.

3. Irrigated Agricultural Waivers Program

Background. Historically, the regional boards have regulated runoff from agriculture under conditional waivers. Early on, these waivers contained few conditions and were not widely enforced. Legislation (SB 390, Alpert), enacted in 1999, required the regional boards to review and renew their conditional waivers or replace them with the more stringent waste discharge requirements, if appropriate, given water quality impacts. The regional boards adopted new conditional waivers for agricultural dischargers, under what is known as the Irrigated Agricultural Waivers Program. Under this program, individual growers or coalitions of growers are required to monitor water quality in the water bodies around their fields. If monitoring

reveals that discharges from agricultural lands are contributing to water quality levels that exceed specific standards, the regional board may require the individual grower or coalition to implement a plan to reduce the impacts on water quality.

Governor's Budget. The board's base budget contains $1.9 million and 22 positions to implement the Irrigated Agricultural Waivers Program.

LAO Recommendation. The LAO finds that low compliance with state regulatory requirements by growers has limited the Irrigated Agricultural Waivers Program's effectiveness. The board estimates that only 40 percent of the nearly 10 million acres of irrigated agricultural lands statewide are in compliance. However, because current law does not require individual landowners to report to the board, it is difficult for the board to determine which landowners are in compliance. In order to increase compliance, the LAO recommends that legislation be enacted to require: (1) that coalitions provide their membership lists to the regional board as a condition of the regional board enrolling each coalition in the agricultural waivers program, and (2) that coalitions make their membership list public.

Legislation (SB 923, Sher), enacted in 2003, requires this program to be supported by fees and the board's base budget includes $1.9 million in fees based on a fee schedule enacted in 2005. However, because of the low compliance rate, the LAO finds that actual fee collections may be significantly less than what is budgeted. Therefore, in order to fund the program at its current level, fees from other waste dischargers are used to support the Irrigated Agricultural Waivers Program. The board indicates that it plans to revise its fee schedule in order to cover the entire cost of the current program. The LAO recommends that the board report on its plans to make this program self supporting.

Update. The board indicates that it continues to work closely with coalition groups to determine which landowners are complying with the Irrigated Agricultural Waivers Program. The board issued an executive order in August of 2005 requesting the submittal of membership documents. The board reports that four coalition groups have submitted complete sets of membership information. The board also reports that it expects to receive membership information from two other coalitions shortly. However, two other coalition groups have not yet submitted membership information and one coalition has been dissolved.

Staff Comments. Staff finds that the board is making progress in improving compliance with its Irrigated Agricultural Waivers Program. However, more should be done to enroll landowners and increase compliance with the program. Discharge from irrigated agriculture continues to be a serious problem for some water bodies in the state, including the San Francisco Bay-Delta. Recent reports indicate that pyretherins, which is the active ingredient in pesticides, are contributing to the decline of the smelt population in the Delta. Some of the pyretherins found in the water system enter through runoff from agricultural lands.

Staff Recommendation. Staff recommends that the Subcommittee request staff to develop a trailer bill in consultation with DOF, LAO, and the board that would improve compliance rates in the Irrigated Agricultural Waivers Program.

4. Other Budget Proposals

Governor's Budget. The Governor's budget also proposes funding for the following budget proposals:

- **Lake Tahoe TMDL.** The budget proposes $64,000 in federal funds to support one 1-year limited-term position to complete implementation of the Lake Tahoe TMDL by 2008.
- **San Diego Transportation Projects.** The budget proposes $85,000 in reimbursements to support one 2-year limited-term position to conduct and follow up on environmental reviews for transportation projects in San Diego.

Workload Justification. Two federal grants have been granted to the Lake Tahoe TMDL process totaling $2.5 million. The board needs one position to coordinate the expenditure of these grant monies in order to explore new management strategies to reduce pollutants and to develop tools to track progress and performance of individual programs.

San Diego County currently has ten major transportation projects that are in various stages. The San Diego Association of Governments (SANDAG) is requesting that the board participate in the planning process for these transportation projects so that concerns regarding storm water pollution can be incorporated in the planning process. Incorporating features that deal with storm water pollution prevention during the planning process for transportation projects has the potential to save significant costs in reducing pollution from storm water.

Staff Recommendation. Staff recommends that the Subcommittee approve these budget proposals.

3860 Department of Water Resources

Background. The Department of Water Resources (DWR) protects and manages California's water resources. In this capacity, the department maintains the State Water Resources Development System, including the State Water Project. The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and water projects. The department is also a major implementing agency for the CALFED Bay-Delta Program, which is putting in place a long-term solution to water supply reliability, water quality, flood control, and fish and wildlife problems in the San Francisco Bay-Delta.

Additionally, the department's California Energy Resources Scheduling (CERS) division manages billions of dollars of long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor-owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) However, the IOUs manage receipt and delivery of the energy procured by the contracts. (More on the CERS division of DWR is included in the Energy and Utilities section of this agenda.)

Governor's Budget. The Governor's Budget proposes $445 million to support DWR in the budget year. This is 14 percent less than estimated expenditures in the current year due to a reduction in the amount of resources bond funds available for appropriation. General Fund support for the department is proposed to increase by $17 million to fund increases to the department's flood management activities and the lining of the All-American and Coachella canals.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
California Water Plan	$283,401	$251,575	-$31,826	-11.2
State Water Project Infrastructure	808,972	800,060	-8,912	-1.1
Public Safety and Prevention of Damage	216,458	152,348	-64,110	-29.6
Services	7,301	8,729	1,428	19.6
California Energy Resources Scheduling	5,275,449	5,036,366	-239,083	-4.5
Capital Outlay	205,508	207,995	2,487	1.2
Administration	63,700	63,700	0	0.0
less distributed administration	*-63,700*	*-63,700*	*0*	*0.0*
Loan Repayment Program	-4,013	-4,013	0	0.0
Total	$6,793,076	$6,453,060	-$340,016	-5.0
Funding Source				
General Fund	$230,233	$247,252	$17,019	7.4
Special Funds	10,313	12,068	1,755	17.0
Bond Funds	274,810	185,528	-89,282	-32.5
Budget Act Total	*515,356*	*444,848*	*-70,508*	*-13.7*
Federal Trust Fund	12,842	12,546	-296	-2.3
State Water Project Funds	948,614	923,155	-25,459	-2.7
DWR Electric Power Fund	5,275,449	5,036,366	-239,083	-4.5
Bosco-Keene Renewable Resources Investment Fund	20	-	-	-
Reimbursements	40,795	36,145	-4,650	-11.4
Total	$6,793,076	$6,453,060	-$340,016	-5.0

1. State of Emergency

Background. On February 24, 2006, the Governor issued a State of Emergency for the state's levee system, finding that people and property were in extreme peril due to the condition of the California levee system. The proclamation identified 24 critical erosion sites on project levees in the Sacramento River Flood Control system that need to be repaired before catastrophic failure occurs. The proclamation also indicated that DWR would continue to work on identifying other sites to determine if other repairs are needed and directed all state agencies to alleviate the

emergency in accordance with the State Emergency Plan. The Governor then sent a letter to the President requesting that a federal state of emergency be declared for the levee system.

On March 6, 2006, the Governor issued Executive Order S-01-06 directing the DWR to develop and implement a plan to accomplish critical levee erosion repairs this year at the 24 critical levee erosion sites in the Sacramento River Flood Control system.

Governor's Budget. The Governor's budget does not contain any funding for the State of Emergency as it was declared after the budget was released. However, $103.4 million in General Fund monies was provided to DWR to carry out the directives contained in the March 6 Executive Order as well as additional flood control activities. These funds were received by the department on March 22, 2006 and are being allocated from the General Fund's Special Fund for Economic Uncertainties (also known as the General Fund reserve).

Flood Fighting and Advance Measures. Since the State of Emergency was declared, the state has had the second wettest April on record and flow levels have been extremely high in the state's river systems, especially in the San Joaquin River system. The department and other agencies, including the Department of Forestry and Fire Protection, have been involved in flood fighting and advance measures to help to prevent flooding. So far, the department indicates that it has expended about $7 million on flood fighting activities and advance measures, mainly on the San Joaquin River system.

Critical Levee Erosion Repair Project. The department is currently preparing plans to make repairs to 29 critical levee erosion sites in the Sacramento River Flood Control system, including five sites identified by the U.S. Army Corps of Engineers that should be added to the original list of 24 critical erosion sites. A contract was awarded to the URS Corporation on March 9, 2006 for engineering and environmental work for the majority of these repairs. The department indicates that it will likely cost about $150 million to make all of the repairs, which is $50 million more than what has been earmarked by the Governor for this activity.

On March 31, 2006, the U.S. Army Corps of Engineers committed to repair 10 of the 24 sites listed as critical and indicated that five other sites should be added to the critical erosion sites list. To date, the federal government has not issued a federal emergency declaration and additional federal funding to repair the critical erosion sites has not been provided. Therefore, on April 6, 2006, the DWR announced that it would provide $30 million in state funds to the federal government for the U.S. Army Corps of Engineers to repair 10 of the 29 erosion sites.

Federal Funding. Historically, the U.S. Army Corps of Engineers does the majority of the erosion repairs on levees in the Sacramento River Flood Control system. The Executive Order breaks with this tradition by directing DWR to take over this role to direct erosion repairs with or without the federal government. Historically, the federal government would cover 75 percent of the costs of an erosion repair. The state indicates that it continues to seek a full cost share from the federal government and hopes that the $30 million advanced to the U.S. Army Corps of Engineers will count towards the state's cost share. However, it is not certain that the federal government will recognize this funding arrangement nor is it certain that the federal government

will ultimately participate financially in the other levee repairs being made solely by the state under the Executive Order.

Bond Funding. The Legislature and the Governor continue to work on an infrastructure bond package to put before the voters in November 2006. It is likely that some funding in the ultimate package will be provided for critical erosion repairs in the Sacramento River flood control system. However, this money would not be available for appropriation until the 2007-08 budget, which is too late for completing the repairs as directed by the Governor's Executive Order. However, as additional sites are identified and if some repairs are delayed, they could be funded by bond funding.

Environmental Reviews. Under the State of Emergency issued by the Governor, the erosion repairs are not required to comply with the California Environmental Quality Act (CEQA), which specifically exempts actions to prevent or mitigate an emergency. However, the department plans to incorporate environmental features into each erosion repair to mitigate the impacts of these repairs. For example, the department indicates that it plans to preserve rooted vegetation, including woody material to preserve fish habitat, and avoiding Valley Elderberry Longhorn Beetle Habitat in its repairs. The Governor is seeking expedited permitting from the federal government for the erosion repairs. However, federal law does not allow the President to unilaterally waive the Endangered Species Act even in emergency conditions. The Department has convened a Levee Repair Executive Oversight Committee to streamline coordination with federal and state agencies on permitting.

Staff Comments. Staff finds that it is critical for the state to move forward with erosion repairs to prevent catastrophic failures of the state's levee system. However, it is also important for the state to stay vigilant in pursuing federal funding for these expenditures that have historically been funded by the federal government.

Furthermore, it is imperative that the state improve its oversight of levee maintenance in order to reduce future costs associated with critical erosion repairs caused by deferred maintenance. Staff also recognizes that the department plans the use of setback levees for at least four of the critical sites. The department should be encouraged to use these features, where possible, in order to avoid costly repairs on sites that are likely to erode again.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Request that the DWR prepare monthly reports to the Legislature on the amount of funding expended, to date, under the State of Emergency.
- Adopt supplemental report language that requests DWR to report to the Legislature by February 1, 2006, on the status of completing the 29 erosion repairs, including an accounting of state funds expended, federal funds received and projected to be received for work completed, local funds received and projected to be received for work completed, and additional appropriations needed to complete the repairs.

2. State Flood Management Activities

Background. The 2003 decision in *Paterno* v. *State of California* has made the state potentially liable for damages resulting from any levee failure within the state/federal flood control system in the Sacramento and San Joaquin River basins (the Central Valley). In 2005, the DWR completed a white paper to address many of the issues raised by the *Paterno* decision. The administration's paper identified the following problems with the current flood management system in the Central Valley:

- The current infrastructure is aging and there is a significant amount of deferred maintenance.
- Development is escalating in and around the floodplains.
- Fiscal resources to support maintenance and upgrades are declining.
- The *Paterno* decision has increased the state's potential liability in case of levee failure.

The paper recommended several strategies to address the problems identified in the report. These strategies include the following:

- Evaluate flood control system integrity, rehabilitate as needed, and improve maintenance.
- Create reliable funding sources for funding flood management activities.
- Improve floodplain mapping and outreach on flood risks.
- Reduce or shift the state's liability exposure.

In 2005, the Legislature approved $9.4 million and 27 new positions to start implementing the first year of a three-year proposal to phase in additional funding to support the first three strategies listed above. This proposal included additional funding in the current year for the following activities:

- **Flood Project Maintenance.** This activity involves maintenance of the Central Valley flood control projects.
- **System Reevaluation and Rehabilitation.** This activity involves reevaluation and rehabilitation of the Central Valley flood control system to address current deficiencies in the system.
- **Emergency Response.** This activity involves increasing the department's ability to respond in case of a flooding emergency.
- **Floodplain Management.** This activity involves improving the department's floodplain mapping and programs that help local governments to comply with the federal National Flood Insurance Program.

To date, legislation to reduce and/or shift the state's liability exposure has not been implemented.

Governor's Budget. The Governor's Budget proposes $20.7 million in General Fund monies for the second year of a three-year program to phase in additional funding to support the department's flood management activities. The majority of the funding supports flood management activities in the Central Valley. The proposed budget augmentations will fund the following activities:

- **Central Valley Flood Project Maintenance.** The budget includes $13.3 million General Fund ($2 million one-time) to support 14 new positions to augment maintenance of the Central Valley flood control projects. This includes: improving maintenance of

levees and flood control channels, improving the levee inspection program, legal support for floodway encroachment policies, sediment removal, convening a regulatory reform forum, erosion repairs, digitizing Reclamation Board files, levee crown and cross section surveys, digitizing encroachment permits, and making improvements to the state's maintenance yards.

Activity	On-going	One-Time	Positions
Sacramento River Flood Control Project-Maintenance	$3,700		11.0
Sacramento River Flood Control Project-Equipment		$1,225	
Levee Inspection Program	$250		1.0
Levee Inspection Program–Computer Equipment		$20	
Legal Encroachment Work	$200		1.0
Sediment removal in the Sacramento River Flood Control Project	$1,660		
Regulatory Compliance–Contracts with other agencies	$900		
Regulatory Reform Forum		$500	
Erosion repairs including land acquisition	$4,000		
Reclamation Board file management system	$375		1.0
Levee Crown and Cross-Section Surveys for non-standard slopes	$250		
Phase 2 of digitizing and organizing encroachment permits		$150	
Deferred Maintenance at maintenance yards		$100	

- **System Reevaluation and Rehabilitation.** The budget includes $2.1 million in General Fund monies ($450,000 one-time) to support eight new positions to conduct geotechnical analysis of the levees and prepare several reports; including, the State Plan of Flood Control, System Status Report, and 80 reports on flood control activities of local agencies. Funds will also be used to repair Sacramento Bypass levees near an old Sacramento landfill that pose a hazardous waste risk.

Activity	On-going	One-Time	Positions
Geotechnical analysis and report preparation	$1,660	$200	8
Sacramento Bypass levee repair		$250	

- **Emergency Response.** The budget includes $2.3 million in General Fund monies ($670,000 one-time) for emergency response to support nine new positions to augment resources for the Flood Operations Center for the Central Valley (the Center also supports the Eureka Flood Center) and implementation of the State Emergency Management System. Funding is also proposed to improve key flood forecasting data and improve data collection.

Activity	On-going	One-Time	Positions
Flood Operations Center Program–GIS and IT Support	$400		2.0
Flood Operations Center Program–Computer Equipment		$50	
Emergency Preparedness and Security Planning	$230		1.0
Emergency Preparedness and Security Planning–IT and Vehicle		$50	
Restore and expand flood forecasting stream gauges	$150		1.0
Restore California Data Exchange Center data collection	$200		1.0
Snowmelt runoff forecasting	$640	$570	4.0

- **Floodplain Management.** The budget includes $3 million in General Fund monies to support one new position and to support contracts to update existing Federal Emergency Management Agency (FEMA) flood insurance rate maps as well as to develop new maps for unmapped stream reaches where urban development is anticipated.

Activity	On-going	One-Time	Positions
National Flood Insurance Program Mapping	$2,270		1.0
Awareness Mapping throughout the state	$700		

Workload Justification. The Governor is requesting 32 additional positions to support the department's flood management activities. The additional positions requested for flood project maintenance are backfilling reductions in staff to maintain the Sacramento River flood control project. Current law (Water Code §8361) requires the state to maintain certain flood control features. These positions will ensure adequate maintenance of these features. Since the state is responsible for maintaining these features, it is directly responsible for failures that may occur because of lack of maintenance. Additional positions are also requested to improve the levee inspection program. Since *Paterno,* the state also has liability for levees that are part of the state system of flood control, even if they are not directly maintained by the state.

Several studies have underscored the need for a system-wide evaluation of the Central Valley flood control system. The Governor requests additional positions to augment this activity. These positions will be used to oversee geotechnical analysis and prepare several reports that will provide critical information on the status of the current system.

Emergency response efforts at the department were cut back significantly due to budget reductions in the early part of this decade. The department proposes to restore nine positions to improve its ability to respond to flood emergencies. This includes improving the department's flood forecasting activities.

Floodplain mapping is an important tool to minimize development in flood prone areas. The Governor requests an additional program to accelerate mapping efforts in the Central Valley.

The Central Valley is one of the fastest growing areas of the state and many of the reaches of streams are not currently mapped under the National Flood Insurance Program.

Bond Funds. The majority of the ongoing funding requested as part of this proposal is for staff and to fund ongoing maintenance costs. Approximately $6 million is proposed for erosion repairs and sediment removal annually. These activities are eligible to be funded by bond funds. However, some level of annual funding is needed to maintain the levees and flood control channels. A State of Emergency has been declared for the state's levee system because of the long history of inadequate maintenance on our levee system. Therefore, the ongoing General Fund monies proposed for erosion repairs and sediment removal is needed to avoid more costly repairs in the future.

LAO Recommendation. The LAO indicates that the state is currently facing a crisis in flood management. The LAO recommends approving the department's proposed flood management plan as a prudent initial step to begin addressing the state's obligation to provide adequate flood control. Furthermore, the LAO recommends a more appropriate allocation of the costs of increased flood protection to those that benefit from the DWR's flood management activities. These recommendations include the following:

- **Cost Sharing.** The LAO recommends that the Legislature consider establishing a Central Valley system-wide assessment so that the beneficiaries of state flood management efforts pay for a portion of the state's costs. The Governor's Growth Plan references support for the concept of a funding contribution from beneficiaries of the Central Valley flood control system, but does not propose a specific mechanism to accomplish this.
- **Land Use and Flood Risk.** The LAO recommends enacting a floodplain development fee which could be used to fund increased flood control measures necessary to protect new development in flood-prone areas. Alternatively, the LAO recommends that the state require local agencies to make a determination that new development has an adequate level of flood control, as they must currently do for water supply. Both of these recommendations improve the connection between land use and flood risk, which was one of the key problems identified in DWR's 2005 white paper.

Staff Comments. Staff finds that the department's budget proposal is a good first step toward properly maintaining the current flood infrastructure and responding to emergency conditions. However, more needs to be done to reduce flood risk to people and property and financial risk to the state. Staff finds that all responsible parties should help in reducing flood risk, including local governments which are making land use decisions that increase flood risk. Efforts to improve the connection between land use and flood risk are currently being pursued in policy bills.

Staff Recommendation. Staff recommends that the Subcommittee adopt the Governor's budget proposal for state flood management activities, including:

- Flood Project Maintenance ($13.3 million).
- System Reevaluation and Rehabilitation ($2.1 million).
- Emergency Response ($2.3 million).
- Floodplain Management ($3 million).

3. Central Valley Flood Control Projects – Capital Outlay

Background. In addition to ongoing maintenance and erosion repairs, the DWR oversees funding for projects to upgrade and increase the design capacity of flood control features. These projects are treated as capital outlay projects and are generally built by the U.S. Army Corps of Engineers with a cost-share from state and local governments.

Governor's Budget. The Governor's Budget proposes $41.3 million ($31.4 million General Fund) for various capital outlay flood control projects in the Central Valley. Funding is allocated for the following projects:

- **Folsom Dam Modifications.** The budget includes $19.5 million ($14.4 million General Fund and $5 million Reimbursements) for modifications to the raising of Folsom Dam to improve flood protection along the American River. (Future state funding of $24.6 million will be needed for this project starting in 2007-08.)
- **American River Common Features Project.** The budget includes $9.2 million ($6.4 million General Fund and $2.7 million Reimbursements) to fund the Common Features project, which is the first increment of a comprehensive flood control plan for Sacramento. (Future state funding of $25.7 million will be needed for this project starting in 2007-08.)
- **Folsom Dam - Bridge Element.** The budget includes $6.8 million ($4.8 million GF and $2 million Reimbursements) for the construction of a new bridge crossing the American River. (Future state funding of $497,000 will be needed for this project in 2007-08.)
- **Sacramento River Bank Protection Project.** The budget includes $4.9 million in General Fund monies to prepare new environmental compliance documents for Phase 2 of this project, acquire land for setback levees and to fulfill existing mitigation requirements, repair critical erosion sites, and assist the Army Corps of Engineers in obtaining federal authorization for Phase 3 of the project.
- **American River Natomas Features Project.** The budget includes $496,000 to reimburse the Sacramento Area Flood Control Association for Phase 1A of this project. (Future state funding of $5.4 million for phases 1B and 2 of this project will be needed in 2007-08.)
- **Upper Sacramento River Levee Restoration Project.** The budget includes $484,000 ($357,000 General Fund and $127,000 Reimbursements) to restore levees between Knights Landing and the Colusa Weir. This appropriation is needed to complete this project.

Finance Letter. The Finance Letter, dated March 30, 2006, requests the following amendments to the budget to reappropriate capital outlay funds that were allocated in prior budget years and not expended for specific flood control projects. The projects include the following:

- **Marysville/Yuba City Levee Reconstruction Project.** The budget proposes to reappropriate $563,615 in General Fund monies and $361,539 in reimbursement funds. This funding is needed for remaining land acquisitions to access the project and to complete project turnover to the local agencies. These funds were originally appropriated in 2003.

- **Magpie Creek Flood Control Project.** The budget proposes to reappropriate $1.5 million in Proposition 13 bond funds and $533,000 in reimbursement funds. This funding is needed to fund land acquisitions, relocations and other activities for the Magpie Creek Flood Control Project in the City of Sacramento. This project was delayed because the local sponsor chose to pursue a redesign of the original project with the U.S. Army Corps of Engineers. These funds were originally appropriated in 2000.
- **Tisdale Bridge Replacement.** The budget proposes to reappropriate $1.5 million in General Fund monies. This funding is needed to meet the state's obligation to pay a portion of the non-federal project costs. This project has been delayed by construction cost escalations and real estate acquisitions. However, the federal government has agreed to pick up the bulk of the cost overruns and recent discussions appear to have resolved outstanding issues related to real estate acquisition. These funds were originally appropriated in 1998.
- **Yuba River Basin Flood Control Project.** The budget proposes to reappropriate $3 million in General Fund monies and $1.4 million in reimbursement funds. This funding is needed to fund land acquisitions, relocations, and other activities for a project to increase flood protection for Marysville, Linda, Olivehurst, Arboga, and other rural areas in Yuba County. This project has been delayed by the U.S. Army Corps of Engineers after they determined that the original scope of the projects would not address under-seepage issues throughout the Sacramento River flood control system. The Corps is currently preparing a general reevaluation report to address this problem, which has delayed the expenditure of funds. These funds were originally appropriated in 2000.
- **South Sacramento County Streams Project.** The budget proposes to reappropriate $1.5 million in Proposition 13 bond funds and $3 million in reimbursement funds. This funding is needed to fund land acquisitions, relocations, construction, and staff activities for a project to increase the flood protection for South Sacramento County and the City of Sacramento, including the Sacramento Regional Wastewater Treatment Plant. This project has been delayed due to a Corps re-analysis of the hydrology and hydraulic model for the project. These funds were originally appropriated in 2000.

Bond Funds. Most of the capital outlay projects could be appropriately funded by bond funds. The department indicates that the Governor's Growth Plan (bond) considered funding the department's Five-Year Infrastructure Report. However, if expenditures are required beyond the five-year planning horizon, they were not included in the bond proposal. Nevertheless, if a bond is passed by the voters in November 2006, these funds will not be available for appropriation until 2007-08. It is not clear to staff what projects, if any, could be delayed without impact to federal funding commitments and overall costs to the project.

LAO Recommendation. The LAO indicates that the state is currently facing a crisis in flood management. The LAO recommends approving the department's proposed flood management plan as a prudent initial step to begin addressing the state's obligation to provide adequate flood control.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal to fund flood capital outlay projects.
- Approve the Finance Letter to reappropriate flood capital outlay projects.

4. *Paterno* Lawsuit Settlement—Informational Item

Background. The *Paterno v. State of California* lawsuit stems from a flood on the Yuba River in 1986. In February of that year, a 150 foot gap opened in the levee, allowing approximately 20,000 acre feet of water to flood 7,000 acres of land in the communities of Linda and Olivehurst, in Yuba County. As a result, hundreds of homes and a shopping center in the area were flooded. Subsequently, approximately 2,600 affected parties filed suit against the local reclamation district and the state. In 2001, a trial court ruled in favor of the state. However, in 2003 the California Court of Appeal ruled that the state was liable (and that the local reclamation district was not) and sent the case back to the trial court to award damages. The state appealed to the California Supreme Court which refused to hear the case.

The California Court of Appeal found the state liable for inverse condemnation arising from the failure to properly maintain the levee that failed. This decision has opened the state up to enormous financial liability for flood damages elsewhere in the system.

This lawsuit will cost the state over $585 million in General Fund monies. The 2005-06 Budget Act allocated $103 million in General Fund monies to cover a portion of the liability. The remainder of the liability is being financed by a 10-year financing arrangement with Merrill-Lynch. Financing the debt will cost the state an additional $125 million in interest over the next ten years.

Governor's Budget. The budget contains about $63 million in General Fund monies to cover the debt service payment to Merrill-Lynch in the budget year.

5. State Reclamation Board

Background. The State Reclamation Board (SRB) is responsible for flood management in the Central Valley (along the Sacramento and San Joaquin rivers). The Central Valley has the most extensive flood management system in the state since the entire valley floor regularly flooded before its development. The SRB administers a permit and enforcement program for development within the Central Valley's floodplains. The board is composed of seven members, appointed by the Governor, to serve four year terms. These appointments are not confirmed by the Senate.

Governor's Budget. The Governor's base budget contains $583,191 in General Fund monies to support the State Reclamation Board.

Plumas Lakes Development. In 2005, the State Reclamation Board agreed to $60 million in levee improvements along the Feather and Yuba rivers to allow Yuba County to build 1,500 new homes on land that has flooded twice in the last 20 years. On April 21, 2006 the State Reclamation Board, made up of an entirely new slate of board members appointed by the Governor, reversed the 2005 decision allowing for unlimited development before any levee improvements are made. Plans call for as many as 12,000 new homes in the area. The board

staff recommended against lifting the housing ban, but the board voted 4-1 despite this recommendation. This decision directly increases the state's potential liability under the *Paterno* decision and also places persons and property in danger of flooding.

Reclamation Board Reform. Staff finds that decisions made by the State Reclamation Board have a direct impact on the state budget. The recent Plumas Lakes decision and others indicate that the board is unwilling to make tough decisions to reduce the flood risks in the Central Valley and protect people and property from flood damage. In order to reduce flood risks in the Central Valley, the planning and quality control functions of the Reclamation Board, or its successor, must be restored by:

- Strengthening the independence and resource capacity of the Reclamation Board.
- Clarifying, and in some cases strengthening, the Reclamation Board's powers and duties.
- Clarifying the relationship between the Reclamation Board, Department of Water Resources (DWR), Federal Agencies, and local flood management agencies.

Staff Recommendation. Staff recommends that the Subcommittee delete funding for the State Reclamation Board.

4. Yuba Feather Flood Protection Program

Background. The Yuba Feather Flood Protection Program was created in the Proposition 13 bond fund to address the serious threat to life and property along the Yuba/Feather River system. The bond allocated $90 million for this program ($20 million is being implemented by the Department of Fish and Game for environment and wildlife mitigation projects). Approximately $2.6 million, of the $70 million being implemented by DWR, was set aside to reimburse local entities in Sutter County for their local share of cost-shared projects.

The DWR has allocated approximately $52.9 million of the funds to flood control projects as part of the Yuba Feather Flood Protection Program.

Finance Letter. The Finance Letter, dated March 30, 2006, proposes to revert $2.5 million in unexpended Proposition 13 bond funds that were intended for a capital outlay project to construct a flood protection project for the Colusa Basin Drainage District. The construction of this project has been delayed because of concerns raised during CEQA review. Instead of pursuing the project for the Colusa Basin Drainage District, the DWR proposes to allocate $2.5 million in Proposition 13 bond funds as local assistance to the Three Rivers Levee Improvement Authority to construct setback levees along the Bear River in Yuba County. These funds would allow the Three Rivers Levee Improvement Authority to expedite flood protection for the Plumas Lakes Development.

Staff Comments. Staff finds that a recent decision by the State Reclamation Board to allow for unlimited development before levee improvements are made will increase flood risk and financial risk to the state. As mentioned earlier, the state is currently paying a $585 million settlement due to one small levee break and there is financial risk involved in large scale development in areas that are prone to flooding. Furthermore, it is unclear why the department no longer finds the project at Colusa Basin Drainage District a priority just because

environmental documentation has been delayed. Staff needs additional information about how decisions are being made to allocate state bond funding as part of the Yuba Feather Protection Program.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open and request that the department provide additional information on how priorities are set, and funding decisions made, in the Yuba Feather Protection Program.

8. Local Flood Control Subventions

Background. Outside the Central Valley flood control system, the state's role in flood management is generally limited to providing local assistance funds to local governments for flood control projects. The state typically funds up to 70 percent of the non-federal share of the project. However, legislation (AB 1147, Honda) enacted in 2000 expanded the state's role in developing flood management projects. Under this legislation, the state will only provide a 50 percent cost share for local projects unless the project has multiple benefits, such as habitat conservation and water quality benefits.

The local government sponsoring the flood control project typically fronts the funding for the project and is reimbursed by the state at a later date. The state has not allocated funding for local flood control subventions in the last few budget years and currently owes $238 million to locals. However, the liability is projected to grow to over $815 million over the next ten years.

Governor's Budget. The Governor's budget does not allocate any new funding to pay for local flood control subventions. Furthermore, one position supports the entire local flood control subvention program, including implementation of provisions in AB 1147.

Bond Funds. Bond funding is an appropriate funding source for this activity since local flood control subventions fund capital projects. If a bond is passed by the voters in November 2006, these funds could be used to help pay down the state's arrearage that continues to accumulate.

LAO Recommendation. The LAO recommends that the Legislature consider improving the connection between land use planning and flood risk by tying flood control subvention funding to flood risk. This would make local agencies that approve risky development ineligible for flood control subvention funding from the state.

Napa River Flood Project. The DWR has received nearly $50 million in claims from Napa County for the state's share of funding for a major flood project on the Napa River. So far, the department has not paid any of the claims owed to Napa County. Staff finds that Napa County may need $10 million in the budget year in order to continue implementation of the Napa River flood project. The City of Napa suffered extensive flooding during January 2006 that might have been avoided had the project been fully implemented.

Staff Comments. Staff finds that the department currently has no plans to pay local governments the funding they are owed under the Local Flood Control Subventions Program. Furthermore, staff finds that the department is not implementing current law which requires

DWR to work with local governments outside of the Central Valley on projects that reduce flood risk and help achieve other benefits, such as water quality and ecosystem restoration. The flooding that occurred in Napa County, and elsewhere in January 2006, was an indication that flooding is not just a problem in the Central Valley. Numerous other areas of the state are prone to flooding and require technical support from DWR. The DWR is not currently able to provide this technical support. The DWR indicates that this program has been reduced due to budget reductions and that earlier in this decade it had six positions supporting the Local Flood Control Subventions Program.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Request that staff, the LAO, DOF and the department evaluate options for providing $10 million to Napa County in the budget year to continue development of the Napa River flood project.
- Request staff, the LAO, DOF and the department to evaluate options for adding additional positions to the Local Flood Control Subventions Program so that the department can implement current law.

6. Other Bond Programs

Governor's Budget. The Governor's budget includes the following other budget proposals:

- **Flood Management.** The budget proposes allocating the remaining $460,000 in Proposition 13 bond funds. These funds are allocated to continue the administration of local assistance grants awarded as part of the Flood Protection Corridor Program ($350,000) and continue support for the National Flood Insurance Program Technical Assistance Program ($110,000).
- **Urban Streams Restoration Program.** The budget proposes to revert $132,000 in unused Proposition 13 bond funds to support one position to continue management of grants awarded by the Urban Streams Restoration Program.

Staff Recommendation. Staff recommends that the Subcommittee adopt these budget proposals.

9. All-American Canal Lining

Background. Legislation (SB 1765, Peace), enacted in 1998, provides $235 million in General Fund monies as a continuous appropriation to the Colorado River Management Account. These funds are to reimburse local agencies for the lining of the All-American Canal and other projects that help the state live within its Colorado River water allocation. While not explicitly part of the 2003 Quantification Settlement Agreement, the allocation of these funds was part of the general agreement made between several Southern California water agencies and the state.

Governor's Budget. The Governor's Budget proposes $84 million from General Fund monies to fund the lining of the All-American and Coachella Canals.

New Lawsuit. On April 18, 2006, a lawsuit was filed against the Imperial Irrigation District to stop the construction of the All-American Canal. A group called Protect Our Water and Environmental Rights claims that the project design presents a peril to humans and animals. The suit alleges that the canal does not include escape ridges, which are continuous steps that allow animals and humans trapped in the canal to climb out. The suit states that this feature was removed from the canal's original design and that this modification violates the California Environmental Quality Act. The lining project also faces another legal challenge in federal court in Las Vegas brought by a Mexican economic development group and two U.S. environmental groups alleging that the project would harm wildlife on both sides of the border by drying up wetlands fed by canal seepage.

Update on Coachella Canal. The Coachella Canal lining project is about 69 percent complete and is on schedule for operational flows to be diverted into the newly lined canal by December 2006. Thus far, the state has allocated $80 million to fund this project and reimbursed the San Diego Water Authority (contractor for the Coachella Canal lining project) for about $56 million, leaving $24 million on deposit at DWR. The budget proposes an additional $3.6 million in General Fund monies to complete the allocation for this project.

Update on All-American Canal. The All-American Canal lining project is scheduled to start construction by June 2006. Bids have been received and the project is expected to take 34 months to complete with projected completion in spring 2009. Thus far, the state has allocated $53 million to fund this project and reimbursed the Imperial Irrigation District (contractor for the All-American Canal lining project) for about $10 million, leaving $43 million on deposit at DWR. The budget proposes allocating an additional $77.5 million in General Fund monies to continue funding the project. The DWR estimates that if construction starts in June all of these funds will be expended in the budget year.

Bond Funding. Proposition 50 contains $12.5 million in unexpended bond funds that could be used to fund the lining of the All-American Canal, thereby saving $12.5 million in General Fund monies in the budget year. Shifting $12.5 million of the funding for the All-American Canal from the General Fund to bond funds would not reduce the state's obligation to provide the $32.5 million that is owed under current law to complete this project.

Staff Recommendation. Staff recommends that the Subcommittee hold this item open and request the department to provide additional information on the impact of the lawsuits on construction of the All-American Canal in the budget year.

CALFED Program

Background. The CALFED Bay-Delta Program (CALFED), a consortium of 12 state and 13 federal agencies, was created to address a number of interrelated water problems in the state's Bay-Delta region.

Governor's Budget. The Governor's Budget proposes $250 million ($26 million General Fund) for the state share of the CALFED Program. This is about $75 million less than estimated expenditures in the current year due to a reduction in resources bond funds available for appropriation. General Fund support for the program is estimated to increase by nearly $15 million in the budget year due to increases in funding for delta levees.

Staff Comments. This agenda only contains a high-level summary of the Governor's budget proposal and a discussion of selected CALFED issues. The remaining CALFED issues will be heard at a later date.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Expenditures by Program Elements				
Ecosystem Restoration	$162,155	$32,349	-$129,806	-80.1
Environmental Water Account	9,052	8,970	-82	-0.9
Water Use Efficiency	28,567	62,115	33,548	117.4
Water Transfers	-	-	-	-
Watershed	11,791	8,658	-3,133	-26.6
Water Quality	1,043	19,387	18,344	1758.8
Levees	19,164	18,513	-651	-3.4
Storage	8,778	8,612	-166	-1.9
Conveyance	34,398	66,629	32,231	93.7
Science	34,724	10,524	-24,200	-69.7
Water Supply Reliability	6,868	6,806	-62	-0.9
Oversight and Coordination	7,499	7,375	-124	-1.7
Total	$324,039	$249,938	-$74,101	-22.9
Expenditures by Department				
Department of Water Resources	$125,000	$210,258	$85,258	68.2
California Bay-Delta Authority	126,487	14,347	-112,140	-88.7
State Water Resources Control Board	1,634	19,189	17,555	1074.4
Department of Fish and Game	67,222	5,448	-61,774	-91.9
Department of Forestry and Fire Protection	154	159	5	3.2
Department of Conservation	3,330	324	-3,006	-90.3
Department of Health Services	125	125	0	0.0
San Francisco Bay Conservation Development Commission	88	88	0	0.0
Total	$324,040	$249,938	-$74,102	-22.9
Expenditures by Fund Source				
General Fund	$11,477	$26,449	$14,972	130.5
Proposition 204	29,025	1,575	-27,450	-94.6
Proposition 13	18,921	73,782	54,861	289.9
Proposition 50	232,689	105,847	-126,842	-54.5
State Water Project	29,705	39,015	9,310	31.3
Other State Funds	2,223	3,270	1,047	47.1
Total	$324,040	$249,938	-$74,102	-22.9

1. CALFED 10-Year Action Plan—Informational Item

Background. In 2005, legislative concerns were expressed about the program's overall performance. In response, the Governor directed that a number of independent management, fiscal, and program reviews of CALFED be conducted. These reviews identified several problems with CALFED's current organizational structure and found that the program lacks clear goals and priorities to guide its decision making and hindering its ability to move forward.

As mentioned above, the Governor directed that a number of independent reviews of CALFED be conducted. Four separate reviews were conducted over the summer and fall, as follows:

- Little Hoover Commission -- review of CALFED governance.
- Department of Finance, Office of State Audits and Evaluations -- fiscal review of CALFED expenditures since inception and CALFED's expenditure tracking mechanisms.
- Department of Finance, Performance Review Unit -- program review of the implementation status of CALFED programs.
- The KPMG (a private consultancy firm) -- interview and survey of CALFED stakeholders.

The LAO finds common agreement among the reviews on the following three points:

- The current CALFED governance structure is not working well and is impeding the program's effectiveness. Responsibilities among CALFED implementing agencies are not clear and no one is in charge.
- The state's priorities for CALFED are not clear.
- Meaningful performance measures to track the program's progress, and hold the program accountable for outcomes, are lacking.

10-Year Action Plan. A new 10-year Action Plan Framework for the CALFED Bay-Delta Program was released on April 20, 2006. This plan recommends actions in the following areas:

- **Governance**. The Governor proposes to eliminate the Bay-Delta Authority and reestablish a policy group (called the CALFED Leadership Council) chaired by the Secretary for Resources and the federal lead appointed by the Secretary of the Interior. The policy group will include stakeholder representatives as decision makers. The plan also calls for establishing independent oversight of the CALFED program, including a comprehensive review of the program every seven years. A State Public Advisory Committee is also proposed to be the conduit through which public input can be channeled to program decision makers.
- **Program and Fiscal Management**. The Governor proposes to reorganize the Bay-Delta Authority staff to focus on strategic planning and implement new performance-based program management of the CALFED program. The plan also calls for standardizing fiscal management and tracking systems, developing a communications plan, and establishing science-based performance measures to allow for adaptive management of the program.
- **Refocused Program Priorities**. The Governor proposes to "refocus" the program and has identified a subset of actions that will be managed more intensively through the CALFED process. These actions generally include those that have a direct link to

problems and solutions in the Delta. Actions that have an indirect link to problems and solutions in the Delta, but contribute to a successful CALFED program, will be coordinated with those that have a direct link to the Delta. The plan also identifies key actions to be implemented over the next three to four years, including the following:
  - Implement South Delta Improvement Program.
  - Complete Delta levee subventions and complete Delta Risk Management Study.
  - Implement Ecosystem Restoration Program actions to protect and restore pelagic organisms and other delta-dependent organisms.
  - Implement San Joaquin River salinity management.
- **Create 100-Year Delta Vision**. The Governor proposes to convene a panel of scientists to evaluate the latest information relative to the Delta. This information will be used to inform a larger public process to determine the 100-year vision for the Delta, including land use and transportation.
- **Develop a Voluntary Planning Agreement and Conservation Plan**. The Governor proposes to develop Habitat Conservation Plans and Natural Communities Conservation Plans to address endangered species issues in the Delta. The Governor proposes first negotiating a voluntary planning agreement to identify which water users are interested in security coverage and which activities they want covered. This agreement is targeted for completion in 2007.
- **Finance Plan**. The Governor's finance plan for the CALFED program includes new general obligation bonds and revenues from a fee on water hookups. However, until the new funding sources become available, the action plan identifies funding for the next three years of implementation of the CALFED program. The administration indicates that, of the $1 billion required over the next three years, roughly 75 percent of the funding is in place. The plan proposes taking additional actions to obtain the remaining 25 percent of funding.

Near Term Funding Plan. The 10-year action plan for the CALFED program proposes additional actions that will raise the minimum funding necessary to implement the CALFED program over the next three years (years 6-8). The plan includes raising an additional $223 million for the next three years by taking the following actions:

- **Pursuing additional state funding ($76 million).**
  - $42 million in remaining bond funds for water quality improvements.
  - $34 million in new General Fund monies for Delta levee maintenance and improvements; Delta Risk Management Study and strategic planning, including the 100-Year Delta Vision (year 7); and possible new environmental documentation (year 8).
- **Pursing additional federal funding ($99 million).**
- **Pursuing a local match for some activities ($18 million).**
  - Includes local matching funds for San Joaquin River Salinity Management and funding from local reclamation districts for levee maintenance.
- **Pursuing additional negotiated water user contributions ($30 million).**
  - Delta Vision - $2 million/year for two years.
  - Conservation Planning - $3 million/year for two years.
  - Species Recovery Fund - $6 million/year for two years.
  - Pelagic Organism Decline Studies - $4 million/year for two years.

- State Water Project contractors and Central Valley Project contractors ensure adequate water for the Environmental Water Account in the budget year and seek full public funding for year 7.

LAO Recommendations. The LAO makes the following recommendations to improve the CALFED program:

- **Governance.** The LAO recommends the enactment of legislation to establish a revised governance structure consistent with the structure recommended by the Little Hoover Commission. The Little Hoover Commission called for reestablishing the policy group, which was a senior management team comprised of the primary state and federal departments involved in implementing the CALFED program. This group would be chaired by the Secretary for Resources and designee of the Department of Interior. The group would not include stakeholders as decision makers.
- **Expenditure Priorities.** The LAO recommends that the Legislature set expenditure priorities for the CALFED program. The LAO suggests that the statement of priorities could be contained in policy legislation that would guide future funding allocations for CALFED.
- **Performance Measures.** The LAO recommends that legislation be enacted to establish a small, select group of performance measures and expected outcomes for the CALFED program. Furthermore, the LAO recommends that the legislation require that any CALFED budget proposal submitted to the Legislature detail how the budget change would impact performance measures.
- **Financing Framework.** The LAO recommends that legislation be enacted that adopts the "beneficiary pays" principle for funding CALFED and provides specific guidance regarding its application. The LAO indicates that if this funding principle is not defined, there is a substantial risk that stakeholder gridlock would result when CALFED attempts to apply it on its own. Furthermore, the LAO is also concerned with the Governor's plan to negotiate agreements with water users who would voluntarily contribute monies to CALFED based on their perception of the benefits that they receive from the program. The LAO finds that this "behind closed doors" approach is not a good way of making policy related to CALFED financing.

2. CALFED Governance and Program and Fiscal Management

Background. The CALFED 10-year action plan for the CALFED program identifies the following actions related to governance and program and fiscal management:

- **Identify State and Federal Leads.** The plan calls for identifying the Secretary for Resources as the state lead responsible for overseeing and implementing the CALFED program. It also proposes that the Governor request the Secretary of the Interior to designate a federal lead for the program.
- **Establish the CALFED Leadership Council.** The plan calls for establishing the council through a state/federal memorandum of understanding. The plan calls for a council comprised of seven state and seven federal agencies and stakeholder representatives.

- **Eliminate the Authority Board and Establish Independent Review and Oversight.** The plan calls for eliminating the Bay-Delta Authority Board and proposes an independent review similar to the review conducted in 2005. The independent review would be conducted every seven years.
- **Establish a State Public Advisory Committee.** The plan calls for establishing a new State Public Advisory Committee with as many as 30 members appointed by the Governor in consultation with the Secretary for the Interior. The Committee would replace the current federally-chartered Bay-Delta Public Advisory Committee.
- **Reassign Bay-Delta Authority Staff.** The plan calls for moving the Bay-Delta Authority staff to the Resources Agency under the direction of the Secretary for Resources.
- **Reorganize Bay-Delta Authority Staff to Support Leadership Council.** The plan calls for reorganizing the Bay-Delta Authority staff to provide strategic planning, program and fiscal tracking, communications, science, and general administration to the Leadership Council.
- **Strengthen Strategic Planning**. The plan calls for improving CALFED strategic planning by requiring implementing agencies to provide periodic updates to strategic plans based on progress made. The plan also calls for increased focus on program integration, coordination with statewide water resource planning, and engaging the public on planning issues.
- **Implement Common Program Management Standards and Performance Tracking Systems**. The plan calls for defining common project management standards and performance based management tools to develop information and data reporting measures to assess project and program performance.
- **Develop Implementation Plan for Performance Based Program Management**. The plan calls for developing a plan to implement performance based program management.
- **Funding Performance Based Program Management**. The plan calls for identifying new funding to support performance based program management activities.
- **Develop a Comprehensive Communications Strategy**. The plan calls for developing and implementing a comprehensive communications strategy to target outreach efforts to stakeholders, legislators, and the public.
- **Implement Common Fiscal Management and Reporting System**. The plan calls for developing a common fiscal management and reporting system possibly utilizing a web-based tool to enable implementing agencies to track project level data efficiently.
- **Improve Adaptive Management by Using Science to Inform Policy Decisions**. The plan calls for retaining science leadership within the Bay-Delta division at the Resources Agency. The Lead Scientist will act as direct advisor to the Leadership Council.

Finance Letter. A Finance Letter, dated April 18, 2006, proposes to transfer 68 of the 71 existing positions from the California Bay-Delta Authority to the Office of the Secretary for Resources. The proposal contained in the letter does not recommend legislation to eliminate the California Bay-Delta Authority as an independent entity or implement the Governor's new CALFED governance recommendations.

The proposal effectively creates a new Bay-Delta division within the Office of the Secretary for Resources and reorganizes existing staff to conform to new program requirements set out in the

10-year action plan. The Bay-Delta division, in the Office of the Secretary for Resources, will now have the following five divisions:

- Administration (22 positions).
- Communications (5.5 positions).
- Program Performance and Tracking (8.5 positions).
- Strategic Planning (10 positions).
- Science (11 positions).

Under the new governance structure, the Bay-Delta division will be reorganized and assume roles and responsibilities appropriate to improving program performance and accountability and to supporting the proposed CALFED Leadership Council, the independent oversight body, and the public advisory committee.

LAO Recommendation. The LAO recommends the enactment of legislation to establish a revised governance structure consistent with the structure recommended by the Little Hoover Commission. The Little Hoover Commission called for reestablishing the policy group, which was a senior management team comprised of the primary state and federal departments involved in implementing the CALFED program. This group would be chaired by the Secretary for Resources and designee of the Department of Interior. The group would not include stakeholders as decision makers as proposed by the Governor.

The LAO does not make any specific recommendations regarding the proposal to transfer the Bay-Delta Authority staff to the Resources Agency.

Staff Comments. The 10-year action plan lays out a complete proposal for new CALFED governance. The Finance Letter received addresses only one part of this proposal. It is difficult to analyze and make decisions about moving staff to reflect a new governance model when the new model has not been implemented. Staff finds that the Finance letter proposal is premature until legislation is submitted that implements the plan outlined in the 10-year action plan.

Furthermore, the Legislature should fully evaluate the benefits and costs of giving a cabinet secretary a relatively large program to manage. Historically, the office of a cabinet secretary has not played a large role in managing programs. That job more typically involves providing leadership and directing long-term strategic planning and initiatives. This proposal would require the Secretary for Resources to take on significant program management responsibilities. While the Secretary for Resources currently manages some bond funded programs, it does not currently have any programs of this magnitude under the direct management of the Secretary.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Request staff, the LAO, DOF, and the Secretary for Resources inventory programs that are currently managed by the Secretary for Resources and other cabinet secretaries.
- Request the Secretary for Resources to submit a complete proposal, including necessary legislation, to implement the governance proposal contained in the Governor's 10-year action plan for the CALFED program.

2. 100-Year Delta Vision

Background. The CALFED 10-year action plan for the CALFED program identifies two actions related to the Delta Vision process. These actions include the following:

- **Delta Vision Public Process**. The administration plans to develop an open, collaborative public process involving local government and stakeholders to create a new 100-year vision for the Delta, including land use and transportation. The 10-year action plan indicates that work on the Delta Vision process commenced in January 2006, with a framework to be completed by December 2006, and a completed Delta Vision by December 2007.
- **Delta Science Panel**. The CALFED Science program will convene a small panel of science experts to review and synthesize the latest relevant scientific information on the Delta.

The Department of Water Resources is also conducting the Delta Risk Management Study (DRMS), which will be used to inform the Delta Vision process. This study will evaluate risk reduction strategies, including better maintenance, better levees, land use changes, and plan form changes (may include flooding some islands).

Governor's Budget. The Governor's budget includes $5 million in funding to support the development of the Delta Vision. This includes $2 million in General Fund monies and $1 million from Proposition 50 bond funds to support the development of the DRMS study by the DWR. The administration also plans to expend $2 million in continuously appropriated funding from the State Water Project contractors to fund the Delta Vision process. The latter funding is not subject to the annual budget act appropriation. The administration indicates that additional funding will also be provided by the federal government and the Central Valley Project contractors.

Legislative Oversight and Guidance. Legislation (AB 1200, Laird), enacted in 2005, directed the DWR and DFG to evaluate the potential impacts from failure of the San Francisco Bay-Delta levees and rate options for addressing the risks of levee failures as part of a comprehensive study on Delta levees. DWR has indicated that this study will be a part of the broader 100-Year Delta Vision process, along with the Delta Risk Management Study. However, it is unclear what the timeline is for these studies and how they will fit into the overall Delta Vision process.

Staff also finds that the Delta Vision process envisioned by the Governor is significantly broader than AB 1200 and any other legislative direction on this subject. The exercise of developing a broader vision for the Delta has merit. However, it is unclear whether there will be adequate opportunity for legislative oversight over the Delta Vision process or outcomes. The administration indicates that it is considering appointing a "Blue Ribbon Panel" of persons from outside of California that will guide the Delta Vision. There are no qualifications for these panel members and the outcomes of the process could be considerably varied since there is very little statutory direction guiding the process.

LAO Recommendation. The LAO is concerned with the Governor's plan to negotiate agreements with water users who would voluntarily contribute monies to CALFED based on their perception of the benefits that they receive from the program. The LAO finds that this

"behind closed doors" approach is not a good way of making policy related to CALFED financing. The LAO instead recommends the Legislature enact legislation that adopts the "beneficiary pays" principle for funding CALFED.

Staff Comments. Staff finds that a cost sharing between state, federal and water user fund sources is appropriate to fund the Delta Vision process. However, staff is concerned that the negotiated funding arrangement proposed by the Governor will create a perception problem. Mainly, the public may perceive that, because the state water contractors are funding the Delta Vision process, they will "buy" outcomes that benefit their interests.

Staff Recommendation. Staff recommends that the Subcommittee request additional information from the administration on the following:

- Additional details on the Delta Vision process, including how other reports will have input into this process and how the panel will be selected to guide the process.
- Additional information on how different departments will have input into the Delta Vision process, including the Delta Protection Commission.

3. Delta Levees Program

Background. The Delta Levees Program is responsible for improving the flood protection and ecosystem resources of the Delta Levee System. The DWR sponsors locals, who undertake various improvement projects to achieve these ends for the benefit of Delta landowners, State Water Project contractors, and the ecological communities that depend on vital natural habitats.

Governor's Budget. The budget includes $17 million ($15 million General Fund) for various delta levee expenditures, including ongoing General Fund monies for the Delta Levee Subvention program and one-time funding for the development of a Delta Risk Management Study.

Projects	On-going	One-Time	Positions
Delta Levee Subventions (One-time funding from the Delta Flood Protection Fund)	$8,370	$995	
Environmental Permitting (DFG)	$600		
Survey of existing habitats on levees (Chico State)	$50		
Delta Risk Management Strategy Study ($1 million from Proposition 50 bond funds)		$3,000	
Subsidence research (USGS)	$300		
Emergency response in the Delta (San Joaquin County)	$50		
Staffing to support the Delta Levee Subvention Program, Maintenance Subvention Program, Special Projects Program, and Emergency Response Program	$3,635		18.0

Workload Justification. In the near term, staff finds that the best strategy for reducing flood risks is to correct known deficiencies and immediately develop a longer-term plan for future improvements. The Delta levees are currently at great risk of collapse in the event of an

earthquake or major flood. The cost of fixing critical Delta levees to make them reasonably resistant to flood and seismic events has been estimated at $3 to $5 billion. Staff finds that the budget proposal sets out funding for existing positions. These positions are needed to implement the Delta levee subvention program.

LAO Recommendation. The LAO recommends that the Legislature enact legislation that adopts the "beneficiary pays" principle for funding CALFED and provides specific guidance regarding its application.

Staff Comments. Staff finds that the General Fund is an appropriate funding source for a portion of the Delta Levee Subvention program. However, ongoing contributions should also be made by local reclamation districts and the State Water Project contractors. Staff needs additional information on the matching funds required by the local reclamation districts to receive delta levee subvention monies. Also, staff needs additional information about the Delta Flood Protection Fund including the source of revenues to this fund. Staff finds that the state has not expended money from this fund in several years.

State-Owned Islands. The state owns Sherman and Twitchell islands in the Delta, which are leased for farming operations that generate $380,000 annually to maintain the levees protecting the islands. Staff finds that the farming employed on the islands is contributing to the subsidence of the islands, making the levees that protect them more prone to failure. The department indicates that it plans to limit renewals of the leases to grazing, which will slow down the rate of subsidence on these islands. The department also indicates that its current practice is to limit the leases to one-year renewals in order to preserve management flexibility related to these islands.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Request that DWR provide additional information on the source of funding for the Delta Flood Protection Fund and the amount of local matching funds expected in the budget year.
- Request that DWR provide more detailed information on the current agricultural leases on Sherman and Twitchell Islands, including information on when they expire and the revenues that they generate.

4. Conservation Plan Development

Background. The Governor's 10-year action plan for the CALFED program calls for the development of a Habitat Conservation Plan and Natural Community Conservation Plan to address endangered species issues in the Delta. The Governor proposes first negotiating a voluntary planning agreement to identify which water users are interested in security coverage and which activities they want covered. This agreement is targeted for completion in 2007.

Governor's Budget. The Finance Letters, dated March 30, 2006, propose to allocate $2.8 million to the Department of Fish and Game (DFG) and $817,000 to the Department of Water Resources to start the development of one or more conservation plans in the Sacramento-San Joaquin Delta.

The $2.8 million ($2.3 million in reimbursements and $500,000 in federal funding) in funding for the Department of Fish and Game will support 16 positions and $500,000 in contracts to support local jurisdictions in developing regional conservation plans. The reimbursements come from funding provided by the Central Valley Project and State Water Project contractors.

The $817,000 in reimbursement funding for the Department of Water Resources will support four existing positions. The reimbursements come from funding provided by the Central Valley Project and State Water Project contractors.

Staff Comments. Staff finds that conservation planning can be effective in preserving habitat and species in areas where it has been employed. The majority of conservation plans thus far have been relatively small compared to the region encompassed by the Sacramento-San Joaquin Bay-Delta. Furthermore, other conservation plans around the state have not included a body of water the size of the Bay-Delta. Staff finds that the sheer size of the conservation plan being proposed by the 10-year action plan may make it difficult to complete.

The 10-year action plan for the CALFED program indicates that the first task will be to develop a voluntary planning agreement to identify which water users are interested in coverage by the plan and which activities they want covered. The department indicates that it plans to complete this agreement in 2007. Given the significant amount of groundwork that needs to be completed before a conservation plan can be developed, it is unclear why $3.5 million is needed in the budget year to develop the planning agreement.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Request DWR and DFG to develop a timeline of actions that need to occur before a conservation plan can be developed.

5. South Delta Improvements Program

Background. The South Delta Improvements Program has, as its purpose, the construction of permanent operable barriers at the south end of the Delta to improve water levels, improve water circulation, and protect salmon and other fish. The program also calls for increasing pumping from the delta to 8,500 feet per second when water is available and environmental conditions allow. The DWR estimates that this increase in pumping would increase the water diverted from the Delta by about 3 to 5 percent on an annual basis.

The DWR is currently moving forward on constructing the permanent operable barriers and the draft environmental impact report (EIR) for this project was released in November 2005. The department is currently addressing public comments and preparing the final EIR. The 2005 budget provided $15 million in Proposition 13 bond funds to support the remaining design work related to constructing the permanent operable barriers.

The DWR reports that it is not taking action to increase pumping to 8,500 feet per second at this time.

Governor's Budget. The Governor's budget proposes $41.6 million in state bond funds ($26.6 million from Proposition 13 and $15 million from Proposition 50) to fund the South Delta Improvements Program. These funds are provided for dredging and the construction of permanent operable gates.

LAO Recommendation. The LAO recommends that the Legislature enact legislation that adopts the "beneficiary pays" principle for funding CALFED and provides specific guidance regarding its application.

Staff Comments. Staff finds that the total cost of constructing the South Delta Improvements Program is $110.5 million. The DWR indicates that the State Water Project contractors will contribute about 5 percent of the total cost of the project. Central Valley Project contractors will experience a 10 percent improvement in water quality, are not contributing any funding towards this project. This fact does not comport with the beneficiary pays principle since state funds will cover over 95 percent of all costs associated with this program. State funds should be used to fund a portion of this project, but staff finds that the operable barriers will improve operating flexibility in the Delta, which should help to avoid situations where pumping would be shut down due to endangered species issues. Therefore, water exporters from the delta will benefit from the construction of these new operable barriers and should help to fund a portion of the costs of constructing the barriers.

Increased Pumping. The DWR has made a concerted effort to separate the issue of building the permanent operable barriers from the issue of increasing pumping to 8,500 feet/second. However, the department's draft EIR does not make this distinction. All of the scenarios considered under the draft EIR include increasing pumping to 8,500 feet/second. The department maintains that it is not making the decision to increase pumping at this time. However, the draft EIR suggests that the decision would be allowed after the permanent operable barriers are installed. If construction of the operable barriers allows the contractors to increase pumping to 8,500 feet/second Delta water exporters will benefit. However, even if pumping is not increased, Delta water exporters will benefit from increased operational flexibility.

Staff Recommendation. Staff recommends that the Subcommittee take the following action:

- Request DWR to provide additional information on all of the benefits and beneficiaries of constructing the permanent operable barriers.

3840 Delta Protection Commission

Background. The Delta Protection Commission (DPC) was created by statute in 1992 to develop a long-term resources management plan for land uses within the Sacramento-San Joaquin Delta. This plan is implemented by local governments in their land use planning processes. Broadly speaking, the main goal of the commission is to protect and enhance the overall quality of the Delta environment for agriculture, wildlife habitat, and recreational activities.

Governor's Budget. The Governor's budget proposes a small increase in funding for DPC. The increase in funding will support small increases in salaries and operating expenses at DPC.

Summary of Expenditures (dollars in thousands)	2005-06	2006-07	$ Change	% Change
Type of Expenditure				
State Operations	$327	$367	$40	12.2
Total	$327	$367	$40	12.2
Funding Source				
Environmental License Plate Fund	$150	$154	$4	2.7
Budget Act Total	*150*	*154*	*4*	*2.7*
Harbors and Watercraft Revolving Fund	177	213	36	20.3
Total	$327	$367	$40	12.2

1. Budget Adjustment

Governor's Budget. The budget proposes $30,000 from the Harbors and Watercraft Revolving Fund to support salaries for staff support to the Commission.

Workload Justification. The commission's budget has been reduced over the past decade due to general budget reductions and the current budget no longer covers the three positions at the department. Other administrative costs related to printing and travel have also increased.

Role in Delta Vision Process. The DPC indicates that it will have a role in the Delta Vision process. The DPC indicates that if a Delta-wide regional plan is developed as part of the Delta Vision it would have a role as the overseeing entity.

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

Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 2 Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal

Monday, May 8, 2006
1:00 p.m.
Room 112

Agenda Part I

Item	Department	Page
CALFED Program		2
3600	Department of Fish and Game	4
3860	Department of Water Resources	6
3940	State Water Resources Control Board	15
3480	Department of Conservation	17
3540	Department of Forestry and Fire Protection	17
3820	San Francisco Bay Conservation and Development Commission	18
4260	Department of Health Services	18
3870	California Bay-Delta Authority	19
0540	Secretary for Resources	19

Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

CALFED Program

Governor's Budget. The Governor's Budget proposes $250 million ($26 million General Fund) for the state share of the CALFED Program. This is about $75 million less than estimated expenditures in the current year due to a reduction in resources bond funds available for appropriation. General Fund support for the program is estimated to increase by nearly $15 million in the budget year due to increases in funding for delta levees.

Finance Letter. A Finance Letter (dated April 18, 2006) proposes to transfer 68 of the 71 existing positions from the California Bay-Delta Authority to the Office of the Secretary for Resources. The proposal contained in the letter does not recommend legislation to eliminate the California Bay-Delta Authority as an independent entity or implement the Governor's new CALFED governance recommendations.

Previous Subcommittee Direction. At the May 1 hearing of the Subcommittee, issues were raised regarding the Governor's 10-year Action Plan for the CALFED Program. Specific issues were raised regarding the following proposals:

- The governance proposal and budget proposal to shift the Bay-Delta Authority staff to the Office of the Secretary for Resources;
- The process for developing the 100-Year Delta Vision;
- Cost sharing for the Delta Levees Program;
- Development of a conservation plan for the Delta; and
- The components of the South Delta Improvement Program.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Governor's proposal for CALFED expenditures at the Department of Fish and Game (see page 4).
- Approve CALFED expenditures and other Delta-related expenditures at the Department of Water Resources consistent with the table that begins on page 6.
- Approve the Governor's proposal for CALFED expenditures at the State Water Resources Control Board (see page 15).
- Approve the Governor's proposal for CALFED expenditures at the Department of Conservation (see page 17).
- Approve the Governor's proposal for CALFED expenditures at the Department of Forestry and Fire Protection (see page 17).
- Approve the Governor's proposal for CALFED expenditures at the San Francisco Bay Conservation and Development Commission (see page 18).
- Reject the Governor's Finance Letter proposal and instead transfer all California Bay-Delta Authority positions and contracts to the Department of Water Resources, Department of Fish and Game, Department of Health Services, and the Resources Agency (see page 19). Selected vacant positions are proposed to be abolished and resultant savings directed to the Resources Agency to support the following recommendation:
- Request staff, in consultation with the departments, LAO, and DOF, to develop trailer bill language to direct a new Deputy Secretary on Delta Resources at the Resources Agency to develop a Delta Action Plan to create a sustainable Delta. This plan should include the

definition of a sustainable Delta, measurable goals and objectives, the necessary institutional structures to implement the plan, a strategic financing plan, a contingency plan and adaptive management strategies.

Justification. Staff provides the following justification for the recommended actions above:

- **Current Approach Does Not Work.** The problems facing the CALFED program have been well documented by the LAO, the Little Hoover Commission, the Department of Finance, and KPMG (a private consultancy firm). As noted by the LAO, "These reviews found common agreement that the current governance structure is not working well, state priorities for CALFED are not clear, and meaningful performance measures for the program are lacking."
- **Proposed Solutions Do Not Solve the Problems.** The Governor's Finance Letter proposes to transfer the existing California Bay-Delta Authority staff and contracts to the Resources Agency. While such a move might seem to make it clear that the Resources Secretary is responsible for the success of the program, it does nothing to resolve the more fundamental problems facing the CALFED program.
- **Need to Continue Current Projects.** Regardless of the ultimate fate of CALFED, there are many projects proposed to be funded through this budget that are critical to developing a sustainable delta. Simply zeroing out the CALFED budget is not an option.
- **Need A New Game Plan.** Many of the assumptions made by the authors of the CALFED Record of Decision have proved false. These include program management assumptions such as schedules, funding, and priorities, as well as more fundamental scientific assumptions about how the delta ecosystem functions, the seismic stability of the levees, and the potential impacts of global climate change. In fact, many believe the delta is not sustainable in its current configuration.

The staff recommendation would establish a new deputy secretary with a small staff in the resources agency. The deputy secretary would be charged with continuing to coordinate the actions of the CALFED implementing agencies and the development of a Delta Action Plan. The plan would include a description or definition of a sustainable delta, a set of measurable goals and objectives for achieving sustainability, institutional changes necessary to implement the action plan, a strategic financing plan, various contingency plans, and a prioritized list of actions necessary to achieving a sustainable delta.

The action plan would build on the results of the delta risk management study (funded in this budget), the report required under AB 1200 (Laird), and the delta visioning process. In addition, it would likely require an assessment of current and projected land uses and land use patterns, climate change hydrology, and other technical studies.

The staff recommendation would transfer current California Bay-Delta Authority staff and contracts to the agencies responsible for implementing projects and programs. The science program staff would be transferred to the Resources Agency. The administrative staff would be distributed among the agencies based on the type of support provided (e.g., managing ecosystem grants) and known deficiencies in agencies (e.g., accounting needs in Fish & Game).

3600 Department of Fish and Game

Staff Recommendation. Staff recommends that the Subcommittee approve as budgeted the Delta-related funding for the Department of Fish and Game.

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Oversight and Coordination				
Base Budget				
- Supports positions to ensure that CALFED program is in compliance with environmental laws and regulations.	$166	General Fund	2.0	X
Ecosystem Restoration Program				
Base Budget				
- Conducts restoration projects, manages ecosystem restoration grant program, issues permits, monitors restoration projects, participates in regional plan development, and guides environmental documentation.	$4,276	Prop 50	33.8	X
- Conducts restoration projects, manages ecosystem restoration grant program, issues permits, monitors restoration projects, participates in regional plan development, and guides environmental documentation.	$628	General Fund	5.0	X
- Conducts restoration projects, manages ecosystem restoration grant program, issues permits, monitors restoration projects, participates in regional plan development, and guides environmental documentation.	$490	Reimbursements	4.0	X
- Conducts restoration projects, manages ecosystem restoration grant program, issues permits, monitors restoration projects, participates in regional plan development, and guides environmental documentation.	$239	Federal	2.3	X
Finance Letter				
- Supports development of NCCP/HCP for the Central Valley.	$2,000	State Water Project Funds	16.0	X
- Supports contracts with local jurisdictions to support development of NCCP/HCP for the Central Valley.	$500	Federal Funds		X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
- Switch funding of five existing positions supported by Proposition 50 bond funds to State Water Project Funds.	-$263	Prop 50	-5.0	X
Conveyance Program				
Base Budget				
- Supports studies to define fish movement in the delta, assists in the development of technologies in water transfer and fish screening, and examines sources of predation.	$84	General Fund	1.0	X
Science Program				
Base Budget				
- Collects and analyzes data on delta resident fishes and tracks Interagency Ecological Program listed species.	$464	Federal	4.3	X
- Collects and analyzes data on delta resident fishes and tracks Interagency Ecological Program listed species.	$294	Fish and Game Preservation Fund, Dedicated	1.0	X
Total Governor's Budget	**$8,878**		**64.4**	
Total Senate Budget	**$8,878**		**64.4**	

3860 Department of Water Resources

Staff Recommendation. Staff recommends that the Subcommittee approve the following CALFED-related activities for the Department of Water Resources.

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Oversight and Coordination				
Base Budget				
- Supports review of CALFED-related encroachment permit applications submitted to the Reclamation Board.	$279	General Fund	2.0	X
Ecosystem Restoration Program				
Base Budget				
- Supports federal-state cost-share agreement between DWR, USBR, USFWS, and DFG for fishery restoration activities.	$1,575	Prop 204	1.0	X
- Supports Fish Passage Improvement Program to do fish passage assessment.	$297	Prop 50	2.0	X
- Supports Aquatic Restoration Planning and implementation program to facilitate environmental enhancement by developing habitat restoration and fish passage in the Yolo Basin.	$1,002	Prop 50	3.0	X
- Supports activities to manage the Four Pumps Agreement to mitigate fish loss at the State Water Project's Delta Pumping Plant.	$6,452	State Water Project Funds	5.2	X
Budget Change Proposal				
- Supports a contract with DFG to fund several multi-year ecosystem restoration projects that need additional funding for completion.	$10,900	Prop 13	0.0	X
- Supports construction of a larger scale aeration demonstration project at the San Joaquin River Deep Water Ship Channel.	$3,600	Prop 13	0.0	X
- Supports operation and maintenance of the aeration demonstration project.	$600	Prop 13	3.0	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Finance Letter				
- Support development of data and actions for the HCCP/NCP for the Central Valley, including assessment and planning of fish passage improvements and invasive fish species eradication.	$817	Prop 50	4.0	X
- Support development of a Memorandum of Understanding, a Planning Agreement, and preliminary work on one or more HCP/NCCPs for the Central Valley. The SWP contracts and CVP contractors will collectively contribute $3 million annually to support this effort at DWR, DFG, USFWS, and NOAA for three years.		SWP Funds	3.0	X
- Extend liquidation of $8.2 million to construct facilities to control waste discharges that contribute to low dissolved oxygen and other problems on the San Joaquin River and in the South Delta and to construct facilities to control drainage from abandoned mines.		Prop 13	0.0	X
Environmental Water Account				
Base Budget				
- Environmental Water Account asset purchases.	$8,800	Prop 50	0.0	X
- Environmental Water Account purchases state support.	$143	Prop 50	1.7	X
Water Use Efficiency				
Base Budget				
- Supports the California Irrigation Management Information System and provides technical assistance and outreach for water conservation activities.	$1,124	General Fund	6.0	X
- Supports the administration of the CALFED Water Use Efficiency grant program, the administration of the desalination grant program, and technical assistance on water recycling projects.	$2,597	Prop 50	9.4	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
- Supports technical assistance and review of agricultural water management plans, urban water management plans, and development of new water conservation technologies.	$1,885	Energy Resources Program Account	10.0	X
Budget Change Proposal				
- Supports grants for water use efficiency projects (50 percent allocated to urban projects and 50 percent allocated to agricultural projects).	$30,136	Prop 50	0.0	X
- Grant program administration and technical assistance.	$2,034	Prop 50	0.0	X
- Supports loans for agricultural water conservation. Loans can be used to match grant funds.	$15,000	Prop 13	0.0	X
Finance Letter				
- Reappropriate $5.2 million in water use efficiency grants appropriated in 2003.		Prop 50	0.0	X
Watershed Program				
Base Budget				
- Supports administration of the CALFED Watershed grant program.	$252	Prop 50	2.0	X
Budget Change Proposal				
- Technical staff support for the Watershed Program.	$667	Prop 50	3.3	X
Finance Letter				
- Reappropriate $19 million for the Watershed Grant Program.		Prop 50	0.0	X
Drinking Water Quality				
Base Budget				
- Supports contract to model options for improving water quality in the Delta.	$81	General Fund	0.0	X
- Supports data analysis and Delta computer modeling support for the CALFED drinking water quality program. The current focus is on improving water quality modeling of the upper San Joaquin River.	$162	Prop 50	1.0	X
- Supports the development of the Franks Tract Project.	$309	State Water Project Funds	1.9	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Budget Change Proposal				
- Supports evaluating several possible alternatives for the Franks Tract Pilot Project.	$1,245	Prop 13	3.5	X
- Supports evaluating several possible alternatives for the Franks Tract Pilot Project.	$4,618	Prop 50	0.0	X
- Supports evaluating several possible alternatives for the Franks Tract Pilot Project.	$600	State Water Project Funds	0.0	X
- Supports final design and construction of the Franks Tract Pilot Project.	$2,800	Prop 50	0.0	
- Supports final design and construction of the Franks Tract Pilot Project.	$5,500	State Water Project Funds	0.0	
Finance Letter				
- Funding to start a new multi-year study conducted by USGS to evaluate methods to improve conveyance and water quality in the Delta. The study is the Low Intensity Chemical Dosing Project and will evaluate ways of reducing dissolved organic carbon levels in Delta drinking water supplies.	$1,534	Prop 13	0.0	X
Levees				
Base Budget				
- Supports staff to implement the Delta Levees Special Projects Program, Delta Levee Maintenance Subvention Program, Emergency Response, Risk Management, and Subsidence Research.	$1,135	Prop 50	13.0	X
- Supports staff to implement the Delta Levees Special Projects Program, Delta Levee Maintenance Subvention Program, Emergency Response, Risk Management, and Subsidence Research.	$373	State Water Project Funds	2.0	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Budget Change Proposal				
- Subventions for delta levee projects.	$8,370	General Fund	0.0	X
- Subventions for delta levee projects.	$995	Delta Flood Protection Fund	0.0	X
- Supports the Delta Risk Management Study.	$2,000	General Fund	0.0	X
- Supports the Delta Risk Management Study.	$1,000	Prop 50	0.0	X
- Supports Delta levee program staff.	$3,635	General Fund	18.0	X
- Supports various studies and other Delta-related contracts.	$400	General Fund	0.0	X
- Supports various contracts.	$600	General Fund	0.0	X
Finance Letter				
- Extend liquidation of $2.5 million in subventions appropriated in 2003 to local districts completing 14 projects that are part of the Delta Levees Special Flood Control Projects Program.		Prop 50	0.0	X
Water Supply Reliability				
Base Budget				
- Supports staff and contracts for projects that increase water supply reliability through the planned and coordinated management of groundwater and surface water resources, including managing 22 MOU partnerships throughout the state.	$6,806	Prop 50	16.6	X
Finance Letter				
- Extend liquidation of $200,000 to support a contract with CSU, Sacramento to provide facilitation services for program activities.		Prop 50		X
Conveyance Program				
Base Budget				
- Supports North Delta Flood Control and Ecosystem Restoration Project.	$477	General Fund	3.0	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
- Supports design and construction of permanent operable barriers, which is part of the South Delta Improvement Program.	$10,000	State Water Project Funds	20.0	X
- Supports contract and position to evaluate Clifton Court Fish Screen intake alternatives.	$1,000	State Water Project Funds	1.0	X
- Supports contract and position to evaluate water quality improvements from the Through-Delta Facility and additional modeling and evaluation of alternatives to this facility.	$800	State Water Project Funds	1.0	X
- Supports construction and removal of temporary rock barriers in the south delta.	$6,600	State Water Project Funds	2.0	X
- Supports management of the Conveyance Program.	$102	State Water Project Funds	0.5	X
Budget Change Proposal				
- Evaluate cost-effective fish facility improvement alternatives at the State Water Project and Central Valley Project intake facilities.	$990	Prop 13	0.0	Hold Open
- Continue fish collection, handling, transportation and release study and for review of Tracy Fish Test Facility Project (supports 9 existing positions).	$2,554	Prop 13	0.0	Hold Open
- Support fisheries related studies and make recommendations related to the Through-Delta facility (supports 5 existing positions).	$2,000	Prop 13	0.0	X
- Supports final design and construction costs for the South Delta Improvements Program permanent operable barriers.	$26,600	Prop 13	0.0	X, with TBL
- Supports final design and construction costs for the South Delta Improvements Program permanent operable barriers.	$15,000	Prop 50	0.0	X, with TBL
Finance Letter				
- Reappropriate $707,775 to continue the second phase of investigations of the South Delta Hydrodynamic Investigations.		Prop 13	0.0	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
- Reappropriate $4.2 million from funds appropriated in 2004 and 2005 to support the ongoing study to improve design, collection, and operation of fish collection, handling, transportation and release facilities.		Prop 13	0.0	X
- Extend liquidation of $154,079, for the second time, that remains to support an ongoing study of hydrodynamics and fishery response to water operations in and around the Delta Cross Channel.		Prop 13	0.0	X
Science Program				
Base Budget				
- Supports contracts and positions for monitoring and special studies of the water quality and ecology in the Delta. Supports $3.5 million in contracts with DFG, USFWS, USGS, and various universities and laboratories.	$7,279	State Water Project Funds	21.7	X
Storage Program				
Budget Change Proposal				
- Reversion of $5.5 million in Proposition 50 bond funds appropriated in 2003 and 2004.		Prop 50	0.0	X
- Supports evaluation of common assumptions to help evaluate which storage proposal is the preferred storage alternative.	$1,300	Prop 50	2.5	X
- Supports evaluation of a North of Delta storage facility (Sites reservoir).	$3,100	Prop 50	19.0	X
- Supports a contract with the Contra Costa Water District to evaluate enlarging Los Vaqueros reservoir.	$1,000	Prop 50	1.3	X, with BBL
- Supports evaluation of additional storage on the upper San Joaquin River.	$1,000	Prop 50	3.0	X
- Supports contract with Santa Clara Valley Water District to complete the San Luis Point Bypass feasibility study.	$1,999	Prop 13	0.0	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Finance Letter				
- Extend liquidation of $2.1 million for a contract with the Santa Clara Valley Water District for the San Luis Bypass feasibility study.		Prop 13	0.0	X
Total Governor's Budget	**$212,124**		**186.6**	
Total Senate Budget	**$200,280**		**186.6**	

Justification. Staff provides the following justification for the recommended actions above:

- **Franks Tract Pilot Project.** Staff recommends deleting funding for construction of the Franks Tract Pilot Project in the budget year. The DWR indicates that it will not proceed to construction in the budget year because it is still evaluating several alternatives for this project.
- **Collection, Handling, Transportation, and Release Studies.** Staff recommends holding these issues open pending additional information from the department on the funding actually needed in the budget year to continue these fish studies. The department is also proposing to reappropriate $4.2 million in unexpended funds for what seems like a similar study in the budget year.
- **Permanent Operable Barriers.** Staff recommends approving funding to start construction on the permanent operable barriers in the South Delta. However, staff also proposes trailer bill language that requires additional environmental review before pumping can be increased to 8,500 cubic feet/second. Staff understands that this is consistent with DWR's plans.
- **Los Vaqueros Reservoir.** Consistent with the budget bill language included in the budget last year, staff recommends that the Subcommittee approve budget bill language that allows expenditure of these funds only after regional partners in the Los Vaqueros Reservoir execute an agreement to work together to continue investigation and planning for Los Vaqueros.

Staff Recommendation. Staff also recommends funding the following budget proposals that are related to the Delta, but not included in the administration's summary of total expenditures on the CALFED program.

Activity	Amount	Fund Source	Positions	Approve
Sacramento Valley Water Management Program				
Budget Change Proposal				
- Funding to complete environmental documents supporting the Sacramento Valley Water Management Program.	$60	Prop 204	0.0	X
State Water Project				
Budget Change Proposal				
- Establish a position to provide legal advice and expertise regarding State Water Project contracting and environmental compliance issues.		State Water Project Funds	1.0	X
- Establish a position to support biological studies to guide restoration efforts in the Yolo Bypass.		State Water Project Funds	1.0	X
- Establish positions to implement the terms and conditions required under OCAP for ongoing operations of Oroville Facilities.		State Water Project Funds	3.0	X
- Establish a position and contracts to support the Interagency Ecological Program.		State Water Project Funds	1.0	X
- Establish positions to support SWRCB mandated Water Quality Compliance Monitoring programs to carry out compliance monitoring for SWRCB Decision D-1641.		State Water Project Funds	4.0	X
- Establish positions to support administration and program control for the Division of Environmental Services.		State Water Project Funds	3.0	X
- Establish a position to support complex modeling analysis of the Delta.		State Water Project Funds	1.0	X
- Restore positions to support the operation of the State Water Project.		State Water Project Funds	80.0	X

3940 State Water Resources Control Board

Staff Recommendation. Staff recommends that the Subcommittee approve as budgeted the CALFED-related funding for the State Water Resources Control Board.

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Water Use Efficiency Program				
Base Budget				
- Supports staff to administer the CALFED water use efficiency grant program and provide technical assistance on water recycling projects.	$153	Prop 13	1.6	X
- Supports staff to administer the CALFED water use efficiency grant program and provide technical assistance on water recycling projects.	$902	Prop 50	9.0	X
Budget Change Proposal				
- Supports grants for water recycling projects.	$7,000	Prop 13		X
Watershed Program				
Base Budget				
- Supports staff to administer the CALFED Watershed grant program and provide technical assistance on watershed projects.	$82	Prop 13	0.8	X
- Supports staff to administer the CALFED watershed grant program.	$100	Prop 50	1.0	X
Budget Change Proposal				
- Supports watershed grants.	$5,990	Prop 50		X
- Supports watershed grants.	$276	Prop 13		X
Drinking Water Quality Program				
Base Budget				
- Supports staff to administer the CALFED Drinking Water grant program and provide technical assistance on drinking water projects.	$82	Prop 13	0.8	X
- Supports staff to administer the CALFED Drinking Water grant program and provide technical assistance on drinking water projects.	$124	Prop 50	1.3	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Budget Change Proposal				
- Funding for non-point source pollution control grants.	$101	Prop 13		X
- Funding for drinking water quality grants.	$3,429	Prop 50		X
Total Governor's Budget	**$18,239**		**14.5**	
Total Senate Budget	**$18,239**		**14.5**	

3480 Department of Conservation

Staff Recommendation. Staff recommends that the Subcommittee approve as budgeted the CALFED-related funding for the Department of Conservation.

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Oversight and Coordination				
Base Budget				
- Supports a position to review projects for consistency with the CALFED program.	$96	Soil Conservation Fund	1.0	X
Watershed Program				
Base Budget				
- Program delivery associated with the Watershed Coordinator Grant Program.	$228	Prop 50	2.0	X
Total Governor's Budget	**$324**		**3.0**	
Total Senate Budget	**$324**		**3.0**	

3540 Department of Forestry and Fire Protection

Staff Recommendation. Staff recommends that the Subcommittee approve as budgeted the CALFED-related funding for the Department of Forestry and Fire Protection.

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Watershed Program				
Base Budget				
- Technical assistance and outreach activities that provide information on issues concerning the impacts of wildfire and forest management on watershed health to watershed groups and CALFED agencies, including supporting development of the California Watershed Manual.	$159	Prop 50	0.0	X
Total Governor's Budget	**$159**		**0.0**	
Total Senate Budget	**$159**		**0.0**	

3820 San Francisco Bay Conservation and Development Commission

Staff Recommendation. Staff recommends that the Subcommittee approve as budgeted the CALFED-related funding for the San Francisco Bay Conservation and Development Commission.

Activity	Amount	Fund Source	Positions	Approve
Oversight and Coordination				
Base Budget				
- Supports permitting for CALFED projects and beneficial use of dredged materials for Delta levees.	$88	General Fund	1.0	X
Total Governor's Budget	**$88**		**1.0**	
Total Senate Budget	**$88**		**1.0**	

4260 Department of Health Services

Budget Summary. The base budget includes $125,000 for the Department of Health Services for support of the CALFED program.

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Drinking Water Quality Program				
Base Budget				
- Supports development of a regional strategic framework, performance measures, and conceptual models.	$125	Prop 50	0.0	X
Total Governor's Budget	**$125**		**0.0**	
Total Senate Budget	**$125**		**0.0**	

3870 California Bay-Delta Authority

0540 Secretary for Resources

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the transfer of positions and contract funding proposed to support the Bay-Delta Authority in the budget year to the following departments and agency.
- Request that staff work with the departments, DOF and the LAO to address technical and staffing issues that may arise from the recommended action.

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Oversight and Coordination				
Base Budget				
- Supports tracking CALFED funding and accomplishments, assuring public involvement, and assisting with regional implementation of the CALFED program. Funding supports positions and $2.5 million in contracts for fiscal, personnel, and legal services.	$6,746	General Fund	45.0	See table below.
Ecosystem Restoration Program				
- Supports administration of existing ecosystem restoration program contracts, strategic planning, and program tracking.	$375	General Fund	3.0	Transfer to DFG
- Supports multi-year grants for mine remediation, evaluation of a pilot aeration project and source identification studies related to low dissolved oxygen.	$9,752	Reimbursements	0.0	Transfer to DWR
- Funds staff to support studies and grants to address water quality problems causing low dissolved oxygen in the Stockton Deep Water Ship Channel, mercury issues, and other water quality issues.	$269	Reimbursements	3.0	Transfer to DWR
- Supports staff to coordinate regional strategic planning, program performance tracking, on-going program level science integration, and external review.	$392	Prop 50	4.0	Transfer to DFG

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
- Supports contracts to assist farmers in integrating ecosystem restoration activities with agriculture, manage an ecosystem restoration program tracking database, coordinate development of conceptual models to support the Delta Regional Ecosystem Restoration Implementation Plan, assist in developing performance measures, coordinating mercury issues, and external review of proposed grants.	$1,652	Prop 50	0.0	Transfer to DFG
Environmental Water Account				
Base Budget				
- Supports contracts to assist program implementation and performance tracking.	$27	General Fund	0.0	Transfer to DFG
Water Use Efficiency Program				
Base Budget				
- Supports contracts to assist with program implementation and performance tracking.	$333	General Fund	0.0	Transfer to DWR
Watershed Program				
Base Budget				
- Supports a position to coordinate the Watershed Program.	$117	General Fund	1.0	Transfer to DWR
- Supports a position and contracts to assist with program implementation, program oversight, and performance tracking.	$794	Prop 50	1.0	Transfer to DWR
Drinking Water Quality Program				
Base Budget				
- Supports development of performance measures, strategic planning, drinking water data model development, and program-level science.	$253	General Fund	2.0	Transfer to DHS
- Supports Old River and Rock Slough Drainage Management Projects and the Low Intensity Chemical Dosing Project.	$4,835	Reimbursements	0.0	Transfer to DWR

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Levee Program				
Base Budget				
- Supports a contract to perform an inventory of structures in the Delta as part of the Delta Risk Management Study.	$14	General Fund	0.0	Transfer to DWR
Storage Program				
Base Budget				
- Supports a position to provide ongoing technical support and guidance to the Common Assumptions process.	$113	General Fund	1.0	Transfer to DWR
- Supports contracts to assist with program implementation and performance tracking.	$158	General Fund	0.0	Transfer to DWR
Conveyance Program				
Base Budget				
- Supports contracts for the Clifton Court Fish Screens, to evaluate water quality improvements related to the Delta Cross Channel re-operation and Through-Delta facility alternatives, and South Delta Fish Protection studies.	$378	General Fund	0.0	Transfer to DWR
- Supports contracts for the Clifton Court Fish Screens, to evaluate water quality improvements related to the Delta Cross Channel re-operation and Through-Delta facility alternatives, and South Delta Fish Protection studies.	$44	Prop 50	0.0	Transfer to DWR
Science Program				
Base Budget				
- Supports science conferences and training.	$3	General Fund	0.0	Transfer to Secretary
- Supports contracts to conduct Delta hydrodynamic, fish and special studies, including the Delta Smelt population in the Delta.	$2,030	Reimbursements	0.0	Transfer to Secretary

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
- Supports contracts and positions to support the independent science board and technical panels.	$2,948	Prop 50	11.0	Transfer to Secretary
Finance Letter				
- Reappropriation of $21.9 million appropriated in 2002 to support the Science Program.		Prop 50		Transfer to Secretary

Allocation of Oversight and Coordination. Staff recommends that the Subcommittee allocate staff according to the allocation in the table on the next page. Staff has requested additional information on vacant positions and the quantity and nature of the contracts that support oversight and coordination. This information is needed to determine the most appropriate allocation for the positions and contracts and to determine which positions could be eliminated. The table on the next page is a starting point and staff recognizes that considerable refinement is needed based on additional information and discussions with the departments.

	Secretary for Resources	DWR	DFG	Total
Director	1.0			1.0
Admin Assistant	1.0			1.0
CEA		2.0		2.0
Executive Assistant		2.0	1.0	3.0
Legal			1.0	1.0
Staff Services Analyst		1.0	2.0	3.0
Staff Services Manager I	1.0	1.0		2.0
Staff Services Manager II			2.0	2.0
Staff Services Manager III			1.0	1.0
Associate Governmental Program Analyst	1.0	2.0	6.0	9.0
Business Service Officer I			1.0	1.0
Business Service Officer II			1.0	1.0
Staff Information Systems Analyst			1.0	1.0
Associate Information Systems Analyst		1.0	1.0	2.0
Information Systems Technician			1.0	1.0
Staff Program Analyst			1.0	1.0
Senior Accounting Officer		1.0		1.0
Staff Environmental Scientist			2.5	2.5
Environmental Program Manager I			1.0	1.0
Program Manager I		1.0		1.0
Program Manager II		1.0	1.0	2.0
Program Manager III			1.0	1.0
Supervising Engineer, Water Resources		2.0		2.0
Recreation and Wildlife Resources Advisor			0.5	0.5
Research Analyst II			1.0	1.0
Associate Budget Analyst			1.0	1.0
Total	4.0	14.0	27.0	45.0

Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 2 Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal

Monday, May 8, 2006
1:00 p.m.
Room 112

Agenda Part II

Item	Department	Page
0540	Secretary for Resources	2
3110	Tahoe Regional Planning Agency	3
3340	California Conservation Corps	4
3360	California Energy Commission	6
3540	Department of Forestry and Fire Protection	7
3790	Department of Parks and Recreation	11
Regional Conservancies		13
3810	Santa Monica Mountains Conservancy	13
3830	San Joaquin River Conservancy	13
3835	Baldwin Hills Conservancy	14
3850	Coachella Valley Mountains Conservancy	14
3855	Sierra Nevada Conservancy	15
7300	Agricultural Labor Relations Board	16
8660	California Public Utilities Commission	17

Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

0540 Secretary for Resources

1. River Parkways Program

Governor's Budget. The Governor's Budget proposes to allocate an additional $30.9 million in the budget year from Propositions 40 and 50 resources bonds to fund the River Parkways Program. This leaves approximately $20 million in Proposition 50 bond funds for River Parkways available for appropriation in future years.

Previous Subcommittee Direction. At the March 6 hearing of the Subcommittee, this issue was held open so staff could gather additional information on how this grant program is being implemented. Staff finds no issues related to the implementation of the grant program.

Staff Recommendation. Staff recommends that the Subcommittee approve the River Parkways grant funds.

2. Sierra Nevada Cascade Grant Program

Governor's Budget. The Governor proposes to allocate $11.7 million in the budget year from Proposition 50 resources bonds to fund the Sierra Nevada Cascade Conservation Grant Program. This leaves no remaining bond funds for this grant program available for appropriation in future years.

Previous Subcommittee Direction. At the March 6 hearing of the Subcommittee, this issue was held open pending the release of final grant guidelines by the Office of the Resources Secretary. These guidelines have been received and staff finds no other issues with this budget proposal.

Coordination with Sierra Nevada Conservancy. The 2005 Budget Act required the Secretary for Resources, in consultation with the Sierra Nevada Conservancy, to submit a plan for the coordination of grant programs in the Sierra Nevada region. The plan that was submitted outlines the following activities to ensure coordination:

- Grant applications within the boundary of the Sierra Nevada Conservancy shall justify the proposals in terms of furthering the mission and goals of the Conservancy.
- The Conservancy will provide a representative to participate on the technical review committee which will evaluate and score the proposals.

Staff finds that moving grant funds to the Conservancy would further delay the allocation of these funds in a timely manner.

Staff Recommendation. Staff recommends that the Subcommittee approve the funding for the Sierra Nevada Cascade Grant Program.

3110 Tahoe Regional Planning Agency

1. Permit Tracking System

Finance Letter. The Finance Letter (dated March 30, 2006) from the Governor, requests a $572,000 one-time augmentation from the Environmental License Plate Fund to replace the Agency's antiquated permit tracking system. The State of Nevada will provide $286,000 to share in the funding support for this system. The budget proposal also indicates that $70,776 is needed for ongoing maintenance and operation of the system starting in 2007-08. The budget proposal indicates that $36,000 in additional funding is needed to meet California's share of ongoing maintenance and operations starting in 2007-08.

Previous Subcommittee Direction. At the April 24 hearing of the Subcommittee, this issue was held open and the Subcommittee requested an approved feasibility study report (FSR) for this project.

Approved FSR Received. The agency and the Department of Finance have submitted an approved FSR to subcommittee staff. The total one-time costs associated with implementing the permit tracking system are $957,375, funded from the following sources:

- $572,000 from California.
- $286,000 from Nevada.
- $99,375 from redirecting existing resources.

Justification. The Agency recently commissioned an agency-wide operational audit. One of the key recommendations from the audit was to replace the Agency's permit tracking system. The current system does not allow for tracking land use and environmental threshold requirement data, which reduces the effectiveness of the permitting process in meeting the environmental standards. Furthermore, the current system is essentially a paper based system that greatly reduces the efficiency of staff in processing permits and providing public access to documents. Staff finds that the new permitting system will enable TRPA to more effectively and efficiently perform its land use permitting functions.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Finance Letter.
- Approve budget bill language that identifies $536,000 in item 3110-101-0140 as a one-time expenditure.

3340 California Conservation Corps

1. Capital Outlay

Governor's Budget. The Governor's Budget includes $927,000 from General Fund monies for capital outlay projects on California Conservation Corps properties.

Finance Letter. A Finance Letter (dated May 1, 2006) proposes the following amendments to the Corps' capital outlay budget:

- **Tahoe Base Center Relocation.** The Finance Letter proposes $26.2 million from lease revenue bonds to acquire and establish a new residential facility in the Tahoe Basin. The 2003 Budget Act allocated $19.6 million from lease revenue bonds for this project. However, in 2004, the Corps determined that it needed a major scope change because of the lack of available land in the Tahoe Basin. Therefore, $19.1 million of the 2003 appropriation remains and is proposed for reversion so that it can be reappropriated in the budget year. Furthermore, the revised project is estimated to cost $7.1 million due to increases in site acquisition costs and construction costs. The new project would convert two adjacent parcels that include an existing residential building, unoccupied retail space, and an old California Highway Patrol facility into a new residential center for the Corps. The Corps does a significant amount of reimbursed work in the Tahoe Basin, including fuel reduction work.
- **Placer Center Water and Wastewater Upgrades.** The Finance Letter proposes to reduce, by $35,000 in General Fund monies, the January budget proposal to connect the Placer Center to the new public sewage treatment system and local municipal water district based on revised estimates of the project costs. This will leave $744,000 from General Fund monies for this request.
- **Reappropriations.** The Finance Letter proposes to reappropiate $34.2 million in lease revenue bonds for construction costs associated with the Delta Service District Residential Center and Camarillo Residential Satellite Relocation projects that were appropriated in 2005. These project have been delayed due to design changes to make them LEED (Leadership in Energy and Environmental Design) certified buildings.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, the budget proposals for capital outlay were approved.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

2. Bond Funds

Governor's Budget. The Governor's Budget includes the following bond proposals:

- **State Projects.** The budget proposes expenditure of $1.4 million from bond funds for resource conservation projects by the Corps ($1.4 million from Proposition 40 and $13,000 from Proposition 12).

- **Local Projects.** The budget proposes expenditure of $510,000 from bond funds to support local conservation corps projects ($72,000 from Proposition 40 and $438,000 from Proposition 12).

Finance Letter. A Finance Letter (dated March 30, 2006) proposes to revert $237,000 in unused Proposition 40 bond funds. The reverted funds are proposed to be reappropriated to support the state Corps programs ($55,590), grants to local conservation corps ($106,439), and state support for the local conservation corps grant program ($34,477).

Justification. These funds are proposed to fund activities consistent with the original intent of the bond.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

3360 California Energy Commission

1. Transportation Energy Planning Model

Finance Letter. A Finance Letter (dated March 30, 2006) requests $874,000 from the Energy Resources Programs Account to fund two permanent positions and $665,000 in contract funds to develop and maintain a dynamic simulation model of the California transportation energy market. The model will incorporate all components of the transportation sector, including transit, freight, and aviation. It will provide for automated updating of data and a central data depository, along with dynamic analysis and risk analysis capabilities.

Workload Justification. The commission indicates that it needs to update its current transportation energy models because they are fragmented and uncoordinated, and in some cases do not use the most recent data. Furthermore, the new modeling capability will enable the department to evaluate the impacts of high fuel prices and develop strategies to mitigate these impacts. The model will be developed under an external consulting contract. However, the proposal requests two positions to help guide the development of the model and to test and support the model.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

3540 Department of Forestry and Fire Protection

1. Capital Outlay

Governor's Budget. The Governor's budget proposes to double the department's capital outlay staff from 15 positions to 30 positions, over a two-year period, in order to allow CDF to manage an additional six to eight capital outlay projects annually out of 45 projects on an ongoing basis. The budget also includes budget bill language that allows the department to conduct any real estate design and project management activities associated with its capital outlay projects.

Finance Letter. A Finance Letter (dated May 1, 2006) proposes $23.7 million for capital outlay projects to upgrade the state's fire protection infrastructure, including $5.8 million from the General Fund and $17.9 million from lease revenue bonds. The proposed projects are as follows:

- **Expand Fire Academy.** The Finance Letter requests an additional $3.4 million from lease revenue bonds for preliminary plans, working drawings and to construct an additional 80 person dormitory and expand the existing mess hall. The Governor's January budget includes $6.7 million from lease revenue bonds for this project. Increases are due to general price escalations in the construction market and reflect actual bids received for other similar capital outlay projects.
- **Replace Alma Helitack Base (HB).** The Finance Letter requests an additional $929,000 from lease revenue bonds for preliminary plans, working drawings and to construct this project. The 2005 Budget Act provided $6.5 million in lease revenue bonds for this project. Increases are due to general price escalations in the construction market.
- **Replace Altaville Forest Fire Station (FFS).** The Finance Letter requests $997,000 from lease revenue bonds for preliminary plans, working drawings and to construct this project. The 2005 Budget Act provided $3.8 million in lease revenue bonds for this project. Increases are due to general price escalations in the construction market and additional site work needed for utilities and abatement of hazardous materials.
- **Relocate Batterson FFS.** The Finance Letter requests $10,000 from General Fund monies for preliminary plans to relocate this facility. The Governor's January budget includes $259,000 from General Fund monies to relocate this facility to a more strategic location on U.S. Forest Service land. Increases are due to general price escalations in the construction market.
- **Remodel Bautista Conservation Camp (CC).** The Finance Letter requests $1.7 million for working drawings and construction of this project. The 2005 Budget Act provided $4.8 million for preliminary plans, working drawings and construction of this project. Increases are due to general price escalations in the construction market and reflect actual bids received for other similar capital outlay projects.
- **Replace Water System at Bear Valley FFS and HB.** The Finance Letter proposes to delete $417,000 in General Fund monies included in the Governor's January budget for preliminary plans to replace the water system at the base. This project has been delayed and these funds are not needed in the budget year.

- **Replace Cuyamaca FFS.** The Finance Letter proposes $937,000 from lease revenue bonds to construct this project. The 2004 Budget Act provided $3.3 million in lease revenue bonds for preliminary plans, working drawings and construction of this project. Increases are due to general price escalations in the construction market.
- **Replace Dew Drop FFS.** The Finance Letter proposes $219,000 from lease revenue bonds for construction of this project. The 2005 Budget Act provided $2.5 million for acquisition and construction of this project. Increases are due to general price escalations in the construction market and additional CEQA documentation needed that was not anticipated.
- **Relocate Elk Camp FFS.** The Finance Letter proposes $228,000 from lease revenue bonds for construction of this project. The 2005 Budget Act provided $2.8 million for working drawings and construction of this project. Increases are due to general price escalations in the construction market and a required permit for widening Highway 1 near the new facility.
- **Replace Buildings at Intermountain CC.** The Finance Letter proposes $2.1 million from lease revenue bonds for preliminary plans, working drawings and to construct this project. The Governor's January budget includes $13.7 million from lease revenue bonds for this project. Increases are due to site reconfiguration design and construction elements, as well as general price escalations in the construction market.
- **Replace Auto Shop at Mendocino Ranger Unit Headquarters (RUH).** The Finance Letter proposes $253,000 from lease revenue bonds for working drawings and to construct this project. The 2005 Budget Act provided $3.3 million for working drawings and construction of this project. Increases are due to general price escalations in the construction market.
- **Replace Miramonte CC.** The Finance Letter proposes $310,000 from lease revenue bonds for preliminary plans, working drawings and to construct this project. The Governor's January budget includes $41.5 million from lease revenue bonds for this project. Increases are due to general price escalations in the construction market.
- **Replace Nipomo FFS.** The Finance Letter proposes $3 million in General Fund monies for working drawings and construction of this project. The Finance Letter also proposes to revert $2.9 million in lease revenue bonds provided for this project in the 2005 Budget Act. The department indicates that lease revenue bond financing is no longer a viable option because the property owners are not willing to sell the site or renegotiate lease terms to satisfy lease revenue bond requirements. The department proposes to delete $249,000 for acquisition, but project costs are projected to be more than last year due to general price escalations in the construction market.
- **Replace Pacheco FFS.** The Finance Letter proposes $228,000 from lease revenue bonds for construction of this project. The 2005 Budget Act allocated $2.5 million from lease revenue bonds for acquisition and construction of this project. Increases are due to general price escalations in the construction market.
- **Replace San Luis Obispo RUH.** The Finance Letter proposes $924,000 from lease revenue bonds for working drawings and to construct this project. The 2005 Budget Act allocated $10.3 million from lease revenue bonds for construction of this project. Increases are due to delays in negotiations with California State University over the transfer of this property and general price escalations in the construction market.

- **Relocate San Marcos FFS.** The Finance Letter proposes $261,000 from lease revenue bonds for construction of this project. The 2005 Budget Act allocated $2.9 million from lease revenue bonds for preliminary plans, working drawings and to construct this project. Increases are due to general price escalations in the construction market.
- **Replace Auto Shop at Santa Clara RUH.** The Finance Letter proposes $322,000 from lease revenue bonds for construction of this project. The 2005 Budget Act allocated $2.7 million from lease revenue bonds for preliminary plans, working drawings and to construct this project. Increases are due to general price escalations in the construction market.
- **Replace Stevens Creek FFS.** The Finance Letter proposes $237,000 from lease revenue bonds for construction of this project. The 2005 Budget Act allocated $2.5 million from lease revenue bonds for preliminary plans, working drawings and to construct this project. Increases are due to general price escalations in the construction market.
- **Replace Twain Harte FFS.** The Finance Letter proposes $407,000 from lease revenue bonds for construction of this project. The 2005 Budget Act allocated $3.8 million from lease revenue bonds for preliminary plans, working drawings and to construct this project. Increases are due to general price escalations in the construction market.
- **Replace Usona FFS.** The Finance Letter proposes $954,000 from lease revenue bonds for working drawings and to construct this project. The 2005 Budget Act allocated $2.3 million in lease revenue bonds for working drawings and construction of this project. Increases are due to general price escalations in the construction market.
- **Construct Shop at Ventura Youth Conservation Camp.** The Finance Letter proposes $203,000 from lease revenue bonds to construct this project. The 2005 Budget Act allocated $2.7 million in lease revenue bonds for working drawings and construction of this project. Increases are due to general price escalations in the construction market.
- **Replace Warner Springs FFS.** The Finance Letter proposes $1 million from lease revenue bonds for working drawings and to construct this project. The 2005 Budget Act allocated $3.6 million for acquisition, preliminary plans, working drawings, and to construct this project. Increases are due to general price escalations in the construction market.
- **Replace Weaverville FFS.** The Finance Letter proposes $2.4 million from lease revenue bonds for working drawings and construction of this project. The 2004 Budget Act allocated $581,000 from lease revenue bonds for construction of this project. Increases are due to general price escalations in the construction market. In addition, since this project was started in 1998, additional construction funding was required to add a generator, which is consistent with current design standards.
- **Replace Communications Facilities – Phase III.** The Finance Letter proposes $3.1 million from General Fund monies for working drawings and construction of this project. The Governor's January budget proposal includes $13.1 million from General Fund monies to support this project. Increases are due to general price escalations in the construction market and reflect actual bids received for other similar capital outlay projects.
- **Replace Communications Facilities – Phase IV.** The Finance Letter proposes $208,000 from General Fund monies for preliminary plans and working drawings for this project. The Governor's January budget proposal includes $1.6 million from General Fund monies to support this project. Increases are due to general price escalations in the

construction market and reflect actual bids received for other similar capital outlay projects.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, $138 million was approved for capital outlay projects to upgrade the state's fire protection infrastructure. The Subcommittee also held open the Governor's proposal to increase the department's staffing to manage, in-house, six to eight additional capital outlay projects annually. The Subcommittee requested that CDF provide additional information on its history of managing capital outlay projects and what it has done to address project delays caused by switching to lease revenue bond financing, project scope changes, and environmental studies.

Department Response. The department indicates that, since 1993, it has managed 148 projects and only 11 of these projects (7 percent of projects) were delayed. Staff finds that projects managed by the Department of General Services (DGS) were delayed far more often.

The department also indicates that it has taken steps to address the cause of project delays including the following:

- Establish criteria and screen projects early on to determine whether they are eligible for financing with lease revenue bonds.
- Standardize fire station projects.
- Initiate monthly meetings with DGS and DOF to address projects that are delayed.

The department indicates that DGS will continue to handle larger capital outlay projects such as unit headquarters, conservation camps, and emergency command centers, but the department will handle the fire station facility workload. These facilities are specialized and were designed by CDF. Furthermore, CDF has routinely constructed these facilities in the past, however, because of the escalating costs of construction many of these projects are no longer categorized as minor capital outlay projects and were, therefore, required to be managed by DGS. Furthermore, many of these stations are located in remote areas of the state and require local staff expertise in order that projects may be constructed in a timely manner.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal to double CDF's capital outlay staff.
- Approve the capital outlay Finance Letter.

3790 Department of Parks and Recreation

1. Remediation of Empire Mine

Governor's Budget. The Governor's Budget proposes $5 million in General Fund monies for contamination remediation measures at the Empire Mine State Historic Park.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, this issue was held open pending more detailed information on the department's plans for expending these funds to clean up the pollution caused by the Empire Mine.

Department Response. The department has provided additional information to the Subcommittee on how it will spend the $5 million proposed for remediation of the Empire Mine. The department plans to allocate the funds for the following activities:

- $1 million to initiate a site characterization study required by the Department of Toxic Substance Control under CERCLA (the Superfund law) that will culminate with a Remediation Action Plan;
- $600,000 to cover attorney fees and state regulatory agency reimbursements;
- $400,000 to acquire equipment, materials, fencing, and signage to protect the public; and
- $3 million for additional contracts to: initiate best management practices for immediate remediation efforts, initiate the CEQA process and other permit processes for long-term solutions, initiate installation of remediation measures, and secure project management and technical expertise.

The department also indicates that it is currently evaluating a wide menu of possible remediation efforts to reduce pollution from the site. The department is evaluating best management practices to reduce pollution from stormwater and drainage in the Magenta Drain. Options to control contaminated stormwater include:

- Redirection of drainage to a treatment facility;
- Installation of fencing, a barrier, and re-vegetation of a drainage area;
- Removal and treatment of soil;
- Construction of an engineered contaminant cap and use as a parking lot; and
- Lime/inert gas treatments to neutralize acidity.

Options to control polluted drainage waters from the Magenta Drain include:

- Installation of a treatment plant;
- Vacuuming the stream;
- Installation of a shaft plug;
- Construction of a sediment basin; and
- Testing a drawdown of subterranean water levels as a means of eliminating source contaminants.

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

2. Concession and Operating Agreement Proposals

Governor's Budget. The budget proposal includes five operating agreements that require legislative approval. These operating agreements include:

- Woodland Opera House;
- Folsom Lake Natoma Aquatic Center;
- Stone Lake Property;
- Lighthouse Field State Beach; and
- Lucadra and Moonlight State Beaches.

The budget proposal includes five concession proposals that require legislative approval. These concession agreements include:

- **Hollister Hills State Vehicular Area.** Proposal to operate a park store for ten years with details to be determined.
- **Old Town San Diego State Park.** Proposal to operate food and other retail for up to ten years with the state receiving $5,000 or 8 percent of sales at a minimum capital investment of $100,000.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, the following concession proposals were held open pending receipt of feasibility study reports or approval by the Parks and Recreation Commission:

- **Millerton Lake State Recreation Area.** Proposal to operate a marina for up to 30 years with a minimum capital investment of $2 million and the state to receive an undetermined amount.
- **Asilomar State Beach.** Proposal to operate lodging with details to be determined.
- **Pismo State Beach.** Proposal to operate lodging and a restaurant with a minimum capital investment of $14 to $17 million and the state to receive an undetermined amount.

Update. The department has completed the feasibility study reports for the Millerton Lake State Recreation Area and Asilomar State Beach and the LAO recommends approving these concession proposals. Furthermore, the department indicates that the Pismo State Beach concession proposal is slated to be heard at the May 8 meeting of the Parks and Recreation Commission and that the proposal currently has no opposition.

Staff Recommendation. Staff recommends that the Subcommittee approve the following concession proposals:

- Millerton Lake State Recreation Area;
- Asilomar State Beach; and
- Pismo State Beach.

Regional Conservancies

3810 Santa Monica Mountains Conservancy

Previous Subcommittee Action. On March 6, 2006, the Subcommittee approved $9.2 million to support the Santa Monica Mountains Conservancy (SMMC) for 2006-07.

Finance Letter. A Finance Letter (dated March 30, 2006) requests the following amendments to the Governor's budget:

- Increase in expenditure authority from the Santa Monica Mountains Conservancy Fund of $47,000 due to an increase in anticipated donation funds.
- Delete budget bill language that requires SMMC to issue grants from the Santa Monica Mountains Conservancy Fund in accordance with general obligation bond law in order to fund non-capital outlay projects.
- Add budget bill language that requires SMMC to report annually to DOF on donations received by September 1 of each year.

Justification. This budget proposal will allow the Conservancy to expend additional donation funds anticipated in the budget year from the Santa Monica Mountains Conservancy Fund. The proposal also gives the SMMC the flexibility to fund non-capital outlay projects and provides DOF with additional information on projected grant funds for incorporation into the annual budget proposal.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

3830 San Joaquin River Conservancy

Previous Subcommittee Action. On March 6, 2006, the Subcommittee approved $434,000 to support the San Joaquin River Conservancy for 2006-07.

Finance Letter. A Finance Letter (dated March 30, 2006) requests the following amendments to the Wildlife Conservation Board's budget to fund the San Joaquin River Conservancy:

- Add budget bill language to reappropriate $8.4 million in Proposition 40 bond funds to support land acquisitions and public access and recreation improvement projects. Proposition 40 provided $25 million for this purpose.

Justification. The board indicates that delays have occurred in allocating the funding because of the need to address issues related to potential land acquisitions, including existing gravel mining operations and potential environmental liabilities.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

3835 Baldwin Hills Conservancy

Previous Subcommittee Action. On March 6, 2006, the Subcommittee took action to approve $415,000 to support the Baldwin Hills Conservancy for 2006-07.

Finance Letter. A Finance Letter (dated March 30, 2006) requests the following amendments to the Baldwin Hills Conservancy's budget:

- Add a budget item to reappropriate $6.9 million in Proposition 40 bond funds to fund land acquisitions and public access projects. Proposition 40 provided $40 million for this purpose.

Justification. Approximately two-thirds of the available land in the Conservancy area is severely degraded by oil production. This has increased the complexity of land acquisitions and has required analysis related to mineral titles and environmental liabilities.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

3850 Coachella Valley Mountains Conservancy

Previous Subcommittee Action. On March 6, 2006 the Subcommittee took action to approve $272,000 to support the Coachella Valley Mountains Conservancy.

Finance Letter. A Finance Letter (dated March 30, 2006) requests the following amendments to the Coachella Valley Mountains Conservancy's budget:

- Add a budget bill item to revert $103,000 in Proposition 40 bond funds approved for state operations in 2004.
- Add a budget bill item to provide an additional $211,000 in Proposition 40 bond funds for capital outlay projects, including the $103,000 proposed for reversion and $108,000 in remaining unallocated bond funding.
- Add a budget bill item to reappropriate $577,000 in Proposition 40 bond funds allocated in the 2002 Budget Act for capital outlay projects.

Justification. The Conservancy indicates that the funds proposed for reappropriation are available through abatements with non-profit organizations. Abatements occur when a non-profit organization purchases property with a grant from the Conservancy and the non-profit then sells the property to the federal government. After the sale to the federal government, the non-profit returns the grant funds to the Conservancy for additional grants or purchases. The Conservancy anticipates several abatements resulting in additional Proposition 40 bond funds available to be reappropriated.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

3855 Sierra Nevada Conservancy

1. Sierra Nevada Conservancy Start Up

Governor's Budget. The Governor's budget proposes $3.7 million from the Environmental License Plate Fund to support the Sierra Nevada Conservancy. This proposal does not reflect a reduction to the account for one-time expenditures that were included in the 2005-06 budget.

Previous Subcommittee Direction. At the March 6 meeting of the Subcommittee, this issue was held open pending receipt of a supplemental report required by the Legislature on the total expenditure requirements of the Conservancy for 2006-07.

Finance Letter. A Finance Letter (dated March 30, 2006) was submitted requesting the Legislature to reappropriate $276,000 from the Environmental License Plate Fund to fund additional one-time startup costs for the Conservancy. The expenditure of these funds was delayed due to a lag in the startup of the Conservancy's operations.

Report Submitted. As of February 28, 2006, the Conservancy had only expended $175,000 of the $3.6 million provided in the 2005 Budget Act. The report indicates that this is due to delays in hiring an Executive Director and locating office headquarters. However, the Conservancy estimates that it will expend approximately $2.8 million by the end of 2005-06. This will result in $800,000 in savings in the current year that will revert to the Environmental License Plate Fund.

The report also identifies $500,000 in one-time expenditures in 2005 Budget Act. The report indicates that the Conservancy will not expend all of these one-time funds in 2005-06 and proposes to reappropiate a portion of these funds. Furthermore, the Governor's 2006-07 budget proposal does not include an adjustment for these one-time funds. The LAO finds that, because of the delays in startup of the conservancy, it is still not certain what the ongoing versus onetime costs are for the conservancy. The LAO recommends adopting supplemental report language to determine a realistic budget for the conservancy by January 1, 2008.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal.
- Approve the Finance Letter to reappropriate $276,000 in ELPF.
- Approve the supplemental report language recommended by the LAO.

7300 Agricultural Labor Relations Board

1. Technical Budget Adjustment

Governor's Budget. The Governor's budget proposes to eliminate five vacant positions and transfer $245,000 in General Fund monies from salary savings to the operating expense and equipment portion of the budget.

Justification. The board indicates that it currently does not have sufficient funding to cover its operating expenses and equipment expenditures and over the past three years has been using salary savings to help fund its operating expenses and equipment expenditures. The budget proposal makes a technical adjustment to properly reflect the board's current operating expenses and equipment budget. The bulk of the board's operating expenses and equipment expenditures are on facility operations, but these funds also support contracts for court reporters and information technology critical to the board's operations.

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

8660 California Public Utilities Commission (CPUC)

1. High Cost Fund-A Program

Background. The CPUC currently administers five universal service telephone programs that seek to expand access to basic telephone services by subsidizing the cost of service for certain people (such as low-income persons and persons living in remote areas) through surcharges on all telephone users' monthly bills. These programs include the High Cost Fund-A program that subsidizes basic telephone service provided by 17 small local telephone companies servicing high-cost, predominantly rural areas in the state.

Finance Letter. A Finance Letter (dated March 30, 2006) requests expenditure of $14.3 million in additional funding from the High Cost Fund-A Administrative Committee Fund to pay additional carrier claims. The Governor's budget proposes $44.5 million in expenditures from this fund. This amendment increases 2006-07 claims to small local telephone companies by over 30 percent.

Justification. The Commission indicates that claims to the High Cost Fund-A Administrative Committee Fund are projected to increase in the budget year due to the following issues:

- New inter-carrier compensation rules by the Federal Communications Commission.
- Recently approved general rate cases for Siskiyou Telephone Company and Foresthill Telephone Company.

Staff Recommendation. Staff recommends that the Subcommittee approve this Finance Letter request.

2. Workstation Makeover

Governor's Budget. The Governor's budget proposes $2.4 million in 2006-07 to be followed with an additional request for $2.4 million in 2007-08 from special funds to replace the CPUC's modular workstations, which are 20 years old.

Justification. The CPUC indicates that the current workstations lack sufficient power and data/communications receptacles, which requires overdependence on extension cords and multi-plug adaptors. These practices are in violation of requirements by the State Fire Marshall. Furthermore, the replacement will address concerns related to ergonomics and the Americans with Disabilities Act. The replacement will also promote energy efficiency and provide a more functional office environment.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal.
- Approve budget bill language indicating that $2.4 million is a limited-term 2-year augmentation that will terminate at the end of 2007-08.

3. Infrastructure Improvements and Repairs

Governor's Budget. The Governor's budget requests one-time funding of $1,122,000 from special funds for a variety of maintenance repairs and energy efficiency improvements at the CPUC's San Francisco headquarters. The request includes $500,000 to relocate the building's childcare center from the basement to the first floor of the building.

Justification. The design of the current childcare facility is making it difficult to comply with current licensing requirements. The location exposes children to exhaust fumes from the garage, human waste and other debris that collects daily in a stairwell, flooding, recurring rodent infestations, and repeated grease overflows from the kitchen located above the facility. Furthermore, many of the other maintenance items are required to maintain health and safety of employees working in the building.

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

4. Telecommunications Consumer Protection

Background. On March 2, 2006, the CPUC adopted a decision in the six year-old proceeding on the Telecommunications Consumer Bill of Rights. In this decision, the Commission did not take a traditional command and control regulatory approach, but instead focused the decision on providing better consumer information. The Commission indicates that this approach was preferred because a traditional regulatory approach would not address the considerable variation among technologies and business models employed by telecommunications companies and could stifle innovation. This decision launched a new consumer protection program at the CPUC to identify and stop fraud and anti-competitive behavior by implementing new rules and focusing on enforcement and education efforts. The decision directs CPUC staff to undertake 23 initiatives to accomplish the following:

- Enhance enforcement and fraud prevention;
- Enhance consumer complaint resolution; and
- Initiate consumer education efforts in multiple languages.

Governor's Budget and Finance Letter. The Governor's budget and a Finance Letter (dated April 21, 2006) request $12.8 million from ratepayer funds for initial costs associated with implementing the CPUC's recent decision to implement the Telecommunications Consumer Bill of Rights. The Commission indicates that $4.6 million are one-time costs associated with startup of the new program. The commission proposes to allocate budget expenditures to support the following:

- **Consumer Education Campaign.** The budget proposal includes $7.1 million ($4.1 million one-time) to create a consumer education campaign in seven different languages.
- **Database Improvements.** The budget proposal includes $1.7 million ($1.2 million one-time) to upgrade the commission's database to better track consumer inquiries and complaints.
- **Staff Training.** The budget proposal includes $650,000 (one-time) for training of enforcement staff and complaint resolution staff.

- **Attorney General/District Attorney.** The budget proposal includes $300,000 to assist in developing actions against fraudulent activities that the Attorney General or local district attorney will pursue in court.
- **Program Evaluation.** The budget proposal includes $500,000 ($400,000 one-time) for independent review of the effectiveness of the education program.
- **Community Outreach.** Starting in 2006-07, the commission proposes to allocate $3 million annually to community-based organizations to assist in intake, education and community outreach for difficult-to-reach-communities.
- **Staff Support.** The budget proposal includes $2 million to support 29.5 positions to implement the program. Positions requested include 13 bilingual consumer affairs representatives and 7.5 additional analysts for its telecommunications consumer fraud unit.
- **Other.** The budget proposes $550,000 ($194,000 one-time) for other equipment and expenses, including providing enforcement staff access to Lexis/Nexis to assist in enforcement research.

Workload Justification. The program created by the March 2, 2006 decision is a new program that could not be implemented without additional staffing. The decision requires a new model of enforcement that the current enforcement group in the commission's Consumer Protection and Safety Division cannot effectively implement without additional staff. The new model requires collaboration and communication with other enforcement agencies such as the Attorney General. The commission proposes 8.5 new positions to increase enforcement. The commission currently has 12 positions in the enforcement group.

The Consumer Service and Information Division is responsible for implementing consumer education and outreach, the complaint resolution process, and the foreign language requirements of the new program. These program elements cannot be accomplished with existing staff. The decision requires the Consumer Affairs Branch to double the number of customer phone service hours from five hours/day to 10 hours/day and requires that Consumer Affairs Representatives have multiple language capabilities. The commission proposes 19 new positions to increase its customer contact by 60 percent. Furthermore, increased funding is needed to improve the current database systems used by the Consumer Affairs Branch to enter complaints. This data is critical for the enforcement branch to be able to identify trends that can be investigated.

The commission's decision was centered on education. The commission currently has very few resources dedicated to informing consumers of their rights related to telecommunications. Therefore, additional funding is needed to carry out the CPUC's decision.

Staff Comments. Staff finds that there continues to be considerable disagreement with the approach taken by the Commission on this issue. Many find that the commission should have required more of the telecommunications companies. For example, the commission could have enacted new rules to change billing formats to make them more understandable and require that bills be in languages consistent with the solicitation offering the service.

However, regardless of the policy differences about the approach taken by the commission on this issue, staff finds that the commission's budget proposal should enable it to implement the

commission's order. Staff finds that continual evaluation and adaptive management is needed since this is a new regulatory approach for the commission.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget request.
- Request that staff work with the department, LAO, and DOF to develop a reporting requirement to update the Legislature on the performance of this program in two years.

Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 2 Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal

Wednesday, May 17, 2006
9:00 a.m.
Room 4203

Part II - Agenda

Item	Department	Page
0540	Secretary for Resources	2
3340	California Conservation Corps	3
3460	Department of Conservation	4
3540	Department of Forestry and Fire Protection	5
3560	State Lands Commission	9
3780	Native American Heritage Commission	11
3790	Department of Parks and Recreation	12
3680	Department of Boating and Waterways	23
3900	Air Resources Board	26
3910	Integrated Waste Management Board	28
3960	Department of Toxic Substances Control	29
8570	California Department of Food and Agriculture	30
8660	Public Utilities Commission	37

Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

0540 Secretary for Resources

1. California Coastal Impact Assistance Program

May Revision. The May Revision proposes to reappropriate federal grants originally appropriated in 2002 to complete 37 coastal projects to mitigate outer-continental oil and gas production. The Secretary estimates that approximately $5.5 million of the $10 million originally allocated for state projects will be expended by the end of the current year. The May Revision also proposes to make a technical correction to delete unnecessary budget bill language related to this program.

Staff Comments. The Secretary indicates that these projects have been delayed due to bad weather and delays in identifying state monies to match federal grants. Furthermore, the Secretary expects that several of the projects will come in under budget in the budget year and the department proposes to allocate the savings to additional mitigation projects. The restoration efforts are being undertaken by the Resources Agency in conjunction with the State Coastal Conservancy, the California Coastal Commission, the San Francisco Bay Conservation and Development Commission, the Department of Parks and Recreation, the Department of Fish and Game, and the Department of Boating and Waterways.

Staff Recommendation. Staff recommends that the Subcommittee approve this May Revision proposal.

3340 California Conservation Corps

1. Bond Funds

May Revision. The May Revision includes the following proposals to allocate additional bond funds to the local conservation corps:

- **Proposition 12.** The May Revision proposes to revert $237,000 in bond funds that were appropriated in 2003-04 but have not been utilized. These funds are proposed to fund California Conservation Corps resource conservation projects ($131,000) and grants to local conservation corps ($106,000).
- **Proposition 40.** The May Revision proposes to reappropriate $193,000 in bond funds that will not be expended before the end of the fiscal year. These funds are for grants to the Tulare County Conservation Corps and the East Bay Conservation Corps for acquisition and development of facilities that support their local conservation corps.

Staff Recommendation. Staff recommends that the Subcommittee approve this May Revision proposal.

3460 Department of Conservation (DOC)

1. Beverage Container Recycling Program

Background. The DOC's Division of Recycling administers the California Beverage Container Recycling and Litter Reduction Act (commonly referred to as the bottle bill) to achieve and maintain high recycling rates for beverage containers included in the program. The DOC provides a number of services to achieve these goals, including enforcement, auditing, grant funding, technical assistance, and education. Revenues to the Beverage Container Recycling Fund increased 40 percent in 2004-05 due to implementation of legislation (AB 28, Jackson) enacted in 2003 increasing the deposit for beverage containers sold in California.

Governor's Budget and Finance Letter. The Governor's Budget proposes $904,000 from the Beverage Container Recycling Fund to fund eight 2-year limited-term positions to combat fraud in the Beverage Container Recycling Program. The Finance Letter (dated March 30, 2006) proposes $5.2 million in one-time funds from the Beverage Container Recycling Program to support the implementation of an integrated information technology system for the Division of Recycling (DORIIS) to improve the department's ability to provide timely remittances and to detect fraud.

Previous Subcommittee Action. At the April 24 meeting of the Subcommittee, staff was directed to work with the department, the LAO, and DOF to develop a project to increase grants to the California Conservation Corps and local conservation corps to increase recycling activities. The Subcommittee also approved the budget and Finance Letter proposals for this program.

Staff Comments. Due to lagging recycling rates (i.e. more containers are sold with the deposit paid on them than there are containers recycled), the Beverage Container Recycling Fund is expected to carry an overall fund balance of $429 million. The department has had a large surplus balance over the last several years and, beginning in 2002-03, about $325 million total was loaned to the General Fund to address the budget problem. The majority of these loans require repayment by 2008-09. Repayment of these loans will add further to the growing balance.

In view of the surplus in the fund, and the Act's statutory mission to increase recycling to achieve an 80% recycling rate, staff finds that the Subcommittee should allocate funds to additional activities that will increase recycling in the state.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve trailer bill language to allocate excess funding in the Beverage Container Recycling Program to increase recycling rates to achieve the 80 percent recycling goal.

3540 Department of Forestry and Fire Protection

1. Urban Forestry

Governor's Budget. The Governor's budget proposes to expend $1.4 million from Proposition 12 bond funds for urban forestry grants and funding to support the program.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, staff was directed to work with the LAO, DOF and the department to work on a plan to accelerate the allocation of Proposition 12 and Proposition 40 bond funds for urban forestry projects.

Eligibility of Bond Funds. Staff finds that Proposition 40 bond funds can be expended on a wider array of urban forestry activities than the Proposition 12 bond funds. For example, Proposition 12 bond funding is limited to tree planting and up to three years of maintenance expenditures, whereas Proposition 40 bond funding can be used more broadly to support the California Urban Forestry Act of 1978. The California Urban Forestry Act of 1978 envisioned that the department would help local governments develop urban tree plans and best management practices for tree planting so that water and energy efficiency were maximized by urban forestry programs.

Staff Comments. Staff finds that there is considerable demand for urban forestry grants and a significant need for some money to develop basic guidelines and best management practices to ensure that energy efficiency and water use efficiency are considered when trees are planted in urban environments. These types of grants are eligible for funding under the Proposition 40 guidelines. The development of guidelines and best management practices for urban areas across the state will ensure that future funds allocated to urban forestry are expended so as to maximize the environmental benefits of the program. A resources bond initiative that is likely to be on the ballot in November contains $90 million for urban forestry programs.

Department Response. The department has indicated to staff that it could expend $3 million in additional bond funding in the budget year for urban forestry grants. Furthermore, the department indicates that, because of the limitations it has on administrative costs, it does not have the capability to run a program that allocates many small grants. Therefore, it plans on working with established groups in urban areas to develop programs.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve $3 million in additional Proposition 40 bond funds for urban forestry grants and to support the program ($136,000 to fund 1.2 additional positions to expand management of the program).
- Approve budget bill language to clarify that the department must implement the grants consistent with the priorities set out in the California Urban Forestry Act of 1978.

2. Forestry Program

Governor's Budget. The Governor's Budget estimates that $15 million in revenue will be generated from the sale of forest products harvested on state forest land (Forest Resources Improvement Fund [FRIF] revenues) in the current and budget years combined. The budget proposes to expend $4.7 million of these revenues to support forestry programs in 2006-07.

May Revision. The May Revision proposes to increase funding for the department's forestry programs by $9 million from revenues generated by harvesting timber at state-owned forests (FRIF revenues). This increase in funding will be used to fund 20 new positions, 6.5 existing positions that have been funded with federal funds, maintenance of roads on Jackson State Forest, and other contracts. This proposal would increase funding for the department's forestry programs to $13.6 million, which is completely funded from timber harvesting on state forest lands. Programs funded include the following:

- Management of state demonstration forests.
- State nursery and seed bank program.
- State and Federal forestry assistance programs with the goal of reducing wildland fuel loads and improving health and productivity of private forest lands.
- California Forest Improvement Program that provides cost-share assistance to landowners for projects that improve the health of the forest.
- Urban Forestry Program that provides support to local governments and nonprofits to manage and promote urban forests.
- Pest Management Program.
- Fire and Resource Assessment Program that collects data on California's forests and rangelands to help landowners and agencies make resource management decisions.

The May Revision proposal also requires the department to repay $5 million in loans from the General Fund used to support forestry programs at the department in 2003-04 and 2005-06. These loans were required when litigation regarding timber harvesting at Jackson State Forest dramatically reduced timber harvest revenues from state forests.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, funding for the department's forestry programs was held open pending additional information about the Board's decision on the Jackson State Forest EIR. The Subcommittee also directed staff to develop options for funding forestry programs in the budget year.

Justification. The department has historically funded its forestry programs at a level of about $15 million annually. However, since litigation shut down timber harvesting on the Jackson State Forest, revenues from timber sales on state forests were dramatically reduced and so was funding for state forestry programs. State forestry programs are critical to the conservation and health of our forestlands. These programs assist landowners in preventing forest fires that will destroy timber resources. These programs also help landowners with the reforestation process and assessment programs which serve as the basis for regulatory decisions related to timber harvests.

Staff Comments. Staff finds that funding sources for forestry programs must be more diversified. The FRIF funds are an appropriate funding source, but should not necessarily be linked to the amount of FRIF revenues in any given year. Appropriate funding sources include the General Fund, Environmental License Plate Fund revenues, and timber harvest plan fee revenues.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the staffing and expenditures proposed in the Governor's Budget and May Revision proposals.
- Approve trailer bill language to require that all revenues from the state forests deposited in the FRIF account be transferred to the General Fund except for those funds needed to manage state forest lands. (Trailer bill language should include a provision for annual reporting to the Legislature on the total revenues generated on state forest land.)
- Approve corresponding amendments to the budget bill (increase General Fund revenues, increase General Fund support for forestry programs, reduce FRIF support of the department).
- Reject proposal to require repayment of the General Fund loans and forgive these loans.

3. Off-Season Fire Protection Statewide

Governor's Budget. The Governor's Budget includes $37 million in General Fund monies to fund increased employee compensation costs associated with funding year-round fire protection statewide.

May Revision. The May Revision allocates $11 million ($8.4 million in General Fund monies and $2.2 million in reimbursements) to cover increased costs associated with overtime for seasonal firefighters (Firefighter I positions).

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, trailer bill language was approved to ensure increased staffing resources be used to support state responsibilities. The Subcommittee also took an action to reduce the department's General Fund monies by $2.9 million to address a technical budgeting error related to employee compensation.

Staff Comments. A side letter of Memorandum of Understanding with Bargaining Unit 8 allowed half pay for some of the overtime (sleep time) worked by seasonal firefighters. This side letter expires June 30, 2006. This will require the state to pay time and one-half for all overtime, including sleep time. The Unit 8 contract also expires on June 30, 2006, and the state is currently in the process of collective bargaining to reach a new agreement. Staff finds that the Memorandum of Understanding is part of the Unit 8 negotiations and funding this proposal is premature. Furthermore, when and if this item is settled as a result of collective bargaining, any increase should be budgeted through the 9800 item for employee compensation.

Staff Recommendation. Staff recommends that the Subcommittee reject the May Revision proposal.

4. Workers' Compensation and Unemployment Insurance

May Revision. The May Revision proposes $7 million in General Fund monies to cover increased costs related to workers' compensation ($5 million) and unemployment insurance ($2 million).

Justification. Staff finds that actual workers compensation costs have remained fairly constant since 2002-03. However, in the past, the department has used federal funding reimbursements to augment its budget without notification to the Legislature. These funds have been used to support these costs in the past. Budget bill language adopted in 2005 now requires the department to report all federal funding received so that it may be deposited in the General Fund to reimburse the state for firefighting activities on federal lands.

Unemployment insurance costs at the department have been increasing over the past several years due to recent legislation that increased unemployment insurance payouts and that offers unemployment benefits to students who quit work to return to school. Overall unemployment insurance costs have more than doubled since 2003-04 for the department.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget request.

5. Public Safety Workforce Recruitment

May Revision. The May Revision proposes $5 million in General Fund monies to support 34 additional staff to support the hiring and training of new firefighters.

Justification. The Department indicates that it is experiencing significant increases in firefighter retirements. However, staff has not received supporting information to justify this major expansion to the department's recruitment and training efforts.

Staff Recommendation. Staff recommends that the Subcommittee reject this proposal.

3560 State Lands Commission

1. School Land Bank Fund

Governor's Budget. The School Land Bank Fund is expected to have a fund balance of $59 million at the end of the budget year. This balance has grown over 200 percent from levels in 1996-97.

LAO Recommendation. The LAO finds that the State Lands Commission (SLC) has expended almost no money from the School Land Bank Fund to purchase additional property in the past several years. Therefore, lease revenues to CalSTRS have not been enhanced by activities funded by the School Land Bank Fund. The LAO recommends adopting trailer bill language to transfer the balance in the School Land Bank Fund to the Teachers' Retirement Fund for investment by CalSTRS.

Previous Subcommittee Direction. At the March 6 meeting of the Subcommittee, this issue was held open and additional information was requested from the commission regarding the impacts of implementing the LAO's recommendation and the potential for unfunded liabilities to legacy uses of state school lands.

Department Response. The department indicates that it currently owns 570,000 acres of state school lands that were granted to the state from the federal government. The department has identified the following potential liabilities on these lands:

- Abandoned mines;
- Unexploded ordnance; and
- Toxic waste and other hazardous substances.

The department has identified 749 individual mine features on state school lands. Of these mine features, the department has identified 195 that pose the greatest hazard to the public and wildlife. The department estimates that it would cost approximately $2 million over an eight-year period to remediate these mines.

Some of the state school lands were used by the U.S. military for training exercises and may contain unexploded ordnance (bombs and shells). Based on a preliminary review, the department has identified nearly 24,000 acres that have not been declared by the federal government as fully decontaminated of ordnance and cleared for all uses. The department does not currently know the amount of remediation efforts needed to make these lands safe for all uses.

The department indicates that many of the state school lands are isolated and remote and are not currently being leased. Therefore, unauthorized uses on these lands are possible and could potentially result in toxic or hazardous waste that will require clean up.

Staff Comments. Staff finds that part of management of the state school lands is identification and remediation of potential liabilities on these lands. If these hazards are present on the lands, it makes it very difficult to develop or sell them to benefit CalSTRS. Furthermore, the features on these state school lands present potential liabilities for the state.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve trailer bill language to amend Public Resources Code §8705 to clarify that funds from the School Land Bank Fund can be used for management and remediation of hazards on state school lands.
- Approve $2 million from the School Land Bank Fund to remediate the most dangerous mine features on state school lands.
- Approve budget bill language to give DOC the authority to expend the $2 million over three years.
- Approve $200,000 from the School Land Bank Fund to support one two-year limited-term position and contracts to do an assessment of unexploded ordnance and other potential hazards on state school lands.
- Approve supplemental report language to require the Commission to report to the Legislature by January 10, 2008, with a plan for addressing unexploded ordnance and other potential hazards on state school lands.

3780 Native American Heritage Commission

1. Implementation of Recently Enacted Mandates

Previous Subcommittee Discussion. At the March 6 meeting of the Subcommittee, testimony was heard regarding the commission's inability to implement recently enacted legislation. The legislation that is not currently being implemented includes legislation (SB 18) enacted in 2004 to require every city and county planning agency to consult with California Native American tribes during preparation or amendment of a general plan. The Commission also indicated that they were currently unable to implement legislation (AB 978), enacted in 2001, establishing a process for repatriating Native American human remains and cultural items possessed by a state or local agency or museum that receives state funds. Staff understands that the commission needs legal counsel to assist with implementation of these laws.

Staff Recommendation. Staff recommends that the Subcommittee approve $200,000 from General Fund monies to support two positions (staff counsel and support staff) to assist in implementing recently enacted mandates.

3790 Department of Parks and Recreation (DPR)

1. Bond Funds - Technical

Finance Letter. A Finance Letter (dated March 30, 2006) requests that the following bond funds be reappropriated:

- **Natural Stewardship Projects.** The Finance Letter proposes to reappropriate $500,000 in Proposition 12 bond funds for natural stewardship projects on state park property. The Proposition 12 bond provided $18 million for natural stewardship projects and most of these funds have been allocated. These funds are available due to savings in projects that have already been completed by the department.
- **Reconstruction of Facilities Damaged by the San Simeon Earthquake and the 2003 Southern California Forest Fires.** The Finance Letter proposes to reappropriate $6.8 million in Proposition 40 bond funds for projects to rebuild state park facilities damaged in the San Simeon earthquake and the 2003 Southern California forest fires. Expenditure of these funds has been delayed due to the Federal Emergency Management Agency's delay in determining what projects are eligible for reimbursement by the federal government.

Staff Recommendation. Staff recommends that the Subcommittee approve these Finance Letter proposals.

2. Funding Boating Opportunities at State Parks

Background. The DPR has at least 86 park facilities with recreational boating facilities. The department is responsible for the largest number of recreational boating facilities and opportunities in California. It manages the largest staff of law enforcement and other personnel responsible for the health and safety of boaters and other individuals in and near the waters of California. The types of boating facilities offered by units within the state park system include docks, launch ramps, mooring facilities, water ski areas, boat-in camps, and floating restrooms. The department also provides aquatic safety programs, boat patrol, search and rescue activities, and aquatic hazard mitigation.

Governor's Budget. The Governor's budget proposes to transfer $26.7 million from gas taxes paid by boaters to support the department's programs and activities that provide boating opportunities.

Finance Letter. A Finance Letter (dated March 30, 2006) proposes a $15 million permanent reduction in transfers from gas taxes paid by boaters to support the department's activities. Instead, these funds will be redirected to the Department of Boating and Waterways to support additional grants and loans to build and refurbish marinas and boat launch facilities. The Finance Letter also proposes to backfill this reduction to State Parks' budget with $15 million in General Fund monies.

The Finance Letter also requests the forgiveness of a $15 million loan to the State Parks and Recreation Fund from gas taxes paid by boaters (Motor Vehicle Fuel Account). This loan was made to the department in 2002 when the department experienced a $20 million reduction in General Fund monies.

Staff Comments. Staff finds that DPR continues to provide significant facilities and opportunities for boaters statewide. Nothing has changed at the department to reduce the services provided to boaters. Therefore, it is not clear why funding from the gas tax paid by boaters should be reduced. The department continues to provide the largest number of recreational boating facilities and opportunities in the state. The department's total support budget for its park facilities is over $336 million and the gas tax paid by boaters currently supports less than 8 percent of this total budget. Staff finds that since about one-third of all state park facilities provide boating opportunities it is likely that the total costs associated with providing boating opportunities at the department are much higher than the 8 percent currently supported by the gas tax paid by boaters.

Furthermore, staff finds that, without the transfer proposed in the Finance Letter, there remains around $50 million in money annually from the gas tax on boaters and from the repayment of loans to public and private marinas that can be used to allocate new grants and loans to construct and upgrade marinas and boat launching facilities statewide.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Finance Letter proposal to forgive the $15 million loan from the gas tax on boaters to the State Parks and Recreation Fund.
- Reject the Finance Letter proposal to permanently reduce the $15 million transfer from the gas tax on boaters to the State Parks and Recreation Fund.

3. Capital Outlay

Governor's Budget. The budget proposal includes $22.7 million to fund various capital outlay development projects and acquisitions in the budget year. Approximately $6 million is for statewide acquisitions, $600,000 is for OHV acquisitions, $13.6 million is for capital outlay projects to develop and improve existing State Parks facilities, and $2.6 million is for other minor projects.

Finance Letter. A Finance Letter (dated May 1, 2006) proposes $3 million to cover increased costs associated with various capital outlay projects at state park facilities, including $1 million from Proposition 12 bond funds and $2 million from Proposition 40 bond funds. The proposed projects are as follows:

- **Construct Visitor Center at Chino Hills State Park (SP).** The Finance Letter requests an additional $1 million from Proposition 12 bond funds to relocate utilities underground to accommodate for turn lanes required by CalTRANS to address traffic safety, as well as additional earthwork needed to keep the new center out of the floodplain per FEMA's most recent mapping effort. The 2003, 2004, and 2005 budget acts provided $2.6 million for this project. The Finance Letter also proposes to reappropriate these funds for expenditure on this project in the budget year.

- **Volunteer Enhancement Program.** The Finance Letter requests an additional $11,000 from Proposition 12 bond funds for a minor capital outlay project to enhance kiosks and displays at William B. Ide Adobe State Historic Park. This project will be funded by Proposition 12 bond funds proposed for reversion in the Governor's proposed budget.
- **New Lifeguard Headquarters at Doheny State Beach (SB).** The Finance Letter requests an additional $293,000 from Proposition 40 bond funds to complete construction of this project. Increases are due to additional demolition and site preparation and other site design elements that were a condition of the coastal permit. The 2003 and 2005 budget acts provided $1.6 million for this project. The Finance Letter also proposes to reappropriate $1.4 million in Proposition 40 bond funds to complete this project.
- **Rehabilitate Pudding Creek Trestle at MacKerricher SP.** The Finance Letter proposes $1.7 million from Proposition 40 bond funds to complete this project. The department indicates that the wooden trestle is far more deteriorated than previously anticipated and will require additional funding to replace structures that have lost their structural integrity. The 2003 and 2004 budget acts provided $2.2 million for this project.

The Finance Letter also proposes to increase funding from reimbursements by $2.6 million for the following project:

- **New Visitor Center for the Donner Memorial SP.** The Finance Letter proposes $2.6 million from reimbursement funds to support this project. These funds are expected from a Transportation Enhancement grant awarded to this project and will cover increased costs due to general price escalations in the construction market and enhanced exhibits at the new visitor center. Funding for this project was first appropriated in 2002, but, due to delays related to opposition regarding the proposed location of the new center, construction has been delayed and project costs have escalated to around $9.9 million. The Finance Letter also proposes to reappropriate $3 million in Proposition 40 bond funds and $3 million in reimbursements from another Transportation Enhancement grant to complete this project.

The Finance Letter also proposes to reappropriate funding for the following projects:

- **Mount Hamilton Acquisitions for Henry W. Coe SP.** The Finance Letter proposes to reappropriate $6.8 million from Proposition 12 bond funds for acquisition of properties adjacent to this existing park property. Parcels originally identified for acquisition could not be acquired for various reasons, and the expenditure of these funds was delayed. Alternative parcels have been identified but appraisals and real estate negotiations will extend beyond the end of the current fiscal year.
- **Acquisition and Development of the Los Angeles River Parkway Project.** The Finance Letter proposes to reappropriate $3.3 million from Proposition 12 bond funds for acquisition and development of this project. Of the $40 million allocated to this project, the majority of the funding has been expended on the purchase of the Taylor Yard. These funds are needed to continue clean up by the City of Los Angeles and the department.
- **Irish Hills Acquisition for Montana de Oro SP.** The Finance Letter proposes to reappropriate $13 million from Proposition 12 bond funds for acquisition of properties adjacent to this existing park property. This project has been delayed due to a

partnership with private entities to purchase conservation easements on additional buffer properties around the state park property.

- **Monterey SB Acquisition.** The Finance Letter proposes to reappropriate $2.5 million from Proposition 12 bond funds for acquisition of properties adjacent to this existing park property. This department has pursued a partnership with the Monterey Peninsula Regional Park District for this project, which has resulted in some delays.
- **Improvements to Campground and Day Use Facilities at Silverwood Lake State Recreation Area (SRA).** The Finance Letter proposes to reappropriate $2.4 million in Proposition 12 bond funds for this project. The 2003 fires in Southern California and subsequent floods in this area have required the department to re-scope this project, which has delayed the expenditure of these funds.
- **Development of Public Underground Tour at the Empire Mine State Historic Park (SHP).** The Finance Letter proposes to reappropriate $2.2 million in Proposition 12 bond funds for construction and equipment to continue development of a public underground tour at this park. The department anticipates it will complete construction in September 2006, and proposes to reappropriate remaining funds to cover unexpected contingencies that may come up in the budget year.
- **Wastewater Collection and Treatment System Improvements for Big Basin Redwoods SP.** The Finance Letter proposes to reappropriate $1.5 million in Proposition 12 bond funds for construction of the first phase of this project. The department indicates that expenditure of these funds has been delayed due to a decision to consolidate bidding of this two-phased project. Construction has commenced, but is expected to continue beyond 2005-06.
- **Develop and Rehabilitate Day Use Facilities at Border Field SP.** The Finance Letter proposes to reappropriate $2 million in Proposition 12 bond funds for construction of this project. The project is expected to be completed in November 2006, but environmental constraints have delayed construction of the project.
- **Public Use Improvements at Prairie Creek Redwoods SP.** The Finance Letter proposes to reappropriate $1.8 million for construction of this project. This project has been delayed due to general price escalations in the construction market that required the department to re-scope the project in 2006 to stay within budget.
- **Road System Improvements at Mount Diablo SP.** The Finance Letter proposes to reappropriate $4.8 million from Proposition 12 bond funds for this project. The project has been delayed due to general price escalations in the construction market that required the department to re-scope the project in 2006 to stay within budget.
- **Restore Sepulveda Adobe at Malibu Creek SP.** The Finance Letter proposes to reappropriate $1.6 million from Proposition 12 bond funds for this project. The department indicates that construction of this project has been delayed due to construction of a bridge over the creek to minimize the environmental impact of the project.
- **Replace Main Lifeguard Tower at San Elijo SB.** The Finance Letter proposes to reappropriate $276,000 from Proposition 12 bond funds for preliminary plans and working drawings for this project. The Governor's budget proposes $1.3 million for construction of this project. Planning for this project has been delayed and final approval of the preliminary plans is expected in December of 2006.

- **Statewide Development.** The Finance Letter proposes to reappropriate $500,000 from Proposition 12 bond funds to develop advance studies and budget packages for projects identified in the 2006 Five-Year Infrastructure Plan. These funds were appropriated in the 2005 Budget Act and will not be expended before the end of the current fiscal year.
- **Off-Highway Vehicle (OHV) Park Acquisitions.** The Finance Letter proposes to reappropriate $22 million in OHV Funds for acquisition or grants to purchase a new OHV park in Bakersfield and to acquire buffer lands around Prairie City State Vehicular Recreation Area (SVRA) and Jawbone Canyon OHV facility.
- **OHV Park Opportunity Acquisitions.** The Finance Letter proposes to reappropriate $57,000 in OHV funds for acquisition of parcels adjacent to Ocotillo Wells SVRA and Oceano Dunes SVRA.
- **Acquisition and Development of Riverside OHV Park Project.** The Finance Letter proposes to reappropriate $27 million in OHV funds for acquisition and development of an OHV park project in Riverside. These funds have not been expended because negotiations with landowners have not been completed and hazardous materials have been discovered on the properties that require further evaluation.
- **Development of Hudner and Renz Public Use Facility at Hollister Hills SVRA.** The Finance Letter proposes to reappropriate $1.3 million for construction and equipment for this project. Permitting issues with the U.S. Fish and Wildlife Service have delayed construction of this project.
- **California Indian Museum.** The Finance Letter proposes to reappropriate $5 million in Proposition 40 bond funds for preliminary plans, working drawings, and construction of this project. This project has been delayed because of the need to identify a new site for the museum. Interpretive planning and architectural programming are scheduled to begin this spring. However, given the collaborative nature of this project, it is unlikely that these funds will be expended before the end of the current fiscal year.
- **Sewer System Improvements at Morro Bay SP.** The Finance Letter proposes to reappropriate $1.1 million from Proposition 40 bond funds for working drawings and construction of this project. Coastal development permit issues have delayed construction of this project.
- **Vista Pacifica Visitor Center at Kenneth Hahn SRA.** The Finance Letter proposes to reappropriate $8.6 million from Proposition 40 bond funds for construction and equipment to develop this project. This project has been delayed, but is scheduled to go to bid in the current fiscal year.
- **State Park System Acquisitions.** The Finance Letter proposes to reappropriate $20 million from Proposition 40 bond funds for acquisition of properties to add to the state park system. The department indicates that it has expended approximately $14.4 million of the original appropriation, but additional acquisitions are still under negotiation and the completion of these projects will extend beyond the current fiscal year.
- **Marine Education Center at Año Nuevo State Reserve.** The Finance Letter proposes to reappropriate $1.1 million from Proposition 40 bond funds and $1.1 million from reimbursements to complete construction of this project. The cost of the project is being shared by the State Park Foundation and funding has been delayed to ensure that the foundation has met its fundraising goals.
- **Railroad Technology Museum.** The Finance Letter proposes to reappropriate $6.5 million in Proposition 40 bond funds and $5 million in reimbursements for working

drawings and to rehabilitate and build facilities to house a new technology museum. The department indicates that expenditure of these funds has been delayed due to complex land negotiations. The Finance Letter also proposes to extend the liquidation period of $686,000 for a study and preliminary plans being developed for this project.

- **Public Use Facility at Tapia at Malibu Creek SP.** The Finance Letter proposes to reappropriate $4.3 million in Proposition 40 bond funds to complete this project. The rupture of a buried sewer line on this property has delayed the transfer of this property from the County of Los Angeles to the department, which has delayed development of the project.
- **Entrance Road and Development of Chino Hills SP.** The Finance Letter proposes to reappropriate $13.4 million from Proposition 40 bond funds for this project. This project has been delayed due to additional structural studies needed before work could commence.
- **Public Use Improvements at Topanga SP.** The Finance Letter proposes to reappropriate $1.9 million from Proposition 40 bond funds for this project. The department expects that this project will be out to bid by the end of the current fiscal year. However, any delay could result in these funds not being expended until 2006-07.
- **Southside Ruin Stabilization at Shasta SHP.** The Finance Letter proposes to reappropriate $1.9 million from Proposition 40 bond funds to complete this project. The project has been delayed due to archeological issues and delays in CalTRANS encroachment permits.
- **New Concrete Reservoirs at Samuel P. Taylor SP.** The Finance Letter proposes to reappropriate $1.9 million in Proposition 40 bond funds to complete this project. Funding to replace the water storage system at the park was provided in the current year but general delays at the department have resulted in the need to reappropriate these funds.
- **Minor Capital Outlay.** The Finance Letter proposes to extend the liquidation period for one year on various minor capital outlay projects proposed for funding in 2003. These projects have been delayed for various permitting and cultural issues.

The Finance Letter also proposes to revert funding for the following project:

- **New Lifeguard Headquarters at Lake Perris SRA.** The Finance Letter proposes to revert $1.4 million in Proposition 40 bond funds for construction and equipment to develop this project. This reversion is due to proposed water level reductions for Lake Perris due to potential seismic safety risks in the foundation of the Lake Perris dam.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, $20.7 million was approved for capital outlay projects by the department. The Subcommittee also held the following OHV minor capital outlay projects open pending approval by the OHV Commission:

- **Statewide Off-Highway Vehicle (OHV) Projects.** The budget proposes $2.1 million from the OHV Trust Fund for: repaving the shop parking lot at Hungry Valley State Vehicular Recreation Area (SVRA); replacing seven toilets at Hungry Valley SVRA; adding six restroom buildings at Oceano Dunes SVRA; installing a vehicle wash rack at Oceano Dunes SVRA; constructing covered vehicle storage an Oceano Dunes SVRA;

restoring Lost Canyon Hill Trail at Hollister Hills SVRA; and constructing two residence pads at Ocotillo Wells SVRA.

The department indicates that the OHV Commission has not approved these minor capital outlay projects. It is unclear when or if the Commission will approve these projects before the end of the budget process.

The department has also submitted a proposal to revert the capital outlay funding allocated to new lifeguard stations at Lake Perris, given the decision by the Department of Water Resources to drain the reservoir pending seismic upgrades.

Staff Comments. Staff finds that the OHV minor capital outlay projects should be relatively non-controversial since they are mainly to make improvements at existing parks that improve water quality and reduce the impacts of human use on these properties. Staff finds that the department and Commission should be able to work out differences on these projects and move these projects forward. Since current law requires the Commission to approve these projects before funding can be expended, the department will not be able to expend monies on these projects until the Commission approves them.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve funding for OHV minor capital outlay, but, consistent with current law, the commission must approve the projects prior to expenditure of these funds.
- Approve capital outlay Finance Letter.

4. Main Street Program

Governor's Budget. The Governor's budget provides authority to expend up to $175,000 from the California Main Street Program Fund. However, to date, no revenues have been identified for deposit in the fund.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, staff was directed to work with the department, LAO, and DOF on alternatives for funding the Main Street Program.

Staff Comments. Staff finds that there is considerable value in having a state coordinating role for the Main Street Program. Before funding for this program was eliminated, the state Main Street Program provided important training and information resources to help guide local main street efforts. The mission of the State Main Street Program is consistent with other state efforts to encourage in-fill development and reduce the urban sprawl that has impacted the state's natural landscapes. This program could also help coordinate and develop projects eligible for the $850 million in bond monies included in the housing and land use bond (SB 1689, Perata) that were provided for infill development. Staff finds that General Fund monies are an appropriate funding source for this activity.

Staff Recommendation. Staff recommends that the Subcommittee take the following action:

- Approve 175,000 from General Fund monies and two positions to staff the Main Street Program.

5. Off-Highway Motor Vehicle Program

Governor's Budget. The Governor's budget proposes $18 million from the OHV Fund for the OHV grant program.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, funding for the OHV grants was held open pending a resolution of the current problems with the grant allocation process. The Subcommittee also adopted trailer bill language to extend the OHV Program and OHV Commission for one year and supplemental report language to require the department to submit the gas tax study and a recommended strategic plan for the OHV program to the Legislature by January 10, 2007.

Staff Comments. Staff finds that there has been no progress in reconciling outstanding issues between the OHV Commission and the department regarding guidelines and priorities for the OHV grant program. This is an issue that has been raised by the State Auditor and the LAO. Staff finds that the gas tax study will help the department and Commission to establish priorities and guidelines for the grant monies, but these tasks will not be accomplished until the end of the budget year.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Delete funding for the OHV grants from the OHV Fund.

6. Federal Grants – Technical Change

Finance Technical Change. The Department of Finance has indicated that budget bill language is needed to enable the department to expend all of its federal grant money in a given year. Since the federal government makes decisions about grant money after the state budget is enacted, the department does not always know how much money will be allocated between OHV grants and other park recreation grants from the federal government. To address this, the Department of Finance has proposed language to eliminate schedules under the federal grant funds that identify what grant money goes to OHV projects versus other park recreation projects.

Staff Comments. Staff finds that the schedule for federal grant funds provides important information to the Legislature and public on how much federal grant money is being expended on OHV-related projects versus other park recreation projects. Furthermore, staff finds that any changes to the budget should be reported to the Joint Legislative Budget Committee in order to maintain legislative oversight.

Staff Recommendation. Staff recommends that the Subcommittee approve the following compromise budget bill language to address the Department of Finance's concern:

3790-101-0858

Provisions:
4. Notwithstanding any other provision of law, the Director of Finance may authorize an intra-schedule transfer of funds in this item. The intra-schedule transfer shall occur no sooner than 30 days after written notification is provided to the chairpersons of the fiscal committees in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee.

7. Malibu Bluffs Park

Background. The department purchased land on Malibu Bluffs in 1979. The department's original intent for the property was to locate a park headquarters at the site. However, local opposition regarding this proposal and the relocation of baseball fields forced the department to pursue an alternative location for its headquarters. The department then entered into an agreement with the City of Malibu to transfer an 11-acre portion of the Malibu Bluffs to the city for fair market value.

Staff Comments. Staff understands that statutory changes are needed to clarify the intent of the agreement and to ensure that the transfer of land occurs.

Staff Recommendation. Staff recommends that the Subcommittee approve the following trailer bill language:

Section 5003.11 is added to the Public Resources Code to read:
(a) Notwithstanding Section 11011 et seq. of the Government Code, the Director may grant to the City of Malibu, subject to the conditions set forth in this section, all of the rights, title, and interest of the State of California in an approximately 10.81-acre portion of the Malibu Bluffs unit of Malibu Lagoon State Beach, known as Malibu Bluffs Community Park, in Los Angeles County.
(b) The grant shall be made upon the following express conditions:
(1) The real property conveyed shall be operated, maintained, and improved by the city for park purposes in perpetuity, consistent with covenants, conditions, and restrictions recorded by the Department to protect the State's interest.
(2) The City of Malibu shall pay the Department fair market value for the real property interests, as restricted by subdivision (b)(1); the net proceeds shall be deposited pursuant to Section 5003.15. The fair market value shall be determined by an appraisal that is reviewed and approved by the Department of General Services.
(c) The Legislature hereby makes a finding that the grant to the City of Malibu, pursuant to the conditions provided in subdivision (b)(1) above, is excepted from the provisions of Section 5096.516 in accordance with subdivision (c)(3) of that section.

8. Los Angeles State Historic Park

May Revision. The May Revision proposes $765,000 from Proposition 12 bond funds to create a conceptual park design for the Los Angeles State Historic Park to be located at the Cornfield property. The department expects to award the design contract in September 2006. These funds will also be used to continue public involvement in the planning process.

Staff Recommendation. Staff recommends that the Subcommittee approve this May Revision proposal.

9. Deferred Maintenance

Previous Subcommittee Direction. At the March 6 meeting of the Subcommittee, the chair emphasized the importance of adequately funding management of the state's resources-related properties. The Subcommittee also heard testimony regarding the large amount of unfunded deferred maintenance in the State Parks system due to an inadequate ongoing maintenance budget. The Department of Parks and Recreation has estimated that the State Parks system has over $900 million in deferred maintenance system-wide.

May Revision. The May Revision proposes $10 million in one-time monies from the General Fund to fund deferred maintenance projects on state park properties.

Staff Comments. Staff finds that the Governor's proposal inadequately addresses the deferred maintenance needs of the state park system. If the state does not address, at some level, the deferred maintenance on state park facilities it may be forced to shut down some facilities due to health and safety concerns.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the May Revision proposal.
- Approve an additional $240 million in General Fund monies for deferred maintenance in the state park system.
- Approve the following budget bill language:

  3790-001-0001
  Provisions:
  3. $250,000,000 of the funds appropriated in this item shall be available for encumbrance through June 30, 2012.
  4. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures in this item for capital outlay projects not sooner than 30 days after written notification is provided to the chairpersons of the fiscal committees in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee. The written notification will provide a description of each capital outlay project, the need for the project, and the cost and phase for which approval is requested. The total of these expenditures may not exceed $250,000,000.

3680 Department of Boating and Waterways

1. Harbors and Watercraft Revolving Fund – Capital Outlay

Governor's Budget. The Governor's budget includes the following budget proposals for capital outlay projects funded from the Harbors and Watercraft Revolving Fund:

- **Major Projects.** The budget proposes $3.4 million for construction of Phase III of the Boating Instruction and Safety Center in Ventura County and $85,000 for project planning and studies needed to develop major capital outlay projects for future years.
- **Minor Projects.** The budget proposes $6 million for 13 location-specific projects and other statewide projects costing $500,000 or less. Projects include:
    - **Merced County.** San Luis Creek ramp widening, Los Banos Creek improvements and Grasslands State Park launch ramp improvements.
    - **Sacramento County.** Brannan Island ramp widening and Negro Bar improvements.
    - **Lake County.** Clear Lake Marina ADA improvements.
    - **Humboldt County.** Humboldt Boating Instruction and Safety Center instructional docks.
    - **Fresno County.** Millerton Lake Crows Nest improvements.
    - **Imperial County.** Picacho boat-in campground improvements.
    - **Butte County.** Bidwell Stage II parking improvements**,** Lake Oroville floating campsite improvements, and Bidwell Canyon Stage I ramp widening.
    - **Alameda County.** Bethany Reservoir boat launch facility improvements.
    - **Statewide Projects.** Emergency repairs, boating trails, and low water improvements.

Finance Letter. A Finance Letter (dated May 1, 2006) proposes to delete $3.4 million from the Harbors and Watercraft Revolving Fund and $3.3 million in reimbursements from Ventura County for construction of Phase III of the Boating Instruction and Safety Center in Ventura County. This project is being delayed because of unresolved legal issues related to the siting of the proposed center.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Governor's capital outlay proposal.
- Approve the capital outlay Finance Letter proposal.

2. Harbors and Watercraft Revolving Fund – Local Assistance

Governor's Budget. The Governor's budget includes the following budget proposals for local assistance grants and loans from the Harbors and Watercraft Revolving Fund:

- **Public Small Craft Harbor Loans.** The budget proposes $21.4 million for public loans to develop, expand, or rehabilitate marina facilities at six locations in the state. Marinas in San Francisco, Alamitos Bay, Dana Point, Berkeley, and Sacramento are proposed to receive the largest allocations in the budget year.

- **Boat Launching Facility Grants.** The budget proposes $9.6 million for 11 grants to build or improve launching facilities around the state. The largest grants are proposed to fund projects at Shelter Cove, Caples Lake, the Antioch marina, and Bonelli Park.
- **Private Recreational Marina Loans.** The budget proposes $3.5 million to fund loans to develop, expand, or rehabilitate private marina facilities statewide.

Finance Letter. A Finance Letter (dated March 30, 2006) proposes to allocate an additional $15 million in gas tax monies paid by boaters that had supported boating activities at the Department of Parks and Recreation to, instead, increase public loans and grants to marinas and boat launching facilities in the budget year. The department proposes to allocate the additional $15 million to augment the following projects:

	Budget Proposal	Finance Letter	Total
Public Loans			
Alamitos Bay - Basin 1	$5,380	$3,100	$8,480
Dana Point Marina	$5,000	$4,800	$9,800
Dana Point 2	$500	-$300	$200
Long Beach - Basin 2&3	$500	-$300	$200
San Francisco Marina – East	$500	-$247	$253
San Francisco Marina - West	$6,000	$5,300	$11,300
Grants			
Gridley Boat Launch Facility (BLF)	$635	$300	$935
Jack Smith Park BLF	$223	$2,357	$2,580
Live Oak BLF	$567	-$10	$557
Total	**$19,305**	**$15,000**	**$34,305**

The department also proposes to redirect $847,000 from three first-phase projects to three final–phase projects. The department also indicates that the grant provided to the Live Oak Boat Launch Facility was inadvertently overstated by $10,000.

Staff Comments. Staff finds that transferring $15 million in gas tax monies paid by boaters from support for boating activities at the Department of Parks and Recreation to provide additional loans and grants for public marinas is a policy choice that has been made by the administration. Numerous boating opportunities are provided to boaters at nearly one-third of all state park facilities. Many of the state park facilities are inland and support boating opportunities in lakes and rivers. The majority of the funding allocated to the Department of Boating and Waterways under this program is to augment support for coastal marina development.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Governor's budget proposal for local assistance grants and loans.

- Reject the Governor's Finance Letter transferring $15 million in gas tax monies paid by voters from the Department of Parks and Recreation to support additional loans and grants to marinas and boat launch facilities.
- Allocate an additional $3.1 million from the Harbors and Watercraft Revolving Fund reserve to the Alamitos Bay - Basin 1 project. (These funds are available due to the reversion under issue 1.)
- Delete $10,000 in funding for a grant to the Live Oak Boat Launch Facility to correct an error.

3. Additional Federal Funding

Background. A change in federal law that governs the allocation of Wallop-Breaux funds has resulted in additional federal funding available for the department. Wallop-Breaux funds are generated from excise taxes on fishing equipment and the excise tax attributed to fuel used in motorboats and small boat engines. The funds are allocated by the U.S. Coast Guard. The department currently receives $4.1 million from these funds and has wide discretion over how to expend the funds including using them for boating education, safety, and access.

Finance Letter. A Finance Letter (dated March 30, 2006) proposes to allocate $1.9 million in additional federal funds that the department expects to receive annually to the following activities:

- $1.4 million for boating education and media outreach, specifically television public service announcements, radio advertisements, and educational billboards near waterways, for messages such as wearing a life jacket, taking an education course, and not drinking alcohol while boating.
- $225,000 for equipment grants to boating law enforcement agencies, specifically patrol boats, trailers, engines, and other equipment.
- $300,000 for grants for boating trail access projects for non-motorized vessels such as canoes, kayaks, and rafts.

Staff Recommendation. Staff recommends that the subcommittee approve the Finance Letter.

3900 Air Resources Board

1. Lower-Emissions School Bus Program

Finance Letter. A Finance Letter (dated March 30, 2006) proposes to allocate $25 million from the Motor Vehicle Account (MVA) to replace pre-1977 school buses. These school buses do not meet current safety standards and have no emission controls.

Justification. The 2005 Budget Act allocated $25 million to replace pre-1977 school buses and retrofit pre-1987 school buses. The ARB estimates that there are still 300 pre-1977 buses operating in the state even after the 90 oldest buses are replaced this year. As mentioned previously, not only do pre-1977 buses lack emission control technologies, but they also do not meet current safety standards. Furthermore, all buses manufactured prior to 1987 also lack emission control technologies. Children are particularly vulnerable to the health impacts of diesel emissions and this program helps to reduce emission exposure.

Bond. The Transportation and Air Quality Bond (SB 1266, Perata) that was recently passed by the Legislature includes $200 million for school bus retrofit and replacement. If this bond passes in November, there will be a significant amount of funding for retrofit and replacement of school buses statewide.

Furthermore, the bonds allocate over $16 billion for new transportation projects, $10.4 billion for new schools and higher education facilities, $4 billion for levee construction, and $2.8 billion for housing projects. Staff finds that if these bonds are passed by the voters in November they will result in a large amount of public construction in the state. Construction equipment emits high amounts of particulate matter and other emissions that impact air quality.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve Finance Letter proposal.
- Approve budget bill language that requires the ARB to redirect $25 million in MVA funding from retrofit and replacement of school buses to establish a new program that provides incentives to public agencies to purchase low-polluting construction equipment if the Transportation and Air Quality Bond is passed by the voters in the November.

2. Other Air Quality Incentives

Background. California has the only two areas in the nation that exceed both the federal 24-hour and annual particulate matter standards (PM 2.5 standards). These areas are the South Coast and the San Joaquin Valley air basins. These areas of the state are also suffering from high levels of other criteria pollutants as well.

Staff Comments. Staff finds that more needs to be done to reduce air pollution in the state. The health related impacts of air pollution are significant and continue to increase. Furthermore, if

the state does not reach attainment with federal standards, it could lose a significant amount of federal transportation funding.

Staff Recommendation. Staff recommends that the Subcommittee allocate Motor Vehicle Account funding to the following incentives to reduce air pollution:

- $5 million to establish a Locomotive Head End Power Project to repower and/or retrofit transit locomotives (i.e. trains that carry people), which operate a significant number of hours per year in close proximity to commuting public, schools and neighborhoods.
- $10 million to establish a program to reimburse public agencies for the incremental increased cost of purchasing cleaner construction equipment.
- $10 million to provide incentives for a dairy pollution reduction incentive program to provide incentive payments for clean equipment not otherwise required by law or regulation.

3. Local Air District Subventions

Background. There are 35 local and regional air districts in the state. They serve as the lead agencies to regulate stationary sources of air pollution (e.g. "smokestack industries") and other sources of pollution. In the past, districts have received subvention funds from the state to support important local air program activities that cannot be funded, or can only be partially funded, with fees on stationary sources in accordance with existing law. For most districts, the subvention funds received account for ten percent or less of the total district budget. Local subvention funds were initially provided in 1972, and were increased several times to address the costs of inflation, most recently in FY 00-01. Due to budget constraints, district subvention funds were reduced by one third in FY 02-03. The air districts contend that these reductions have had a real and significant impact on local programs, especially air quality enforcement.

Governor's Budget. The Governor's budget includes $10 million from the Motor Vehicle Account (MVA) for subventions to local air districts.

Staff Comments. The air districts note that since subventions were reduced, there have been a number of new requirements and costs for local districts. These include new monitoring and planning activities for new state ambient air quality standards, new enforcement obligations under the state board's Diesel Risk Reduction Plan for sources not subject to local permits or fees, and new fiscal and enforcement procedures for implementation of the Carl Moyer grant program. Staff finds that additional state funding for local air districts is warranted to address the increased workload.

Staff Recommendation. Staff recommends that the Subcommittee increase subventions to local air districts by $10 million from the MVA.

3910 Integrated Waste Management Board

1. Waste Tire Recycling Management Program

Governor's Budget. The Governor's Budget includes $5.2 million in special funds to expand enforcement efforts and increase the board's tire recycling efforts. The funds will support three new positions ($230,000) to enhance enforcement and a two-year increase in grant funds ($5 million annually) to encourage the use of rubberized asphalt concrete (RAC) and tire-derived aggregate (TDA).

Previous Subcommittee Direction. At the April 3 meeting of the Subcommittee, the Governor's budget proposals for this program were approved. The Subcommittee also approved trailer bill language to maintain funding for the tire recycling program. The Subcommittee also requested that the board work with staff to develop budgeting procedures that categorized grant expenditures as local assistance to improve legislative oversight.

Staff Comments. While reviewing the board's budget, staff found that it has historically budgeted a large amount of its local assistance grant funds in state operations. This action impedes legislative oversight. The board has agreed to shift the following expenditures from state operations to local assistance to reflect the actual allocation of the funds:

- $2 million for Local Government Waste Tire Enforcement Grants.
- $1 million for Local Government Waste Tire Cleanup Grants.
- $1.7 million for Local Government Amnesty Cleanup Grants.
- $2.1 million for Targeted RAC Incentive Program.
- $1.5 million for Continuation of RAC Use Incentive Program.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Increase local assistance by $8.3 million and reduce state operations by $8.3 million to reflect the technical shift of grant funds at the board.
- Approve supplemental report language to provide the Legislature with additional baseline information on the board's tire enforcement program.

3960 Department of Toxic Substances Control

1. Stringfellow Hazardous Waste Site

Background. The Stringfellow Hazardous Waste site is a former Class I landfill that has been closed. Pretreatment of contaminated groundwater is required before it is discharged into the industrial sewer to meet effluent quality standards. The existing pretreatment plant was constructed in 1985 as an interim plant, intended to last three to five years, and is past its useful life.

Finance Letter. A Finance Letter (dated March 30, 2006) proposes to reappropriate $4 million in General Fund monies for site acquisition and preliminary plans. This project has been delayed because the department has not been able to acquire the property necessary to construct the facility.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter proposal.

8570 California Department of Food and Agriculture

1. Capital Outlay

Finance Letter. A Finance Letter (dated April 27, 2006) proposes to reappropriate $23.2 million in lease revenue bond monies and monies from the State Highway Account to relocate and construct a new agricultural inspection station in Yermo, California. These monies are for acquisition, preliminary plans, working drawings, and construction. This project has been delayed because of additional due diligence required for projects funded by lease revenue bonds and project modifications which were needed to address the environmental impacts of the project.

Technical Change. The Finance Letter does not technically reappropriate all of the funding for construction of this project and funding to complete working drawings. Staff understands that these items were inadvertently left out by the Department of Finance when they prepared the Finance Letter.

Staff Recommendation. Staff recommends that the Subcommittee take the following action:

- Approve the Finance Letter.
- Approve an amendment to the Finance Letter to reappropriate all funding from the State Highway Account for construction and working drawings.

2. Diaprepes Root Weevil Eradication

Background. The Diaprepes Root Weevil is native to the Caribbean region and is known to feed on numerous ornamental, native, and commercial plants. The weevil damages plants by chewing away the leaves and its larvae feed on the roots. The department recently identified two outbreaks in residential areas in Newport Beach and Long Beach. The department indicates that a widespread infestation of this pest would have the greatest economic impact on the citrus, avocado, and ornamental plant industries in California.

Finance Letter. A Finance Letter (dated March 30, 2006) proposes $3.5 million from General Fund monies to eradicate the infestations of the Diaprepes Root Weevil found in Newport Beach and Long Beach. The department is proposing a two-year limited-term program to eradicate these outbreaks. The proposal includes three two-year limited-term positions, 31 temporary help and contracts for specialized pesticide applications. The eradication effort includes defining a quarantine area, pesticide applications of plants and soil in the quarantined areas, and post-treatment monitoring.

Justification. The department indicates that it needs these funds to ensure that the Diaprepes Root Weevil does not get established in California. The weevil has been established in Florida since 1975 and it is estimated that it has cost the Florida agricultural sector more than $75 million a year. If the weevil gets established in California, it could potentially cost the

agricultural sector significantly due to increased production costs and decreased yield. The weevil would also impact residential landscaping.

Update. The department indicates that it has recently discovered an additional outbreak in the La Jolla area. The initial estimates provided by the department indicated that it will cost an additional $2.4 million in General Fund monies to initiate an eradication effort in this area. Staff has not received additional detailed information to justify this expenditure.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve this Finance Letter proposal.
- Adopt supplemental report language to require an update on eradication efforts by January 10, 2008.

3. Conversion to CalSTARS

Finance Letter. A Finance Letter (dated March 30, 2006) proposes $658,000 in one-time funding from General Fund monies and other special funds to convert the department's current accounting systems to the state's CalSTARS system. The funding will support one 1-year limited-term position to support the conversion and various contracts and equipment to facilitate the transition.

Justification. The department currently has an outdated COBOL accounting system. This program is outdated and no longer meets the needs of the department. The current system cannot be easily upgraded to adapt to the department's current administrative support needs.

Staff Comments. The department has indicated that it will no longer need $177,000 in contract funding to support a COBOL contractor. The department indicates that it has existing staff that have expertise in COBOL that can support the transition to CalSTARS.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve this Finance Letter proposal.
- Approve an amendment to the Finance Letter to reduce the amount proposed in the letter by $177,000 ($88,500 General Fund and $88,500 other funds).

4. Emerging Threats to Food Supply

Governor's Budget. The Governor's Budget proposes $7.2 million from the General Fund to establish 39 positions to support an ongoing program to address emerging threats to California's food supply, including Avian Influenza and bioterrorism. The funds will be allocated to the following activities:

- **Expanded Laboratory Capacity.** $2 million ($1.3 million one-time) for expanded service, new equipment and a new Laboratory Information Management System for the California Animal Health and Food Safety Laboratory System, administered by U.C. Davis. The information management system will allow for the automatic transfer of laboratory data directly from testing instruments into databases.

- **Rural-Urban Community Outreach and Disease Surveillance.** $1.2 million to support 10 positions, including travel and vehicles, to establish detection and education posts near known portals of disease entry. This includes outreach to ethnic communities near urban centers, backyard operations and other non-commercial animal production facilities, and ports.
- **Emergency Response Office.** $1 million to support eight positions, including training and travel, to develop the infrastructure necessary for effective emergency management. This office acts as a conduit for critical information sharing and coordination of resources during emergencies.
- **Develop Animal Tracking System**. $753,141 to support four positions, including training and equipment, to compile and validate information on agricultural facilities in California. This data will be used to develop quarantine boundaries, trace movement of disease, and conduct investigations. Funds will also be used to support contracts to provide database management enhancements.
- **Assess Safety of Production Facilities**. $587,843 to support four positions, including travel and vehicles, to implement farm level strategies to detect and contain disease and respond to other disasters that may impact animal agriculture. Funds will also be used to increase laboratory support for the California Animal Health Veterinary Laboratory Services.
- **Dairy Food Safety and Security**. $498,701 to support four positions, including travel and vehicles, to develop standards for security recommendations to dairies, milk transporters, processors, and distributors. After the standards are developed, staff will also be used to support ongoing outreach and education to implement the standards.
- **Field Communications and Data Management**. $418,356 to support four positions, including travel and vehicles, to develop information technology resources to track test results from sample collection in the field, through the laboratory and into an integrated database. Funds will also be used to support contracts to provide database management enhancements.
- **Create a Research and Policy Development Unit.** $399,349 to support three positions, including travel and vehicles, to evaluate new research findings and technology strategies to help CDFA accomplish best practice protocols for preventing disease and responding to emergencies.
- **Employee Personal Protection**. $187,936 to support one position, including travel and vehicle, to provide a comprehensive employee personal protection program for employees responding to animal disease.
- **Field Early Warning System**. $163,223 to support one position, including travel, to identify and train field observers to establish a field early warning system for identifying animal disease outbreaks.

May Revision. The May Revision proposes to increase reimbursements by $1 million to expend a grant received by the Office of Homeland Security that will be used to fund the following projects:

- Implement an Emergency Rapid Notification System for the department.
- Purchase laboratory equipment for the California Animal Health and Food Safety Laboratory.

- Consulting services to develop response plans for four intentional food contamination scenarios.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, several concerns were raised regarding this proposal. The concerns raised include the following:

- Most activities were identified as eligible for federal funds.
- Coordination with other food safety and security activities was unclear.
- Industry should contribute to the costs of the program since they directly benefit.
- Unclear how surveillance program would be effective.
- Required feasibility study reports (FSRs) had not been prepared for information technology projects.
- Unclear what existing resources the department currently had working on these activities.
- Overall operating expenses and equipment expenditures seemed high.

Most Activities Eligible for Federal Funds. The LAO reports that most of the department's proposal is consistent with federal funding parameters to receive grants from the State Office of Homeland Security. Furthermore, the department expects to receive additional grant awards in the budget year. Therefore, staff finds that the department could use these grant funds to fund eligible one-time expenditures proposed in this budget proposal.

Coordination. The department has provided additional information about its coordination with other entities including the Western Institute for Food Safety and Security (WIFSS) at U.C. Davis. The department indicates that it participates with the WIFSS group and provides technical advice to help develop its curriculum. However, the department further indicates that WIFSS is a training program and does not address or respond to outbreaks or emergencies.

Industry Should Contribute to Costs. The LAO finds that the industry should contribute funding to support the department's security assessments of individual agricultural production facilities (two components totaling $1.1 million).

Surveillance Would Be Ineffective. The LAO finds that the department's proposal to establish an outreach and surveillance program would be ineffective. The LAO finds that a ten-member surveillance team would have a minimal impact on the vast number of specialty markets, auctions, swap meets, feed stores, shows and fairs in the state. Furthermore, the LAO finds that the state already has a network of local agricultural commissioners, public health officials, and UC cooperative extension offices that have an established presence in every county and would be better able to target local efforts.

FSR Completed. The Department of Finance has completed a feasibility study report (FSR) for $1.1 million for data management system enhancements to help the department implement its emerging threats program.

LAO Recommendation. The LAO recommends funding a modified proposal totaling $4.3 million to support 16.4 positions. The LAO recommends funding this proposal from the following funding sources:

- $2 million from Specialty Crop Grants.

- $1.1 million from OHS grants.
- $551,373 from Anti-Terrorism Funds.
- $730,820 from General Fund monies.

Staff Recommendation. Staff recommends that the Subcommittee approve the following components of the budget proposal on emerging threats:

Activity	Amount	Positions	Senate Proposal
Expanded Laboratory Capacity.	$2,025	0.0	Approve, but fund with $1.1 million in OHS grants and $969,675 from Specialty Crop grant funds.
Rural-Urban Community Outreach and Disease Surveillance.	$1,173	10.0	Approve 3 positions total ($450,000 GF), 2 for Southern California and 1 for Northern California to work with local health jurisdictions and others to implement this program.
Emergency Response Office.	$1,017	8.0	Approve, but fund with $1 million in Specialty Crop grant funds.
Information Technology Project.	$1,172	8.0	Approve 1-year extension, but fund with $363,437 from Anti-Terrorism Fund.
Assess Safety of Production Facilities.	$588	4.0	Reject.
Dairy Food Safety and Security.	$499	4.0	Reject.
Create a Research and Policy Development Unit.	$399	3.0	Approve.
Employee Personal Protection.	$188	1.0	Approve, but fund with Anti-Terrorism Fund.
Field Early Warning System.	$163	1.0	Reject.
Total	**$7,224**	**39.0**	
Senate Total	**$5,251**	**23.0**	
General Fund	*$1,657*		

Specialty Crop Grant Funds	*$1,987*
Anti-Terrorism Funds	*$551*
OHS Grant Funds	*$1,055*

Staff recommends that the Subcommittee take the following additional actions:

- Approve budget bill language to require the department to report to the JLBC to justify ongoing positions needed to support the information technology project.
- Approve supplemental report language to require the department to report on activities, and outcomes of the Agricultural Security and Emergency Response office.
- Approve the May Revision proposal.

5. Budget Bill Language – Enhancing Emergency Eradication Efforts

Governor's Budget. The Governor's budget includes several changes to the department's budget bill language. In summary, these changes allow the department to collect up to $2.8 million in unclaimed gas tax over a two-year period ending in 2007-08 for emergency detection and eradication of pests that may be a threat to the agricultural industry. The language also requires the department to provide the Department of Finance with periodic reports regarding their expenditures from this emergency allocation.

LAO Recommendation. The LAO recommends making several changes to the department's budget bill language to increase legislative oversight of expenditures made by the department. The amendments also clarify when the department can expend funds from the $2.8 million it will set aside for emergency detection and eradication efforts.

Staff Comments. Staff finds that the budget bill language creates a needed short-term reserve for the department to use on emergency pest detection and eradication efforts. These efforts are often needed and are generally funded directly from General Fund monies. This proposal would offset potential costs to the General Fund by using additional unclaimed gas tax to fund the first $2.8 million in expenditures for emergency pest detection and eradication efforts.

On May 10, Assembly Budget Subcommittee No. 3 approved changes to the department's budget bill language that represent a compromise proposal between staff, LAO, the department, and DOF.

Staff Recommendation. Staff recommends that the Subcommittee approve the compromise budget bill language consistent with the action taken by the Assembly.

6. Weed Management Areas Program

Background. Weed Management Areas are cooperative, local organizations that bring together landowners, land managers and other stakeholders for the purpose of combining their weed control efforts and expertise.

Governor's Budget. The Governor's budget does not provide any funding for this program.

Justification. In the past, the state has provided money through the Weed Management Areas Program at CDFA to leverage local funding and in-kind donations at a rate of 3:1 to reduce invasive weeds. Invasive weeds are a serious problem statewide and their presence reduces the value of agricultural lands and the habitat values of lands for native species.

Staff Recommendation. Staff recommends that the Subcommittee approve $2.5 million in General Fund monies for this program.

8660 Public Utilities Commission

1. Division of Ratepayer Advocates

Governor's Budget. The Governor's Budget proposes $154,000 in special funds to fund one lead attorney position within the Division of Ratepayer Advocates (DRA), consistent with legislation (SB 608, Escutia) enacted in 2005.

The budget also proposes to redirect six positions from DRA's electricity analysis branch to its water and telecommunications activities.

Previous Subcommittee Direction. At the March 6 meeting of the Subcommittee, the Subcommittee requested that DRA, in consultation with the CPUC, provide additional information on DRA's current staffing, including:

- Current allocation of positions within DRA.
- Identification of the statutory mandates on the DRA and a metric of the Division's ability to meet these mandates.
- If possible, information on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

Commission Response. In the Commission's response to the Subcommittee, it indicates that the DRA currently has 122 positions. The Commission has also identified the need for 22 additional positions to meet its current statutory requirements. The table below shows only the areas in which the DRA needs additional positions.

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Telecommunications and Consumer Issues				
- Advocacy in Proceedings - additional positions needed for telecommunications audit and program reviews.	14.3	2.0	+1 (redirect)	2.0
- Advice letter review - additional staff time needed to represent consumer customers on telecommunications advice letters.	0.3	0.8		0.8
- Compliance reviews - additional positions needed to monitor implementation of the Consumer Bill of Rights.	0.0	2.2		2.2

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
- Low income programs - additional staff needed to participate in CARE program implementation and Low Income Oversight Board activities.	1.1	1.0		1.0
Water				
- Water utility general rate cases - additional positions needed to implement AB 2838 that requires DRA to do general rate cases every three years.	18.7	3.4	+3.4 (redirect)	3.4
- Non-general rate case proceedings - additional positions needed to participate in proceedings on the sale of water utility assets, water rights, low-income programs, water quality, conservation, and merger and acquisition proceedings.	0.3	2.7	+1.5 (redirect)	2.7
- Review of advice letters - additional positions needed to represent utility consumers on water advice letters.	0.0	0.9	+0.1 (redirect)	0.9
- Audit water utilities - additional staff is needed to meet audit demands.	1.0	3.0		3.0
Electricity Resources and Pricing				
- Demand response.	5.1	0.0	-1 (redirect)	Reject
- Electricity ratemaking - additional position needed to augment staff to evaluate rate design.	6.0	1.0		1.0
- Procurement - additional positions needed to evaluate up to 15 new procurement plans.	5.5	1.0	-1 (redirect)	1.0
- Mergers and Acquisitions.	1.3	0.0	-1 (redirect)	Reject
- Distributed generation - additional position needed for the California Solar Initiative.	0.5	1.0		1.0
- Resource adequacy - additional position needed to examine local reliability requirements and capacity market design.	1.6	1.0		1.0

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
- Transmission - additional position needed for economic and reliability analysis of multiple high voltage transmission line applications.	1.3	1.0		1.0
Energy Cost of Service and Natural Gas				
- Energy General Rate Cases.	18.1	0.0	-2 (redirect)	Reject
- Natural gas proceedings.	5.2	0.0	-1 (redirect)	Reject
Oversight and Coordination				
- Legal Counsel.	0.0	1.0	1.0	1.0
Total DRA		**22.0**	**1.0**	**22.0**

Workload Justification. Since deregulation of the energy market in 1996, the DRA's staffing has been reduced by more than half. At the same time, the energy general rate cases and other proceedings have become more complex. Last year, during budget discussions, there was significant discussion about DRA's staffing needs related to telecommunications and water issues. Regulation of the telecommunications sector has also gone through tremendous change over the past decade, which has required the commission to change its regulatory approach. The DRA has not been able to meet these obligations with its current staffing. Furthermore, legislation (AB 2838, Canciamilla), enacted in 2002, significantly increased the workload of DRA to do general rate cases on small water utilities every three years. The DRA's budget was never adjusted to address this increase in workload.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Governor's budget proposal to add one legal position to DRA.
- Reject the Governor's budget proposal to redirect positions from the electricity branch to the telecommunications and water branches.
- Add 21 additional positions to DRA's budget to the program areas summarized in the chart above.

2. Telecommunications Division

Governor's Budget. The Governor's budget proposes to redirect one position from the administration of the High Cost Fund-A program and Universal Lifeline Telephone Service Program (ULTS) to participate in and inform telecommunications proceedings at the Federal Communications Commission (FCC) and to influence federal legislation.

The CPUC is also redirecting two positions administratively (without a budget proposal) from the High Cost B program, new carrier certification, and commission-wide information technology support, to the oversight and administration of the Deaf and Disabled Telecommunications Program.

Previous Subcommittee Direction. At the March 6 meeting of the Subcommittee, the Subcommittee requested that the CPUC provide additional information on the Telecommunications Division, including:

- Identification of statutory mandates related to telecommunications and a metric of the Division's ability to meet these mandates with current staffing.
- If possible, information on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

Commission Response. In the Commission's response to the Subcommittee, it indicates that the Telecommunications Division currently has 59.3 positions. The Commission has also identified the need for six additional positions to meet its current statutory requirements and to increase its presence in federal proceedings. The table below shows only the areas in which the Telecommunications Division needs additional positions.

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Carrier Branch				
- Certificate of Public Convenience & Necessity reviews and certification.	0.4	0.0	-.4 (redirect)	Reject
- Federal Matters - additional positions needed which would impact and review federal legislation and rulemaking affecting California consumers.	1.0	4.0	+1 (redirect)	1.0
- California Teleconnect Fund program administration.	3.0	0.0	-.6 (redirect)	Reject
Public Programs Branch				
- California High Cost Fund-A program administration.	0.5	0.0	-.5 (redirect)	Reject
- California High Cost Fund-B program administration.	2.5	0.0	-1 (redirect)	Reject
- Deaf and Disabled Telecommunications program administration.	3.1	2.0	+2 (redirect)	2.0
- Universal Lifeline Telephone Service program administration.	2.8	0.0	-.5 (redirect)	Reject
Total Telecommunications Division		**6.0**	**0.0**	**3.0**

Workload Justification. It is well documented that telecommunications policy is currently being driven by rapid technological changes that are national and even global in scope. This has

led to a shift from state-centric regulation to the FCC and the U.S. Congress. Since CPUC's programs and regulatory activities will be impacted by changes in federal law and policy, it makes sense that the CPUC have a presence in those federal venues involved in setting policy. Staff finds that adding at least one more position to handle federal matters is justified.

Furthermore, staff finds that a considerable amount of stakeholder involvement is required to manage the Deaf and Disabled Telecommunications Program effectively. The need to provide adequate stakeholder involvement has reduced the department's ability to monitor and review over $60 million in payments to contractors and vendors. Staff finds that the commission needs additional staff to uphold its fiduciary responsibilities in managing the Deaf and Disabled Telecommunications Program while also providing for adequate stakeholder input into the management of the program.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Reject the Governor's proposal to redirect positions in this area.
- Add three additional positions to the Telecommunications Division for the program areas summarized in the chart above.

3. Energy Division

Governor's Budget. The Governor's budget proposes to redirect 12 positions from the payphone consumer protection program and all other energy programs to implement the Governor's climate action strategies.

The Governor's budget proposes to redirect one position from the Low-Income Oversight Board to implement advanced metering programs.

The Governor's budget proposes to redirect three positions from the payphone consumer protection program to evaluate and verify energy efficiency savings, per a recent order by the Commission to shift evaluation of the energy efficiency programs administered by the utilities to the CPUC, which is obligated to work in conjunction with the California Energy Commission (CEC).

The Governor's budget proposes to redirect two positions from non-general rate case utility rate review and small utility general rate cases to focus on general rate cases for Pacific Gas & Electric and Southern California Edison.

The Governor's budget proposes to redirect three positions from electricity reliability activities and the Low-Income Oversight Board to renewable energy and distributed generation activities.

The Governor's budget proposes to redirect two positions from the Low-Income Oversight Board to monitoring electricity procurement activities.

The CPUC is also redirecting three positions administratively (without a budget proposal) from small water rate cases and electricity cost of capital analysis to review of electricity re-powering projects.

Previous Subcommittee Direction. At the March 6 meeting of the Subcommittee, the Subcommittee requested that the CPUC provide additional information on the Energy Division, including:

- Identification of statutory mandates related to energy and a metric of the Division's ability to meet these mandates with current staffing.
- If possible, information on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

Commission Response. In the Commission's response to the Subcommittee, it indicates that the Energy Division currently has 95 positions. The Commission has also identified the need for 54.1 additional positions to meet its current statutory requirements and increase efforts to support the Governor's Climate Action Team. The table below shows only the areas in which the Energy Division needs additional positions.

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Ratemaking Branch, State Electric Rates Section				
- General Rate Cases - Additional positions are needed to support general rate cases and to work on general rate design issues.	2.0	2.0	+2 (redirect)	2.0
- Other rate cases and ratemaking matters - Additional positions are needed to address other ratemaking activities, including filings to recover fuel costs and make changes to the cost of capital.	6.0	1.0	-2 (redirect)	Reject
Ratemaking Branch, State and Federal Natural Gas Section				
- Instate transmission and storage infrastructure supply adequacy.	2.0	0.0	-1 (redirect)	Reject
- Interstate transportation rates and services, LNG supply terminals - An additional position is needed to address projected workload associated with three new interstate pipelines being proposed.	0.5	1.0		1.0
- Natural gas procurement and hedging for electric generation fuel - An additional position is needed to assess the use of financial instruments in natural gas procurement.	1.0	1.0		1.0

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Ratemaking Branch, Federal Electric Section				
- Support FERC proceedings on behalf of ratepayers of California - Additional positions needed support market redesign activities.	5.0	2.0	-1 (redirect)	1.0
- Support implementation of Energy Policy Act of 2005 - Additional positions are needed to address new workload associated with this Act.	1.5	2.0		1.0
- Participate in regional coordination and working group meetings - Additional positions are needed to participate in regional planning meetings.	1.5	2.0		1.0
Energy Resources Branch, Energy Efficiency Section				
- Energy efficiency program planning and development - One-half of a position is needed to fully participate in all advisory group meetings with utilities on their energy efficiency plans.	1.5	0.5	+0.5 (redirect)	0.5
- Evaluation, measurement, and verification of energy efficiency program impacts - Additional positions are needed to implement the commission's increased role in evaluation and measurement of utility energy efficiency programs.	1.5	2.5	+2 (redirect)	2.5
- Research and analysis, quality assurance and other activities in support of CPUC policy and oversight role - Additional positions are needed to conduct financial and management audits of utility energy efficiency programs.	0.5	1.5	+0.5 (redirect)	0.5
- Energy efficiency program implementation monitoring and reporting.	1.5	0.0	-1 (redirect)	Reject

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
- Support to other CPUC/CEC proceedings and interagency collaborative related to energy efficiency - An additional one-half of a position is needed to support work related to collaboration on energy efficiency.	0.5	0.5		0.5
- Utility performance review and risk/reward mechanism for energy efficiency - An additional position is needed to evaluate.	0.0	1.0		
Energy Resources Branch, Demand Response and Load Serving Entity Programs				
- Advanced metering programs - An additional position is needed to address other analytical and programmatic issues related to implementing advanced metering programs.	2.0	1.0	+1 (redirect)	AAB
- Community Choice Aggregation.	1.8	0.0	-1 (redirect)	AAB
Energy Resources Branch, Procurement and Resource Adequacy Section				
- Resource adequacy program oversight - An additional position is needed to evaluate and analyze filing and for enforcement of standards.	0.4	1.1		1.0
- Resource adequacy policy and program implementation - An additional position is needed to develop methods of collecting and analyzing data.	0.6	1.0		1.0
- Procurement oversight - Additional positions are needed for oversight of procurement planning.	3.0	2.0	+2 (redirect)	2.0
- Procurement policy - An additional position is needed for developing policy changes to procurement policy.	2.0	1.0		
- Procurement review groups - An additional position is needed to participate in weekly utility meeting to review proprietary market data.	2.0	1.0	-1 (redirect)	1.0

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Energy Resources Branch, Renewable and Distributed Generation Section				
- Renewable energy to meet current Renewable Portfolio Standard - Additional positions are needed to adequately assess project viability and track project and transmission development.	2.0	3.0	+1.5 (redirect)	1.5
- Distributed generation - Additional staff is needed to manage and implement the self-generation incentive program.	2.0	3.0	+1.5 (redirect)	1.5
- California Solar Initiative - Additional staff is needed to design and implement this initiative.	2.0	2.0		2.0
Transmission Permitting and Reliability Branch, Transmission Permitting Section				
- Environmental review of project applications - An additional staff is needed to address the increased workload related to transmission projects.	6.0	1.0	-1 (redirect)	1.0
Transmission Permitting and Reliability Branch, Trans. and Dist. Reliability Section				
- Standards for operation, reliability, and safety during emergencies and disasters.	1.5	0.0	-1 (redirect)	1.0
- Reconciling traditional methods of transmission planning with development of renewable generation - Additional positions are needed to address this issue.	3.0	3.0	-1 (redirect)	1.0

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Low Income Programs				
- Manage the CARE and LIEE programs.	3.0	0.0	-3 (redirect)	
- Other needs assessment analysis.	0.0	1.0		
- Management of the Low Income Oversight Board.	2.0	1.0		1.0
- Develop, expand, and monitor new low income programs.	0.0	1.0		1.0
- Emergency relief programs for low income parties.	1.0	2.0	-1 (redirect)	1.0
- Automatic enrollment of low income persons enrolled in other state programs.	0.0	1.0		
Total Energy		**42.1**	**0.0**	**27.0**

Workload Justification. Staff finds that the workload of the Energy Division has increased significantly over the past several years. Furthermore, changes since deregulation have also increased workload at the commission. For example, since deregulation, decades-old accounting practices were changed and overhead is now assigned differently in general rate cases. Regulatory work related to these cases is now more time consuming because of the new accounting practices. Furthermore, the municipal annexations in Sacramento and the southern San Joaquin area are also increasing workload for the commission.

The potential siting of a major new LNG plant off the coast of California has increased workload at the commission. The commission has responsibility for regulating quality, transportation, and storage of LNG and there are many policy and technical issues that need to be worked out before LNG can be delivered into the state's gas system.

Recent law changes at the federal government have given the Federal Energy Regulatory Commission (Commission) jurisdiction over mergers. This has increased the work and expertise needed to represent the state's interests before FERC. Furthermore, there has been an increase in work related to transmission siting and the need to participate in issue forums that impact the Western United States.

The energy efficiency decision issued by the commission late in 2005 allocated significant new responsibilities to the CEC and CPUC to directly oversee the measurement and verification of millions of dollars in energy efficiency expenditures by the utilities. The CEC has also asked for positions related to this increased activity.

The workload associated with transmission siting has increased significantly and, in many cases, is the limiting factor on progress in implementing the Renewable Portfolio Standard. Additional positions are needed to work on transmission projects that will link up renewable energy sources to the grid.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal summarized in the table above.

5. Consumer Service and Information Division

Governor's Budget. The Governor's budget proposes to redirect one position from the Commission's Southern California Outreach Program to create a small business liaison.

Redirection Impact. The impact of this redirection will be to eliminate the outreach position in the Inland Empire. There remain two outreach positions in Southern California, one in San Diego, and one in Los Angeles.

Justification. Staff finds that the commission does a considerable amount of work in the Inland Empire because of the large confluence of rail in this area. Furthermore, staff finds that the small business community has traditionally been one of the most underrepresented groups at the commission. Staff finds a small business liaison would help provide additional services and communications with the small business community.

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Public Advisors Office				
- Proposes to abolish public outreach in the Inland Empire.	1.0	0.0	-1 (redirect)	Reject
Small Business Liaison				
- The recent telecommunications bill of rights requires a greater focus and outreach to the small business community.	0.0	1.0	+1 (redirect)	1.0
Total Consumer Services and Information Division		**1.0**	**0.0**	**1.0**

Staff Recommendation. Staff recommends that the Subcommittee approve one additional position for this division.

7. California Teleconnect Program

Background. The Teleconnect Program provides telecommunications subsidies for services to schools, libraries, public hospitals, and certain community based organizations.

Governor's Budget. The Governor's budget proposes $22 million to fund the Teleconnect Program in the budget year.

May Revision. The May Revision proposes $4.8 million in additional Teleconnect fund monies to support additional claims that are projected to be received in the budget year.

Community Technology Centers. Legislation enacted in 2003 (SB 720, Bowen) allocated $3 million in Teleconnect monies to a grant program that would provide grants for installation of telecommunications services. Staff understands that the CPUC was delayed in implementing this legislation. In addition, an interpretation by the commission has greatly limited those that may qualify for the services. Staff finds that community technology centers help to bridge the digital divide by providing telecommunications services to those that cannot afford to have these services at their home.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the May Revision proposal.
- Approve budget bill language to reappropriate $3 million in funding provided to SB 720.

Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 2 Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal

Wednesday, May 17, 2006
9:00 a.m.
Room 4203

Part I - Agenda

Item	Department	Page
Climate Change Initiative		2
0555	Secretary for Environmental Protection	4
3360	California Energy Commission	5
8660	California Public Utilities Commission	8
3900	Air Resources Board	11
3910	Integrated Waste Management Board	13

Resources—Environmental Protection—Energy—Utilities

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

Climate Change Initiative

Background. In June 2005, the Governor signed Executive Order S-3-05, which set the following greenhouse gas emission reduction targets:

- By 2010—Reduce GHG emissions to year 2000 levels.
- By 2020—Reduce GHG emissions to year 1990 levels.
- By 2050—Reduce GHG emissions to 80 percent below year 1990 levels.

Previous Subcommittee Direction. At the April 3 meeting of the Subcommittee, the Governor's Climate Change Initiative was heard. At this meeting, the Subcommittee requested a detailed plan for achieving GHG emission reduction goals, including a comprehensive research portfolio. The Subcommittee also requested a plan for measuring greenhouse gas (GHG) emissions, including tools to evaluate the efficiency and cost effectiveness of different emission reduction strategies.

Climate Action Team Report Released. On April 3, the administration released its Climate Action Team report. This report outlines the following key recommendations to meet the GHG emission reduction goals outlined in the Governor's 2005 Executive Order:

- Develop a multi-sector, market-based program, which considers trading, emissions credits, auctions, and offsets, by January 1, 2008.
- Establish mandatory emissions reporting from the largest sources: oil and gas extraction, oil refining, electric power, cement manufacturing, and solid waste landfills.
- Establish a multi-generational public education campaign to ensure the public is informed about climate change and what they can do to reduce emissions.
- Complete a cost effectiveness analysis of all the strategies recommended in the report by July 2007.
- Establish an aggressive alternative fuels program, including developing an aggressive bio-fuels program this year.
- Enforce an electricity sector carbon policy that requires long-term commitments to new electricity generation from sources with GHG emissions, equivalent to or less than a new combined cycle natural gas power plant.
- Ensure that all utilities meet the energy efficiency goals and Renewable Portfolio Standard required of investor-owned utilities.
- Develop emission reporting protocols for local governments.
- Identify funding sources for reducing GHG emissions, including coordinating the state's investment strategy to lead technology development, establish a public goods charge on transportation, refocus PIER funding, and leverage other private sources.

In the report, the Climate Action Team has identified a menu of strategies for reducing GHG emissions. These strategies will be implemented by the following agencies:

- Air Resources Board;
- Integrated Waste Management Board;
- Department of Forestry and Fire Protection;
- California Energy Commission;

- Department of Water Resources;
- Business, Transportation and Housing;
- Department of Food and Agriculture;
- State and Consumer Services Agency; and
- California Public Utilities Commission.

Governor's Budget. The Governor's Budget includes $7.2 million ($135,000 in General Fund monies) to implement this initiative. The majority of this funding is for the Air Resources Board (ARB) and the Secretary for Environmental Protection, but activities are also funded at the California Energy Commission, the California Public Utilities Commission, and the Integrated Waste Management Board. More detailed descriptions of these budget proposals are contained in this agenda under each department.

May Revision. The May Revision proposes an additional $500,000 from special funds to evaluate alternatives for climate change emissions reporting.

Budget Proposal Incomplete. Staff finds that the Climate Action Team has set forth an ambitious menu of actions that need to be accomplished to achieve the GHG emission reductions goals set forth in the 2005 Executive Order. Furthermore, staff finds that the budget proposal falls short of implementing the full compliment of strategies laid out in the Climate Action Team report. For example, the Governor has proposed no funding to implement some of the strategies to reduce GHG emissions, including funding strategies to increase forest conservation and water use efficiency.

Furthermore, the budget proposal provides only minimal funding for developing a comprehensive strategy for measuring and reporting the GHG emissions of the largest emitters. Mandatory reporting is highlighted as a key strategy to reducing GHG emissions, but this budget proposal does not provide sufficient funding to support a mandatory tracking program.

Staff also finds that the budget proposal is generally lacking in measurable goals and outcomes and does not specify timelines for completing tasks to ensure that the department is making progress in reducing GHG emissions.

Furthermore, the budget proposals continue to be skewed towards research as opposed to taking action to implement regulatory programs or incentive programs to reduce GHG emissions. Staff recognizes the importance of targeted research to fill data gaps and to help lay the groundwork for future regulatory programs, but it is not clear that all of the research being requested in the budget proposal is necessary.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt placeholder trailer bill language to fund activities to reduce GHG emissions. The trailer bill will tie all funding directly to recommendations and emission reduction strategies in the Climate Action Team Report. The trailer bill language will also create measurable outcomes for all studies and activities proposed for funding in the budget.

0555 Secretary for Environmental Protection

1. Climate Change Initiative

Background. The 2005-06 budget provided $500,000 from the General Fund to the Secretary of Cal-EPA to support climate change activities. These monies were used to fund various studies to support the activities of the Climate Action Team. In addition to the development of a Scenario Analysis report and Cap and Trade report (see Climate Change Initiative Overview), the funds were also used to support studies on the economic impacts of climate change and the science of climate change. These funds are included in the base budget for the Secretary of Cal-EPA.

Governor's Budget. The Governor's Budget includes $900,000 ($135,000 in General Fund monies) in additional funds to fund two positions and $595,000 in additional contracts to lead a statewide effort to meet the GHG emission reduction targets set by the Governor. Contract funding will fund technical support to continue the development and analysis of the various GHG emission reduction scenarios and the implementation of a cap and trade program.

May Revision. The May Revision proposes $500,000 in one-time Air Pollution Control Fund monies to support contracts to evaluate alternatives for climate change emission reporting. Specifically, the funding will be used to review and make recommendations regarding the establishment of a mandatory reporting program within state government and to develop appropriate protocols for local and regional governmental reporting of GHG emission reductions.

Justification. It is unclear why the Secretary for Cal-EPA needs $1.4 million in additional monies in the budget year mainly to support additional contracts to study ways of reducing GHG emission reductions. Staff finds that the Secretary already has $500,000 in the base budget for these activities. Furthermore, there are no measurable outcomes or goals for these contracting funds, which makes it difficult to determine what outcome might result from the additional studies.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Reject the Governor's budget proposal.
- Reject the May Revision proposal.
- Evaluate the need for additional monies in trailer bill discussions.

3360 California Energy Commission

1. Climate Change Initiative

Governor's Budget. The Governor's Budget proposes $612,000 to support four positions and $200,000 in contracts to implement the Governor's greenhouse gas (GHG) emission reduction targets. The new positions will support the following activities:

- Evaluate and verify electricity carbon policies.
- Evaluate and verify industrial carbon policies.
- Improve the statewide GHG emission inventory.
- Focus on economic issues related to climate change, including overseeing $5 million in PIER contracts related to this subject.

Justification. The Commission has funded millions of dollars of climate change research through the PIER program. It is unclear why the commission cannot allocate funding from its PIER program to fund contracts to support the work requested in this budget proposal. Furthermore, there are no measurable outcomes or goals for these contracting funds, which makes it difficult to determine what outcome might result from the additional studies.

Staff Recommendation. Staff recommends that the Subcommittee reject this proposal and evaluate the need for additional monies in trailer bill discussions.

2. Public Interest Energy Research Programs

Background. The Public Interest Energy Research (PIER) program provides grant funds to public and private entities for research, development, and demonstration of electricity-related technologies. This program is funded by a public goods charge on electricity that is paid by electricity ratepayers of investor owned utilities. The surcharge generates $62.5 million annually to fund this program.

In 2004, the California Public Utilities Commission (CPUC) issued a decision that established the PIER natural gas program and designated CEC as the administrator of the program. This program focuses on research and development of science and technologies that benefit natural gas end-users in all market sectors. The surcharge on ratepayers of natural gas investor owned utilities generates $300 million annually and is continuously appropriated to the CPUC. The CPUC has issued a decision to allocate approximately $12 million annually to the CEC for the PIER natural gas program. This program is scheduled to grow to $24 million annually over the next few years.

Governor's Budget. The Governor's budget proposes $504,000 to support five new positions to identify, develop, and manage energy-related research projects for the PIER natural gas program.

Previous Subcommittee Direction. At the April 3 meeting of the Subcommittee, additional information was requested from the commission on the joint planning process between CEC and

the Air Resources Board to ensure coordination of the state's energy and environmental research priorities. In addition, the Subcommittee requested the final draft of the PIER Five-Year workload and staffing plan.

Commission Response. The CEC indicates that it has formally engaged the ARB in a joint planning process and has developed a research plan that is contained in the 2006 Program Plan and Budget for the natural gas PIER program. The 2006 program plan allocated the natural gas PIER funds to the following activities:

- $3 million for research related to natural gas efficiency.
- $2.75 million for research related to the environment, including research on the air quality impacts of combustion of alternative gas supplies (off-spec and LNG) and research on climate change adaptation and mitigation issues.
- $3 million for transportation related research.
- $1.5 million for strategic analyses, including tool and model development to determine infrastructure needs, economic research, and security.
- $750,000 for advanced generation, including combined cooling, heating, and power and natural gas reformers for fuel cells, turbines, and reciprocating engines.
- $1 million for small grants for feasibility research.
- $1.5 million for administration.

Funding for specific projects has not been awarded and research initiatives related to transportation still need to be developed. Furthermore, the commission indicates that the Five-Year workload and staffing plan for the PIER programs is still under review.

Staff Comments. Staff finds that the authority for the PIER program is set to expire at the end of the calendar year. Therefore, legislation is needed to expend PIER funding in the budget year. Legislation (SB 1250, Perata) has been introduced to address this issue.

Furthermore, staff finds that climate change and other environmental impacts of the energy sector are important issues facing the state. The PIER program has helped to address some of these issues through investments in energy efficiency and other research. However, more could be done to coordinate the research efforts of the PIER program with other research programs and to support environmental policies and goals, including those affecting climate change.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Governor's budget proposal to augment the PIER natural gas staffing.
- Delete funding from the budget in support of the PIER program ($69.9 million) and the natural gas PIER program ($1.2 million).
- Adopt trailer bill language to appropriate the PIER monies and provide statutory authority to continue the PIER program.
- Adopt trailer bill language to establish in statute a natural gas PIER program and appropriate continuously appropriated natural gas PIER monies allocated to CEC.

3. Renewable Resources Trust Fund

Background. The Renewable Energy Program at the CEC provides subsidies to promote renewable energy in the state. This program is funded by a public goods charge on electricity sold by the investor-owned utilities which generates at least $135 million annually. These funds are continuously appropriated. Only administrative costs associated with this program are subject to appropriation in the annual budget act.

May Revision. The Governor's May Revision proposes to transfer $150 million from the General Fund to the Renewable Resource Trust Fund to repay a loan from this account made earlier in the decade.

Staff Comments. Staff finds that the CEC's statutory authority to expend funding on the Renewable Energy Program expires at the end of the calendar year. Therefore, legislation is needed to expend monies from the Renewable Resources Trust Fund in the budget year. Legislation (SB 1250, Perata) has been introduced to address this issue.

The role of the Renewable Energy Program has changed considerably over the past several years and is no longer the only program that encourages the use of renewable energy by the investor owned utilities and their customers. Statute now requires a Renewable Portfolio Standard for investor owned utilities. This legislation has increased the role of the California Public Utilities Commission (CPUC) in expanding the use of renewable energy sources through rates. Furthermore, in January, the CPUC approved $2.5 billion in ratepayer funds for solar rebates over the next ten years.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Delete funding from the budget in support of the Renewable Resources Trust Fund ($5.5 million).
- Adopt trailer bill language to appropriate the Renewable Resources Trust Fund monies (including continuously appropriated monies) and provide statutory authority to continue the Renewable Energy Program.

8660 California Public Utilities Commission

1. Climate Change Initiative

Governor's Budget. The Governor's budget proposes to redirect 12 positions and use them to fund various climate change activities:

- One position to coordinate climate change activities at the PUC and to ensure climate change goals are being met.
- Three positions to be used to accelerate the renewable portfolio standard to 22 percent by 2020.
- One position to support the solar initiative, including expanding the current distributed generation program and consolidating other existing solar programs.
- Three positions to develop new programs and accelerate existing energy efficiency programs.
- One position to support the Governor's Executive Order to encourage green technology adoption by state buildings.
- Two positions to evaluate cap and trade programs and strategies for measuring and verifying emission reductions.
- One position to develop a new combined heat and power program for projects that are over five megawatts.

Half of the redirected positions are proposed to come from the consumer protection payphone program and the other six positions are redirected from other activities within the energy division.

Justification. Staff finds that most of the climate change programs being implemented by the CPUC are existing programs that have been established in statute, including the Renewable Portfolio Standard and energy efficiency. These programs have a more established track record as well as defined outcomes, which have been established in some cases. Furthermore, more staff is needed at the CPUC for tracking the implementation of these programs to ensure that they meet targets.

Staff finds that the commission cannot support redirecting all 12 positions internally to staff the climate change activities. Specifically, the energy division cannot support the redirections. The energy division is currently understaffed for the critical work related to electricity procurement, energy efficiency and demand response. All of this work is critical to ensuring electricity consumers the most reliable and lowest cost electricity service and also contributes to GHG emission reductions. Therefore, it does not make sense to reduce the department's activities in this area.

However, staff finds that six positions that currently support the payphone program can be redirected to fund new climate change positions. The commission currently has nine positions that support the commission's payphone programs, so this proposal would leave three remaining to support the programs. The commission indicates that the number of payphones in the state

has been falling dramatically over the last several years as our telecommunications system evolves. There were 200,000 payphones statewide three years ago, but the commission indicates there are now only 150,000 payphones statewide. The commission also notes that it only received 28 complaints about payphones in 2005. The commission indicates that it is currently revamping its payphone regulatory program to reduce its inspection activities and increase signage on the payphones that directs consumers to report payphones that do not work.

Staff Recommendation. Staff recommends that the Subcommittee approve the following climate change positions for the commission:

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Climate Action Programs				
- Coordination with Climate Action Team.	0.0	1.0	+1 (redirect)	1.0
- Accelerated implementation of the renewable portfolio standard.	0.0	3.0	+3 (redirect)	AAB (redirect from payphone program)
- California Solar Initiative.	0.0	1.0	+1 (redirect)	1.0
- Expand energy efficiency programs.	0.0	3.0	+3 (redirect)	AAB (redirect from payphone program)
- Implement the Green Buildings Initiative.	0.0	1.0	+1 (redirect)	1.0
- Electric Sector Carbon Policy.	0.0	2.0	+2 (redirect)	2.0
- Expand combined heat and power program.	0.0	1.0	+1 (redirect)	1.0
Total Climate Change Positions		**12.0**	**0.0**	**6.0**

2. Renewable Portfolio Standard Implementation

Background. In 2002, legislation (SB 1078, Sher) was enacted that committed the state to ensuring that one-fifth of the electricity it used was generated from renewable energy resources. The bill required both the Public Utilities Commission and the Energy Commission to take

various steps to implement a Renewable Portfolio Standard (RPS) applicable to investor-owned and municipal utilities, and other load serving entities (LSE's).

Staff Comments. Despite strong commitments from prior and current administrations, and vocal support from both commissions, recent reports suggest that implementation of the RPS has taken place in fits and starts. As a result, doubts have been raised as to whether the commissions and LSE's will meet the goals established under law and under the Governor's "Energy Action Plan." The Energy Action Plan established a goal of 20% renewable energy by 2010, but it is increasingly evident that this target will not be met unless state energy agencies act with greater urgency. Furthermore, the state's increasing vulnerability to skyrocketing natural gas and oil prices necessitates taking new and urgent steps to accelerate cost-effective renewable energy investment in order to protect consumers, the state's economy, and the environment. Staff finds that implementation of the RPS is also central to climate change objectives.

Staff Recommendation. Staff recommends that the Subcommittee approve supplemental report language to require quarterly reporting to the Legislature beginning October 1, 2006 of the following information:

- The progress of each investor owned electric utility toward achieving RPS program goals and requirements.
- A work plan, schedule, and status report for all of the procurement, transmission development, and other activities the commission has undertaken, and plans to undertake, to ensure achievement of RPS program goals and requirements.
- A description of actions taken by each investor owned electric utility to ensure adoption of a work plan and implementation schedule to achieve RPS program goals and requirements.

3900 Air Resources Board

1. Climate Change Initiative.

Governor's Budget. The budget includes $5.2 million to support the Governor's greenhouse gas emission reduction targets. The budget includes $1.9 million from the Motor Vehicle Account (MVA) and $3.3 million from the Air Pollution Control Fund (APCF). The MVA funds will be used to support 15.5 positions and the APCF will be used to fund one-time contracts for various research efforts. The additional positions will support the following activities:

- **Bio-fuel Blends.** Two positions to develop and propose regulations related to bio-fuel blends.
- **Perfluorocarbon Emission Reductions.** One position to develop control measures and technology options for reducing emissions from the semi-conductor industry.
- **Manure Management.** One position to develop and propose regulations for manure management options.
- **Refrigerated Transport.** One position to develop and propose regulations to require new refrigerated trucks to be equipped with electric stand-by systems.
- **Port Electrification.** Two positions to develop and propose measures to phase-in infrastructure allowing vessels to plug in for shore-side power.
- **Hydrofluorocarbon Emission Reductions.** Three positions to develop and adopt measures to maximize the use of low global warming potential refrigerants in mobile, commercial and residential air conditioning.
- **Light-Duty Vehicles.** One position to develop and propose policies for the implementation of lightweight materials and cool paints to reduce emissions from light-duty vehicles.
- **Heavy-Duty Vehicles.** Two new positions to implement AB 1493 (Pavley) and the Teach the Trainer Program for increasing fuel efficiency.
- **Economic Analysis.** 1.5 positions for continued economic analysis related to various GHG emission reduction efforts.
- **Climate Change Science.** One position to support analysis related to climate change science.

The contract funds are allocated equally among contracts that explore the relationship between air quality and climate change and research that provides direct support for the board's regulatory strategies.

Justification. Staff finds that most of the positions being requested by the ARB are to support the development of new regulatory programs. These programs will be critical to reducing GHG emissions in the future. However, staff finds that there are no timelines identified in the budget proposal for developing these regulatory programs. Furthermore, the board proposes funding for research and it is unclear why this research is not being funded by the PIER program or what GHG emission strategy this research will address.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve $1.9 million from the MVA to support 15.5 positions.
- Reject $3.3 million for various research contracts.
- Evaluate the need for additional monies in trailer bill discussions.

2. Hydrogen Highway

Governor's Budget. The Governor's Budget includes $6.5 million in special funds for the second year of implementation of the Governor's Hydrogen Highway Blueprint. A portion of the funding ($1.5 million) will be used to leverage private matching funds to construct three publicly accessible hydrogen fueling stations. The remaining funding ($5 million) will enable the state to leverage federal matching funds for five fuel cell buses to be used in public transit fleets.

The budget also proposes to re-appropriate $3.5 million allocated to the board in the current year. The board does not anticipate that these funds will be expended before December 31, 2006 because of the myriad of issues that need to be worked out before a hydrogen fueling station can be sited.

LAO Recommendation. The LAO recommends denying the administration's request for additional funding for the Hydrogen Highway. The LAO finds the request for additional funding premature until the board submits a statutorily required report to the Legislature. This report is intended to provide the Legislature with information that will enable an evaluation of whether continued funding for this purpose is warranted. This report is not due to the Legislature until December 31, 2006. Furthermore, the LAO indicates that approximately $3.5 million of the original appropriation will be available for expenditure in the budget year. Therefore, it is unclear why additional funding is needed.

Staff Comments. Staff finds that the Governor signed an executive order in April 2006 that sets goals for the in-state production of ethanol and other biofuels. California currently burns more than 900 million gallons of ethanol fuel each year, or nearly a quarter of all the ethanol produced in the United States, but only 5 percent of the ethanol fuel consumed in the state is produced there. California's new goals are to produce 20 percent of the state's biofuels within the state by 2010, increasing to 40 percent by 2020 and 75 percent by 2050. It is unclear how this recent initiative will be funded. Furthermore, it is unclear how the Hydrogen Highway fits into the state's overall policy on alternative fuels. Hydrogen certainly has a future, but there are many technologies, including biofuels, that are available now and which can drastically reduce emissions from motor vehicles.

Furthermore, staff concurs with the LAO regarding the need to review the report that is due to the Legislature. It will be important to review the findings in this report before additional monies are allocated to this program.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Reject the Governor's budget proposal.

3910 Integrated Waste Management Board

1. Climate Change Initiative

Governor's Budget. The Governor's Budget includes $466,000 in special funds to fund three new positions to expand existing efforts to capture methane from landfills and enhance recycling efforts to meet the Governor's greenhouse gas emission reduction targets.

Staff Comments. Staff finds that it is already the policy of the state to expand the capture of methane from landfills and to enhance recycling efforts. It is unclear why additional positions are needed at the board for these activities.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Reject the budget proposal.
- Evaluate the need for additional monies in trailer bill discussions.

Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 2 Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal

Thursday, May 18, 2006
Upon Adjournment of Session
Room 2040

Agenda Part I

Item	Department	Page
CALFED Program		2
0540	Resources Secretary	2
3870	Bay-Delta Authority	2
3600	Department of Fish and Game	9
3860	Department of Water Resources	10
Appendix I		11

Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

CALFED Program

0540 Resources Secretary

3870 Bay-Delta Authority

Background. The Delta is now at a critical crossroads. In the last year, the Delta ecosystem has deteriorated into a crisis now referred to as the Pelagic Organism Decline or POD. At the same time, State Water Project exports have hit record levels. The administration's Delta Smelt Action Plan included further study of the decline, but no action to address the three categories of identified causes – water project operations, invasive species, and contaminants. The risk of substantial Delta levee failure also has emerged as a possibility. After last year's budget reductions, the Administration undertook a comprehensive program, fiscal and governance review of the CALFED Bay-Delta Program, which found serious deficiencies in the program and in its governance. Recently, the administration released a 10-Year Action Plan that proposes further study and reorganization. Considering the current state of the Delta, this next year requires the State to set a new course in determining how to resolve the challenges now facing the Delta.

Governor's Budget. The Governor's Budget proposes $250 million ($26 million General Fund) for the state share of the CALFED Program. This is about $75 million less than estimated expenditures in the current year due to a reduction in resources bond funds available for appropriation. General Fund support for the program is estimated to increase by nearly $15 million in the budget year due to increases in funding for delta levees.

Finance Letter. A Finance Letter (dated April 18, 2006) proposes to transfer 68 of the 71 existing positions from the California Bay-Delta Authority to the Office of the Secretary for Resources. The proposal contained in the letter does not recommend legislation to eliminate the California Bay-Delta Authority as an independent entity or implement the Governor's new CALFED governance recommendations.

Previous Subcommittee Action. At the May 8 meeting of the Subcommittee, the following actions were taken:

- Approved the Governor's proposal for CALFED expenditures at the Department of Fish and Game.
- Approved CALFED expenditures and other Delta-related expenditures at the Department of Water Resources consistent with the table in Appendix I.
- Approved the Governor's proposal for CALFED expenditures at the State Water Resources Control Board.
- Approved the Governor's proposal for CALFED expenditures at the Department of Conservation.
- Approved the Governor's proposal for CALFED expenditures at the Department of Forestry and Fire Protection.

- Approved the Governor's proposal for CALFED expenditures at the San Francisco Bay Conservation and Development Commission.
- Rejected the Governor's Finance Letter proposal and instead transfered all California Bay-Delta Authority positions and contracts to the Department of Water Resources, Department of Fish and Game, Department of Health Services, and the Resources Agency. Selected vacant positions are proposed to be abolished and resultant savings directed to the Resources Agency to support the following recommendation:

The actions listed above are summarized in Appendix I that starts on Page 10.

The Subcommittee also requested staff, in consultation with the departments, LAO, and DOF, to develop trailer bill language to direct a new Deputy Secretary on Delta Resources at the Resources Agency to develop a Delta Action Plan to create a sustainable Delta. This plan should include the definition of a sustainable Delta, measurable goals and objectives, the necessary institutional structures to implement the plan, a strategic financing plan, a contingency plan and adaptive management strategies.

Authority Response. Staff has had several meetings with the Bay-Delta Authority to try and work toward a compromise proposal. The Authority maintains that it needs to transfer all positions of its positions to the Resources Agency to carry out the re-scoped duties of the Bay-Delta Authority. The Authority has indicated that it would be willing to move the administration function to another department.

Staff Comments. The proposed transfer of positions is problematic. The number of positions proposed to be transferred does not agree with the number of positions identified by the Controller. Furthermore, staff has not been provided with workload information justifying the need for all of the positions proposed for transfer to the Resources Agency given the modified scope of work to be accomplished. However, after staff discussions and discussions with the Bay-Delta Authority, staff has been convinced that more core staff is needed at the Resources Agency to continue to support robust public meetings and lead to an involved planning process to create a Delta Action Plan.

Furthermore, at the May 8 meeting of the Subcommittee, staff took actions to transfer contracts to various departments consistent with the action taken to reallocate staff. The Authority has provided more detailed information regarding its contracts, but this information cannot be cross referenced with the summary information provided earlier.

Staff also finds that the department has not set forth specific actions as to how it will address the Pelagic Organism Decline. The Delta ecosystem is currently in crisis, but there is no sense of urgency in fixing the problem. Furthermore, no additional monies have been allocated to address the problem.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

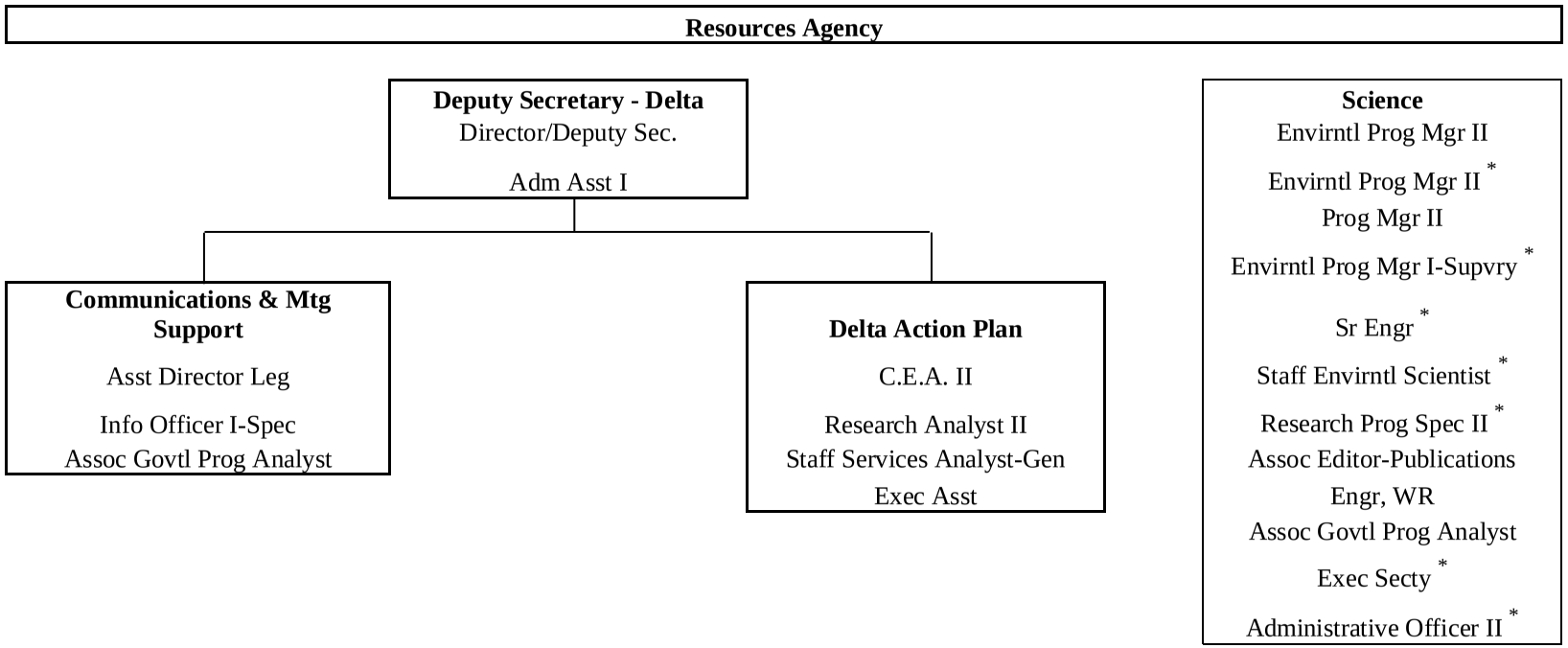
- Rescind the action taken on May 8 to allocate staff to various departments and adopt an alternative plan for allocating the positions at the Bay-Delta Authority to the Resources Agency, Department of Fish and Game, Department of Water Resources, and the

Department of Health Services. The alternative plan can be found on pages 5 – 7. The plan allocates the 67 positions in the following way:

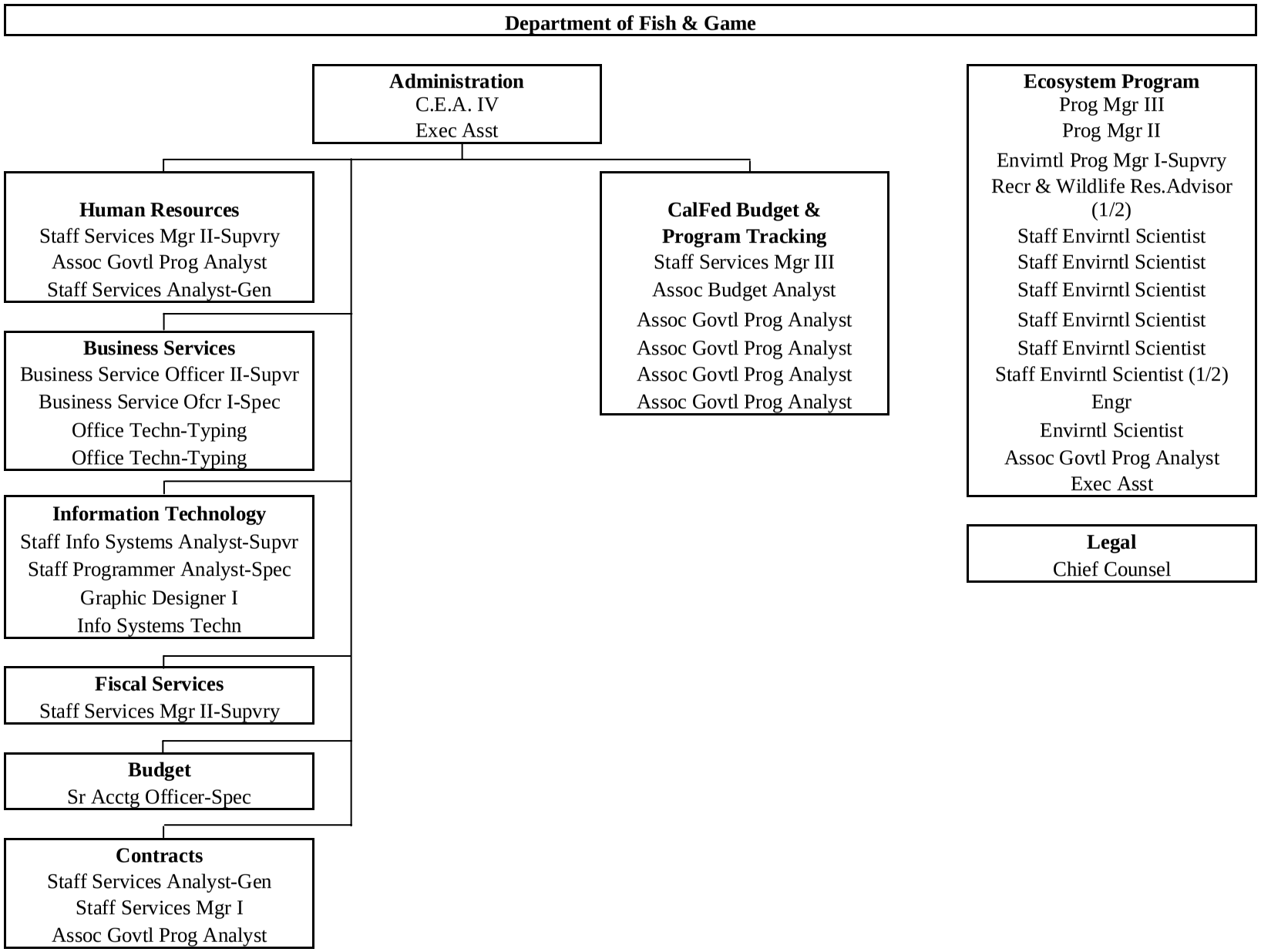
- 21 positions to the Resources Agency. This includes the entire science program staff, who would report directly to the Secretary, a new deputy secretary for the delta to coordinate actions of the CALFED implementing agencies, and staff to continue the current CALFED communications and meeting management functions and to develop a Delta Action Plan.
- 39 positions to the Department of Fish and Game to support the ecosystem restoration program and administration of the CALFED program, including providing administrative support to the Office of the Secretary for Resources (this is currently being carried out by the Department of Forestry and Fire Protection.)
- 6 positions to the Department of Water Resources for the levees program, watershed program, and water use efficiency.
- 2 positions to the Department of Health Services to support the drinking water quality program.

- Reduce BDA's reimbursement authority by $14.7 million to reflect the transfer of the ecosystem restoration program to the Department of Fish and Game.
- Approve transfer of specific contracts at the Bay-Delta Authority staff to the following departments:
  - Science to the Resources Agency.
  - Delta Action Plan to the Resources Agency.
  - Administration to the Department of Fish and Game.
  - Ecosystem Restoration Program to the Department of Fish and Game.
  - Watershed Program to the Department of Water Resources.
  - Levees to the Department of Water Resources.
  - Drinking Water Quality to the Department of Health Services.
- Approve trailer bill language that does the following:
  - Directs the Secretary for Resources to develop a long-term Delta vision and action plan to create a sustainable Delta. This plan should include the definition of a sustainable Delta, measurable goals and objectives, the necessary institutional structures to implement the plan, a strategic financing plan, a contingency plan and adaptive management strategies.
  - Expresses legislative intent that all public processes currently part of the CALFED Bay-Delta program will continue unless legislation is enacted to change these processes.
  - Expedite short-term science contracts related to the Pelagic Organism Decline.
- Approve supplemental report language to require the Secretary for Resources, by October 1, 2006, to report on the actions it will take, other than study, in the next fiscal year to stabilize the ecosystem in the Delta and to address the Pelagic Organism Decline.
- Approve budget bill language to require the Secretary for Resources to submit the report on actions being taken to address the Pelagic Organism Decline before funds in this item may be allocated for construction or acquisition related to the South Delta Improvement Program.
- Approve budget bill language to require that the administrative positions being transferred to the Department of Fish and Game be used to support the CALFED program

and to provide general administrative support to the Office of the Secretary for Resources.



* These positions were established under a previous budget as term limited to 6/30/2008.


Department of Fish & Game
Administration
C.E.A. IV
Exec Asst
Human Resources
Staff Services Mgr II-Supvry
Assoc Govtl Prog Analyst
Staff Services Analyst-Gen
Business Services
Business Service Officer II-Supvr
Business Service Ofcr I-Spec
Office Techn-Typing
Office Techn-Typing
Information Technology
Staff Info Systems Analyst-Supvr
Staff Programmer Analyst-Spec
Graphic Designer I
Info Systems Techn
Fiscal Services
Staff Services Mgr II-Supvry
Budget
Sr Acctg Officer-Spec
Contracts
Staff Services Analyst-Gen
Staff Services Mgr I
Assoc Govtl Prog Analyst
CalFed Budget & Program Tracking
Staff Services Mgr III
Assoc Budget Analyst
Assoc Govtl Prog Analyst
Assoc Govtl Prog Analyst
Assoc Govtl Prog Analyst
Assoc Govtl Prog Analyst
Ecosystem Program
Prog Mgr III
Prog Mgr II
Envirntl Prog Mgr I-Supvry
Recr & Wildlife Res.Advisor (1/2)
Staff Envirntl Scientist
Staff Envirntl Scientist
Staff Envirntl Scientist
Staff Envirntl Scientist
Staff Envirntl Scientist
Staff Envirntl Scientist (1/2)
Engr
Envirntl Scientist
Assoc Govtl Prog Analyst
Exec Asst
Legal
Chief Counsel

Department of Health Services

Drinking Water Quality
Envirntl Prog Mgr I-Supvry
Sr Engr

Department of Water Resources

Levees
Supvng Engr

Watershed
Staff Envirntl Scientist
Assoc Govtl Prog Analyst

Water Use Efficency
C.E.A. III
Assoc Govtl Prog Analyst
Exec Secty I

3600 Department of Fish and Game

1. Ecosystem Restoration Program

Governor's Budget. The Governor's budget provides $8.9 million for the department to implement the CALFED program. (These expenditures were approved at the May 8 meeting of the Subcommittee and are detailed in Appendix I.)

May Revision. The May Revision proposes to continue to transfer additional pieces of the Ecosystem Restoration Program to the Department of Fish and Game. This proposal increases the department's expenditure authority by $25.3 million in reimbursements and $2.5 million in Proposition 50 bond funds to support 10 new positions and various ecosystem restoration projects. The new reimbursement authority is from the following sources:

- $3.3 million from the Department of Water Resources.
- $10 million from the Wildlife Conservation Board.
- $12 million from the State Water Project contractors to fund projects and two positions.

The Proposition 50 bond funds will be allocated to support five new positions and three existing positions transferred from the Bay-Delta Authority.

The May Revision also proposes budget bill language to reappropriate Proposition 204 and Proposition 50 bond funds to support the ecosystem restoration program that were formerly allocated to the Bay-Delta Authority.

Staff Comments. Staff supports transferring the ecosystem restoration program to the Department of Fish and Game; however, there are several components of this new proposal that are confusing. First, there is relatively no explanation of what the increase in reimbursements will support. Furthermore, information provided by the department suggests that some of the ecosystem restoration program will remain at DWR and the Bay Delta Authority (Resources Agency).

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the May Revision proposal to consolidate the ecosystem restoration program at DFG.
- Approve supplemental report language to require that the Resources Agency report on all of the ecosystem restoration program expenditures at department's other than the Department of Fish and Game and provide rationale for why those components should stay at the respective departments.

3860 Department of Water Resources

1. Various Items

Governor's Budget. The Governors' budget proposes $212 million for the department to implement the CALFED program. (The Subcommittee approved $200 million of these expenditures at its May 8 meeting. The action taken at the Subcommittee meeting is contained in Appendix I.)

Finance Letter. A Finance Letter (dated March 30, 2006) proposed to reappropriate the following funds:

- **Environmental Water Account.** Reappropriate $65.8 million in Proposition 50 bond funds to implement the Lower Yuba River Accord for EWA asset purchases and DFG staff support.
- **Water Supply Reliability.** Reappropriate $2.5 million in Proposition 50 bond funds to continue assistance to local agency partnerships to plan and develop locally controlled projects to increase water supply reliability.
- **Storage.** Reappropriate $2.1 million in Proposition 13 bond funds to contract with the Santa Clara Valley Water District for the San Luis Bypass feasibility study.

Open Items. At the May 8 meeting of the Subcommittee the following items were held open pending additional information about why these appropriations were needed when $4.2 million had not been expended for similar activities:

- **Fish Collection, Handling, Transportation, and Release Evaluation.** The budget proposes $2.6 million in Proposition 13 bond monies to collect information on improving the design and operation of fish collection, handling, transportation, and release of the State Water Project and Central Valley Project water intakes in the south Delta. The focus of the study is Delta smelt. The Department of Fish and Game is conducting three studies and DWR is conduction two other studies.
- **Evaluation of Fish Facility Improvement Alternatives.** The budget proposes $990,000 in Proposition 13 bond monies to identify and evaluate alternatives for reducing fish predation in Clifton Court Forebay with the existing screening facilities.

Department Response. The department indicates that it only needs an additional $2 million in the budget year to conduct these studies above what has already been reappropriated to the department.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Finance Letter proposals.
- Approve $2 million in Proposition 13 bond funds for the Fish Collection, Handling, Transportation, and Release evaluation and the evaluation of fish facility improvement alternatives.

Appendix I

3600 Department of Fish and Game

Action. Approved the following Delta-related funding for the Department of Fish and Game:

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Oversight and Coordination				
Base Budget				
- Supports positions to ensure that CALFED program is in compliance with environmental laws and regulations.	$166	General Fund	2.0	X
Ecosystem Restoration Program				
Base Budget				
- Conducts restoration projects, manages ecosystem restoration grant program, issues permits, monitors restoration projects, participates in regional plan development, and guides environmental documentation.	$4,276	Prop 50	33.8	X
- Conducts restoration projects, manages ecosystem restoration grant program, issues permits, monitors restoration projects, participates in regional plan development, and guides environmental documentation.	$628	General Fund	5.0	X
- Conducts restoration projects, manages ecosystem restoration grant program, issues permits, monitors restoration projects, participates in regional plan development, and guides environmental documentation.	$490	Reimbursements	4.0	X
- Conducts restoration projects, manages ecosystem restoration grant program, issues permits, monitors restoration projects, participates in regional plan development, and guides environmental documentation.	$239	Federal	2.3	X
Finance Letter				
- Supports development of NCCP/HCP for the Central Valley.	$2,000	State Water Project Funds	16.0	X
- Supports contracts with local jurisdictions to support development of NCCP/HCP for the Central Valley.	$500	Federal Funds		X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
- Switch funding of five existing positions supported by Proposition 50 bond funds to State Water Project Funds.	-$263	Prop 50	-5.0	X
Conveyance Program				
Base Budget				
- Supports studies to define fish movement in the delta, assists in the development of technologies in water transfer and fish screening, and examines sources of predation.	$84	General Fund	1.0	X
Science Program				
Base Budget				
- Collects and analyzes data on delta resident fishes and tracks Interagency Ecological Program listed species.	$464	Federal	4.3	X
- Collects and analyzes data on delta resident fishes and tracks Interagency Ecological Program listed species.	$294	Fish and Game Preservation Fund, Dedicated	1.0	X
Total Governor's Budget	**$8,878**		**64.4**	
Total Senate Budget	**$8,878**		**64.4**	

3860 Department of Water Resources

Action. Approved the following Delta-related activities for the Department of Water Resources:

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Oversight and Coordination				
Base Budget				
- Supports review of CALFED-related encroachment permit applications submitted to the Reclamation Board.	$279	General Fund	2.0	X
Ecosystem Restoration Program				
Base Budget				
- Supports federal-state cost-share agreement between DWR, USBR, USFWS, and DFG for fishery restoration activities.	$1,575	Prop 204	1.0	X
- Supports Fish Passage Improvement Program to do fish passage assessment.	$297	Prop 50	2.0	X
- Supports Aquatic Restoration Planning and implementation program to facilitate environmental enhancement by developing habitat restoration and fish passage in the Yolo Basin.	$1,002	Prop 50	3.0	X
- Supports activities to manage the Four Pumps Agreement to mitigate fish loss at the State Water Project's Delta Pumping Plant.	$6,452	State Water Project Funds	5.2	X
Budget Change Proposal				
- Supports a contract with DFG to fund several multi-year ecosystem restoration projects that need additional funding for completion.	$10,900	Prop 13	0.0	X
- Supports construction of a larger scale aeration demonstration project at the San Joaquin River Deep Water Ship Channel.	$3,600	Prop 13	0.0	X
- Supports operation and maintenance of the aeration demonstration project.	$600	Prop 13	3.0	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Finance Letter				
- Support development of data and actions for the HCCP/NCP for the Central Valley, including assessment and planning of fish passage improvements and invasive fish species eradication.	$817	Prop 50	4.0	X
- Support development of a Memorandum of Understanding, a Planning Agreement, and preliminary work on one or more HCP/NCCPs for the Central Valley. The SWP contracts and CVP contractors will collectively contribute $3 million annually to support this effort at DWR, DFG, USFWS, and NOAA for three years.		SWP Funds	3.0	X
- Extend liquidation of $8.2 million to construct facilities to control waste discharges that contribute to low dissolved oxygen and other problems on the San Joaquin River and in the South Delta and to construct facilities to control drainage from abandoned mines.		Prop 13	0.0	X
Environmental Water Account				
Base Budget				
- Environmental Water Account asset purchases.	$8,800	Prop 50	0.0	X
- Environmental Water Account purchases state support.	$143	Prop 50	1.7	X
Water Use Efficiency				
Base Budget				
- Supports the California Irrigation Management Information System and provides technical assistance and outreach for water conservation activities.	$1,124	General Fund	6.0	X
- Supports the administration of the CALFED Water Use Efficiency grant program, the administration of the desalination grant program, and technical assistance on water recycling projects.	$2,597	Prop 50	9.4	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
- Supports technical assistance and review of agricultural water management plans, urban water management plans, and development of new water conservation technologies.	$1,885	Energy Resources Program Account	10.0	X
Budget Change Proposal				
- Supports grants for water use efficiency projects (50 percent allocated to urban projects and 50 percent allocated to agricultural projects).	$30,136	Prop 50	0.0	X
- Grant program administration and technical assistance.	$2,034	Prop 50	0.0	X
- Supports loans for agricultural water conservation. Loans can be used to match grant funds.	$15,000	Prop 13	0.0	X
Finance Letter				
- Reappropriate $5.2 million in water use efficiency grants appropriated in 2003.		Prop 50	0.0	X
Watershed Program				
Base Budget				
- Supports administration of the CALFED Watershed grant program.	$252	Prop 50	2.0	X
Budget Change Proposal				
- Technical staff support for the Watershed Program.	$667	Prop 50	3.3	X
Finance Letter				
- Reappropriate $19 million for the Watershed Grant Program.		Prop 50	0.0	X
Drinking Water Quality				
Base Budget				
- Supports contract to model options for improving water quality in the Delta.	$81	General Fund	0.0	X
- Supports data analysis and Delta computer modeling support for the CALFED drinking water quality program. The current focus is on improving water quality modeling of the upper San Joaquin River.	$162	Prop 50	1.0	X
- Supports the development of the Franks Tract Project.	$309	State Water Project Funds	1.9	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Budget Change Proposal				
- Supports evaluating several possible alternatives for the Franks Tract Pilot Project.	$1,245	Prop 13	3.5	X
- Supports evaluating several possible alternatives for the Franks Tract Pilot Project.	$4,618	Prop 50	0.0	X
- Supports evaluating several possible alternatives for the Franks Tract Pilot Project.	$600	State Water Project Funds	0.0	X
- Supports final design and construction of the Franks Tract Pilot Project.	$2,800	Prop 50	0.0	
- Supports final design and construction of the Franks Tract Pilot Project.	$5,500	State Water Project Funds	0.0	
Finance Letter				
- Funding to start a new multi-year study conducted by USGS to evaluate methods to improve conveyance and water quality in the Delta. The study is the Low Intensity Chemical Dosing Project and will evaluate ways of reducing dissolved organic carbon levels in Delta drinking water supplies.	$1,534	Prop 13	0.0	X
Levees				
Base Budget				
- Supports staff to implement the Delta Levees Special Projects Program, Delta Levee Maintenance Subvention Program, Emergency Response, Risk Management, and Subsidence Research.	$1,135	Prop 50	13.0	X
- Supports staff to implement the Delta Levees Special Projects Program, Delta Levee Maintenance Subvention Program, Emergency Response, Risk Management, and Subsidence Research.	$373	State Water Project Funds	2.0	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Budget Change Proposal				
- Subventions for delta levee projects.	$8,370	General Fund	0.0	X
- Subventions for delta levee projects.	$995	Delta Flood Protection Fund	0.0	X
- Supports the Delta Risk Management Study.	$2,000	General Fund	0.0	X
- Supports the Delta Risk Management Study.	$1,000	Prop 50	0.0	X
- Supports Delta levee program staff.	$3,635	General Fund	18.0	X
- Supports various studies and other Delta-related contracts.	$400	General Fund	0.0	X
- Supports various contracts.	$600	General Fund	0.0	X
Finance Letter				
- Extend liquidation of $2.5 million in subventions appropriated in 2003 to local districts completing 14 projects that are part of the Delta Levees Special Flood Control Projects Program.		Prop 50	0.0	X
Water Supply Reliability				
Base Budget				
- Supports staff and contracts for projects that increase water supply reliability through the planned and coordinated management of groundwater and surface water resources, including managing 22 MOU partnerships throughout the state.	$6,806	Prop 50	16.6	X
Finance Letter				
- Extend liquidation of $200,000 to support a contract with CSU, Sacramento to provide facilitation services for program activities.		Prop 50		X
Conveyance Program				
Base Budget				
- Supports North Delta Flood Control and Ecosystem Restoration Project.	$477	General Fund	3.0	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
- Supports design and construction of permanent operable barriers, which is part of the South Delta Improvement Program.	$10,000	State Water Project Funds	20.0	X
- Supports contract and position to evaluate Clifton Court Fish Screen intake alternatives.	$1,000	State Water Project Funds	1.0	X
- Supports contract and position to evaluate water quality improvements from the Through-Delta Facility and additional modeling and evaluation of alternatives to this facility.	$800	State Water Project Funds	1.0	X
- Supports construction and removal of temporary rock barriers in the south delta.	$6,600	State Water Project Funds	2.0	X
- Supports management of the Conveyance Program.	$102	State Water Project Funds	0.5	X
Budget Change Proposal				
- Evaluate cost-effective fish facility improvement alternatives at the State Water Project and Central Valley Project intake facilities.	$990	Prop 13	0.0	Hold Open
- Continue fish collection, handling, transportation and release study and for review of Tracy Fish Test Facility Project (supports 9 existing positions).	$2,554	Prop 13	0.0	Hold Open
- Support fisheries related studies and make recommendations related to the Through-Delta facility (supports 5 existing positions).	$2,000	Prop 13	0.0	X
- Supports final design and construction costs for the South Delta Improvements Program permanent operable barriers.	$26,600	Prop 13	0.0	X, with TBL
- Supports final design and construction costs for the South Delta Improvements Program permanent operable barriers.	$15,000	Prop 50	0.0	X, with TBL
Finance Letter				
- Reappropriate $707,775 to continue the second phase of investigations of the South Delta Hydrodynamic Investigations.		Prop 13	0.0	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
- Reappropriate $4.2 million from funds appropriated in 2004 and 2005 to support the ongoing study to improve design, collection, and operation of fish collection, handling, transportation and release facilities.		Prop 13	0.0	X
- Extend liquidation of $154,079, for the second time, that remains to support an ongoing study of hydrodynamics and fishery response to water operations in and around the Delta Cross Channel.		Prop 13	0.0	X
Science Program				
Base Budget				
- Supports contracts and positions for monitoring and special studies of the water quality and ecology in the Delta. Supports $3.5 million in contracts with DFG, USFWS, USGS, and various universities and laboratories.	$7,279	State Water Project Funds	21.7	X
Storage Program				
Budget Change Proposal				
- Reversion of $5.5 million in Proposition 50 bond funds appropriated in 2003 and 2004.		Prop 50	0.0	X
- Supports evaluation of common assumptions to help evaluate which storage proposal is the preferred storage alternative.	$1,300	Prop 50	2.5	X
- Supports evaluation of a North of Delta storage facility (Sites reservoir).	$3,100	Prop 50	19.0	X
- Supports a contract with the Contra Costa Water District to evaluate enlarging Los Vaqueros reservoir.	$1,000	Prop 50	1.3	X, with BBL
- Supports evaluation of additional storage on the upper San Joaquin River.	$1,000	Prop 50	3.0	X
- Supports contract with Santa Clara Valley Water District to complete the San Luis Point Bypass feasibility study.	$1,999	Prop 13	0.0	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Finance Letter				
- Extend liquidation of $2.1 million for a contract with the Santa Clara Valley Water District for the San Luis Bypass feasibility study.		Prop 13	0.0	X
Total Governor's Budget	**$212,124**		**186.6**	
Total Senate Budget	**$200,280**		**186.6**	

Action. Approved the following budget proposals that are related to the Delta, but not included in the administration's summary of total expenditures on the CALFED program:

Activity	Amount	Fund Source	Positions	Approve
Sacramento Valley Water Management Program				
Budget Change Proposal				
- Funding to complete environmental documents supporting the Sacramento Valley Water Management Program.	$60	Prop 204	0.0	X
State Water Project				
Budget Change Proposal				
- Establish a position to provide legal advice and expertise regarding State Water Project contracting and environmental compliance issues.		State Water Project Funds	1.0	X
- Establish a position to support biological studies to guide restoration efforts in the Yolo Bypass.		State Water Project Funds	1.0	X
- Establish positions to implement the terms and conditions required under OCAP for ongoing operations of Oroville Facilities.		State Water Project Funds	3.0	X
- Establish a position and contracts to support the Interagency Ecological Program.		State Water Project Funds	1.0	X
- Establish positions to support SWRCB mandated Water Quality Compliance Monitoring programs to carry out compliance monitoring for SWRCB Decision D-1641.		State Water Project Funds	4.0	X
- Establish positions to support administration and program control for the Division of Environmental Services.		State Water Project Funds	3.0	X
- Establish a position to support complex modeling analysis of the Delta.		State Water Project Funds	1.0	X
- Restore positions to support the operation of the State Water Project.		State Water Project Funds	80.0	X

3940 State Water Resources Control Board

Action. Approved the following CALFED-related funding for the State Water Resources Control Board:

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Water Use Efficiency Program				
Base Budget				
- Supports staff to administer the CALFED water use efficiency grant program and provide technical assistance on water recycling projects.	$153	Prop 13	1.6	X
- Supports staff to administer the CALFED water use efficiency grant program and provide technical assistance on water recycling projects.	$902	Prop 50	9.0	X
Budget Change Proposal				
- Supports grants for water recycling projects.	$7,000	Prop 13		X
Watershed Program				
Base Budget				
- Supports staff to administer the CALFED Watershed grant program and provide technical assistance on watershed projects.	$82	Prop 13	0.8	X
- Supports staff to administer the CALFED watershed grant program.	$100	Prop 50	1.0	X
Budget Change Proposal				
- Supports watershed grants.	$5,990	Prop 50		X
- Supports watershed grants.	$276	Prop 13		X
Drinking Water Quality Program				
Base Budget				
- Supports staff to administer the CALFED Drinking Water grant program and provide technical assistance on drinking water projects.	$82	Prop 13	0.8	X
- Supports staff to administer the CALFED Drinking Water grant program and provide technical assistance on drinking water projects.	$124	Prop 50	1.3	X

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Budget Change Proposal				
- Funding for non-point source pollution control grants.	$101	Prop 13		X
- Funding for drinking water quality grants.	$3,429	Prop 50		X
Total Governor's Budget	**$18,239**		**14.5**	
Total Senate Budget	**$18,239**		**14.5**	

3480 Department of Conservation

Action. Approved the following CALFED-related funding for the Department of Conservation:

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Oversight and Coordination				
Base Budget				
- Supports a position to review projects for consistency with the CALFED program.	$96	Soil Conservation Fund	1.0	X
Watershed Program				
Base Budget				
- Program delivery associated with the Watershed Coordinator Grant Program.	$228	Prop 50	2.0	X
Total Governor's Budget	**$324**		**3.0**	
Total Senate Budget	**$324**		**3.0**	

3540 Department of Forestry and Fire Protection

Action. Approved the following CALFED-related funding for the Department of Forestry and Fire Protection:

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Watershed Program				
Base Budget				
- Technical assistance and outreach activities that provide information on issues concerning the impacts of wildfire and forest management on watershed health to watershed groups and CALFED agencies, including supporting development of the California Watershed Manual.	$159	Prop 50	0.0	X
Total Governor's Budget	**$159**		**0.0**	
Total Senate Budget	**$159**		**0.0**	

3820 San Francisco Bay Conservation and Development Commission

Action. Approved the following CALFED-related funding for the San Francisco Bay Conservation and Development Commission:

Activity	Amount	Fund Source	Positions	Approve
Oversight and Coordination				
Base Budget				
- Supports permitting for CALFED projects and beneficial use of dredged materials for Delta levees.	$88	General Fund	1.0	X
Total Governor's Budget	**$88**		**1.0**	
Total Senate Budget	**$88**		**1.0**	

4260 Department of Health Services

Action. The following was provided for informational purposes.

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Drinking Water Quality Program				
Base Budget				
- Supports development of a regional strategic framework, performance measures, and conceptual models.	$125	Prop 50	0.0	X
Total Governor's Budget	**$125**		**0.0**	
Total Senate Budget	**$125**		**0.0**	

3870 California Bay-Delta Authority

0540 Secretary for Resources

Action.

- Approved the transfer of positions and contract funding proposed to support the Bay-Delta Authority in the budget year to the following departments and agency:
- Requested that staff work with the departments, DOF and the LAO to address technical and staffing issues that may arise from the recommended action.

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Oversight and Coordination				
Base Budget				
- Supports tracking CALFED funding and accomplishments, assuring public involvement, and assisting with regional implementation of the CALFED program. Funding supports positions and $2.5 million in contracts for fiscal, personnel, and legal services.	$6,746	General Fund	45.0	See table below.
Ecosystem Restoration Program				
- Supports administration of existing ecosystem restoration program contracts, strategic planning, and program tracking.	$375	General Fund	3.0	Transfer to DFG
- Supports multi-year grants for mine remediation, evaluation of a pilot aeration project and source identification studies related to low dissolved oxygen.	$9,752	Reimbursements	0.0	Transfer to DWR
- Funds staff to support studies and grants to address water quality problems causing low dissolved oxygen in the Stockton Deep Water Ship Channel, mercury issues, and other water quality issues.	$269	Reimbursements	3.0	Transfer to DWR
- Supports staff to coordinate regional strategic planning, program performance tracking, on-going program level science integration, and external review.	$392	Prop 50	4.0	Transfer to DFG

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
- Supports contracts to assist farmers in integrating ecosystem restoration activities with agriculture, manage an ecosystem restoration program tracking database, coordinate development of conceptual models to support the Delta Regional Ecosystem Restoration Implementation Plan, assist in developing performance measures, coordinating mercury issues, and external review of proposed grants.	$1,652	Prop 50	0.0	Transfer to DFG
Environmental Water Account				
Base Budget				
- Supports contracts to assist program implementation and performance tracking.	$27	General Fund	0.0	Transfer to DFG
Water Use Efficiency Program				
Base Budget				
- Supports contracts to assist with program implementation and performance tracking.	$333	General Fund	0.0	Transfer to DWR
Watershed Program				
Base Budget				
- Supports a position to coordinate the Watershed Program.	$117	General Fund	1.0	Transfer to DWR
- Supports a position and contracts to assist with program implementation, program oversight, and performance tracking.	$794	Prop 50	1.0	Transfer to DWR
Drinking Water Quality Program				
Base Budget				
- Supports development of performance measures, strategic planning, drinking water data model development, and program-level science.	$253	General Fund	2.0	Transfer to DHS
- Supports Old River and Rock Slough Drainage Management Projects and the Low Intensity Chemical Dosing Project.	$4,835	Reimbursements	0.0	Transfer to DWR

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
Levee Program				
Base Budget				
- Supports a contract to perform an inventory of structures in the Delta as part of the Delta Risk Management Study.	$14	General Fund	0.0	Transfer to DWR
Storage Program				
Base Budget				
- Supports a position to provide ongoing technical support and guidance to the Common Assumptions process.	$113	General Fund	1.0	Transfer to DWR
- Supports contracts to assist with program implementation and performance tracking.	$158	General Fund	0.0	Transfer to DWR
Conveyance Program				
Base Budget				
- Supports contracts for the Clifton Court Fish Screens, to evaluate water quality improvements related to the Delta Cross Channel re-operation and Through-Delta facility alternatives, and South Delta Fish Protection studies.	$378	General Fund	0.0	Transfer to DWR
- Supports contracts for the Clifton Court Fish Screens, to evaluate water quality improvements related to the Delta Cross Channel re-operation and Through-Delta facility alternatives, and South Delta Fish Protection studies.	$44	Prop 50	0.0	Transfer to DWR
Science Program				
Base Budget				
- Supports science conferences and training.	$3	General Fund	0.0	Transfer to Secretary
- Supports contracts to conduct Delta hydrodynamic, fish and special studies, including the Delta Smelt population in the Delta.	$2,030	Reimbursements	0.0	Transfer to Secretary

Activity ($ in thousands)	Amount	Fund Source	Positions	Approve
- Supports contracts and positions to support the independent science board and technical panels.	$2,948	Prop 50	11.0	Transfer to Secretary
Finance Letter				
- Reappropriation of $21.9 million appropriated in 2002 to support the Science Program.		Prop 50		Transfer to Secretary

	Secretary for Resources	DWR	DFG	Total
Director	1.0			1.0
Admin Assistant	1.0			1.0
CEA		2.0		2.0
Executive Assistant		2.0	1.0	3.0
Legal			1.0	1.0
Staff Services Analyst		1.0	2.0	3.0
Staff Services Manager I	1.0	1.0		2.0
Staff Services Manager II			2.0	2.0
Staff Services Manager III			1.0	1.0
Associate Governmental Program Analyst	1.0	2.0	6.0	9.0
Business Service Officer I			1.0	1.0
Business Service Officer II			1.0	1.0
Staff Information Systems Analyst			1.0	1.0
Associate Information Systems Analyst		1.0	1.0	2.0
Information Systems Technician			1.0	1.0
Staff Program Analyst			1.0	1.0
Senior Accounting Officer		1.0		1.0
Staff Environmental Scientist			2.5	2.5
Environmental Program Manager I			1.0	1.0
Program Manager I		1.0		1.0
Program Manager II		1.0	1.0	2.0
Program Manager III			1.0	1.0
Supervising Engineer, Water Resources		2.0		2.0
Recreation and Wildlife Resources Advisor			0.5	0.5
Research Analyst II			1.0	1.0
Associate Budget Analyst			1.0	1.0
Total	4.0	14.0	27.0	45.0

Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 2 Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal

Thursday, May 18, 2006
Upon Adjournment of Session
Room 2040

Item	Department	Page
0540	Secretary for Resources	2
3600	Department of Fish and Game	3
3640	Wildlife Conservation Board	17
3720	California Coastal Commission	18
3760	State Coastal Conservancy	20
3860	Department of Water Resources	21
3940	State Water Resources Control Board	29

Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

0540 Secretary for Resources

1. Conservation Easement Registry

Previous Subcommittee Direction. At the March 6 meeting of the Subcommittee, staff was directed to work with the Office of the Secretary, DOF and the LAO to develop a portal for identifying and linking up existing databases of state-owned and state-funded conservation easements. A centralized database with this information currently does not exist.

Response. The Office of the Secretary surveyed the departments, boards, and conservancies under its jurisdiction to determine if and how conservation easements are tracked by the individual departments. The office determined that the Department of General Services maintains a database with all of the information on the state-owned easements regardless of which state entity purchased the easements. Furthermore, the office found that the Wildlife Conservation Board, Department of Fish and Game, and Department of Conservation all have individual tracking systems for tracking non-state owned conservation easements that were funded with state money.

Staff Comments. Staff finds that the lack of a centralized database for all state-owned and state-funded conservation easements makes it more difficult to collect data for habitat conservation planning. Furthermore, it makes planning for future conservation easements and land acquisitions more difficult.

Staff Recommendation. Staff recommends that the Subcommittee approve $100,000 in General Fund monies to support the development of a consolidated database for conservation easements owned by the state and/or funded with state monies. The database should contain, at a minimum, the following pieces of data on each easement:

- Purpose of the easement,
- Location of the easement by county and nearest city,
- Identity of the easement holder,
- Size of the easement,
- Date of the easement transaction,
- Source of the funding,
- State's share of the cost of the easement, and
- County recorder number.

3600 Department of Fish and Game

1. Basic Budget Transparency

Governor's Budget. In late March, the department submitted the supplemental report language requested as part of the 2005 budget. This report did not provide sufficient detail to determine the level of activities being performed by the department and the funding dedicated to each activity. The department has indicated that its internal workload tracking system and budgeting system do not make it possible to report this information.

The department has initiated a multi-phase project with external consultants to develop systems to allow the department to provide the Legislature and the public with the information requested in the 2005 supplemental report. Work on this project was started in the fall of 2005 and is projected to continue through calendar year 2006.

Previous Subcommittee Direction. At the April 24 meeting of the Subcommittee, information was requested from the department on its timeline for completing its current work plan to modify current workload tracking and budgeting systems. The Subcommittee also requested staff, the department, the LAO and DOF to work on supplemental report language that mirrors the report requested in 2005 on activities, statutory mandates, funding sources, and outcomes, including setting an appropriate deadline for the report.

Update. The department indicates that it is still developing a Corrective Action Plan with consultants it has retained with $200,000 provided in the 2005 budget. The department has agreed to meet with legislative staff on a quarterly basis, or more if needed, to update staff on its progress in putting in place a new workload tracking system that will enable the department to provide the Legislature with the data that it has requested. Furthermore, the department indicates that it will not expend all of the monies in the budget year and will need to reappropriate these monies to continue work to put in place new systems that will create better transparency for how DFG spends its money.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve budget bill language to reappropriate $150,000 in General Fund monies remaining for consulting contracts to assist the department in modifying its current workload tracking and budgeting systems.
- Approve supplemental report language to require the department to provide a final report that contains information consistent with what was requested in the 2005 supplemental report by a date that is to be negotiated with the department and staff.

2. Fish and Game Preservation Fund

Governor's Budget and Finance Letter. The Governor's Budget and Finance Letter (dated March 30, 2006) proposes $4.7 million in General Fund monies to address the shortfall in the non-dedicated account of the Fish and Game Preservation Fund. In addition, the budget and

Finance Letter also propose to shift $1.6 million in expenditures funded by the non-dedicated account to various dedicated accounts. The Governor's Finance Letter also proposes $1.2 million in General Fund monies to address the revenue shortfall projected from the closing of salmon fishing season on the North Coast.

May Revision. The May Revision proposes $19.9 million to eliminate the structural deficit problem in the Fish and Game Preservation Fund's individual accounts. Specifically these funds will be used to address the deficits in the following sub-accounts of the Fish and Game Preservation Fund:

- $10.8 million in the non-dedicated sub-account;
- $7.6 million in the Lake and Streambed Alterations Dedicated sub-account;
- $1.5 million to repay a 1988 loan made to the Native Species Conservation and Enhancement sub-account from the non-dedicated sub-account.

Previous Subcommittee Direction. At the April 24 meeting of the Subcommittee, the following actions were taken:

- Adopt the budget proposals to increase General Fund by $4.7 million to address the ongoing imbalance in the non-dedicated account of the Fish and Game Preservation Fund.
- Adopt the budget proposal to shift $1.6 million in expenditures from the non-dedicated account in the Fish and Game Preservation Fund to various dedicated accounts.

The Subcommittee also requested additional information from the department on the status of closing the salmon fishing season and the need to add $1.2 million in General Fund to address the projected revenue shortfall to the account. The staff were also requested to work with the department, DOF and the LAO on ways to address the structural deficits in some of the sub-accounts within the Fish and Game Preservation Fund as well as trailer bill language to require annual reporting of the fund conditions for all dedicated and non-dedicated revenues sources within the Fish and Game Preservation Fund.

Justification. The May Revision proposal will enable the Fish and Game Preservation Fund to become solvent. The funding is needed in order to avoid reductions to enforcement, environmental review, and management of state-owned lands. Furthermore, the department indicates that the National Marine Fisheries Service took action to partially close the salmon season on the North Coast of California on April 28, 2006. The department indicates that $1.2 million is a conservative estimate of the revenue loss it could experience from the closure of this fishery.

Staff Comments. Staff finds that the department has not budgeted a reserve in the non-dedicated sub-account. Therefore, if revenues decline, the department may have an imbalance that would need to be corrected with a corresponding reduction in expenditures. Ideally, the department should carry a fund balance in each of the sub-accounts to avoid budget imbalances in the future. This is consistent with a recommendation made by the LAO to require the department to maintain a minimum reserve in each sub-account.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve Finance Letter proposal to approve $1.2 million in General Fund monies to backfill the revenues shortfall predicted due to the closure of the salmon season in Northern California.
- Approve May Revision proposal and approve the following budget bill language to clarify that these funds are to be used to balance the sub-accounts within the Fish and Game Preservation Fund.

  Provision:
  X. Of the funds appropriated in this item, $10,800,000 is one-time funding to eliminate a projected deficit in the Fish and Game Preservation Fund--Non Dedicated Account of a like amount, $7,600,000 is one-time funding to eliminate a projected deficit in the Lake and Streambed Alteration Account of a like amount; and $1,500,000 is for the repayment, including interest, of a 1988 loan to the Native Species Conservation and Enhancement Account from the Fish and Game Preservation Fund—non dedicated account.

- Approve trailer bill language to require that fund balances for the non-dedicated subaccount and a summary of the fund balances for the dedicated sub-accounts be reported in the annual budget display. The trailer bill language should also require annual reporting of the fund conditions for each sub-account in the Fish and Game Preservation Fund. This report should be available on the department's website at the time the budget is released annually.

3. Trout Fish Hatcheries

Governor's Budget. The Governor's Budget proposes $13.7 million ($12 million from the Fish and Game Preservation Fund and $1.7 million from federal funds and reimbursements) to fund AB 7, which is less than what is required under AB 7. The Governor also proposes trailer bill language that would make the following changes to AB 7:

- Extend the schedule for achieving the trout production goals set forth in AB 7.
- Reduce from one-third to 27 percent the amount of sport fishing fees that would be used for the purposes of AB 7.
- Allow for federal funds and reimbursements to be used to meet the requirements of AB 7.

The budget also proposes $6 million in General Fund to "hold harmless" the programs that would be affected by the redirection of sport fishing license revenues to hatchery operations. These programs include management of the department's wildlife areas, resource conservation planning, environmental document review, and other projects to enhance sport fishing opportunities and address unhealthy fish populations.

Finance Letter. A Finance Letter (dated April 18, 2006) proposes to amend the budget proposal to implement AB 7. This proposal rescinds trailer bill language proposed by the administration in January that would have reduced from one-third to 27 percent the amount of sport fishing fees that would be used to support AB 7 and extended the schedule for achieving the trout production

goals set forth in AB 7. (The proposal keeps trailer bill language that allows the department to utilize federal funds to meet the minimums specified in the funding formulae in AB 7.) These proposed changes to the trailer bill language increase the costs of implementing AB 7 by $3 million. The administration proposes $3 million in General Fund monies to offset the redirection of sport fishing fees to hatchery operations.

The Finance Letter also establishes 37 new positions to implement AB 7, including 14 temporary help positions. The department also proposes to transfer $17 million to the Hatchery and Inland Fisheries Fund, which is a new fund within the Fish and Game Preservation Fund created by AB 7.

Previous Subcommittee Direction. At the April 24 meeting of the Subcommittee, this issue was held open pending a plan from the administration on how it plans to implement AB 7.

Update. The department has provided an implementation plan for AB 7 to the Legislature. The department proposes to allocate the additional $9 million in sport fishing fees dedicated to hatchery operations and the Wild Trout program to fund the following:

- $1.3 million to fund 30 new positions for the hatchery program.
- $663,744 to fund 14.5 existing positions for the hatchery program that are currently funded with federal funds.
- $651,000 for seven new positions for the Heritage and Wild Trout program.
- $5.3 million for operations, equipment, capital outlay, and deferred maintenance for the hatchery program.
- $1.1 million for operations, equipment, capital outlay, and deferred maintenance for the Heritage and Wild Trout program.

Staff Comments. Staff finds that most of the department's hatchery facilities have significant deferred maintenance and some of the facilities do not meet discharge standards required by the State Water Resources Control Board. Furthermore, the fish hatchery goals set out in the legislation may require major capital outlay to increase capacity and reduce waste discharges from the facilities. The department has not proposed any facility upgrades in the implementation plan even though it is well known that some facilities do not meet current water quality standards.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve revised Finance Letter proposal.
- Approve trailer bill language to allow federal funds to be utilized to meet minimums specified in the AB 7 funding formula.
- Approve budget bill language to allow the department flexibility to expend funding from the Hatchery and Inland Fisheries Fund on capital outlay projects with 30 day notification of the JLBC.

4. San Joaquin River Restoration

Background. The San Joaquin River historically supported a large salmon population. Its flows have been extremely important to the agricultural development of the San Joaquin valley. However, at present, 100 percent of the river's flows are being diverted at or immediately below Friant Dam, causing sixty miles of the river to dry up and destroy any fisheries that may have existed. Furthermore, the water that flows in the lower river that enters the Delta is stagnant and polluted and impairs water quality in the Delta. This impacts all parties exporting water from the Delta and also negatively impacts the environment.

In 1998, the Natural Resources Defense Council (NRDC) sued the U.S. Bureau of Reclamation (USBR) and the Friant Water Users Authority (FWUA) (NRDC v. Rodgers) claiming that current water management practices destroyed native fisheries in the river. In response, DWR entered into a contract with the FWUA in cooperation with the NRDC in the amount of $15.7 million from Proposition 13 bond funds for feasibility studies and pilot projects to start a restoration effort for the San Joaquin River. (The FWUA has expended $6.5 million on a study that is still incomplete.)

However, in April of 2003, settlement discussions between NRDC and FWUA broke down and the parties returned to court. In August 2004, a federal judge granted NRDC's motion for a court-ordered plan to restore the San Joaquin River. Settlement negotiations between the parties continue today and the court has set a June deadline for reaching an agreement.

Governor's Budget. The Governor's Budget proposes $5 million in Proposition 13 bond funds over a three-year period. The budget contains $750,000 for expenditure in 2006-07 to support three new positions (one temporary) and contracts to evaluate habitats and water supply alternatives that might be implemented to offset water supply losses that would result from redirection of San Joaquin River water supplies for restoration purposes. Furthermore, the funds will be used to evaluate other restoration issues, including water quality, water temperature, fish production, fish passage, and fish spawning/rearing habitat restoration. The department is co-lead with the Department of Water Resources and will oversee issues relative to flora and fauna.

Staff Comments. Staff finds that there is a significant amount of work to do to restore the San Joaquin River. The department does not plan to study or evaluate flow requirements for the river since these are the subject of the litigation. However, staff finds that the deadline for settlement negotiations is approaching in June of this year. Therefore, either a settlement by the parties or a decision by the court will dictate the path of the restoration. This will and should impact how the department proceeds with its restoration.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal.
- Approve the following budget bill language:

  Provision X.
  All funds provided in this item for San Joaquin River Restoration activities shall become available only after a final settlement has been executed by the plaintiffs, federal defendants, and Friant defendants in the litigation styled

Natural Resources Defense Counsel v. Rodgers (NRDC v. Rodgers), and approved by the court. Once available, all such funds provided to DWR and DFG shall be expended to:
1. further the ecosystem restoration and water management goals and purposes of the settlement in NRDC v. Rodgers;
2. support cooperation between and among state agencies and parties settling NRDC v. Rodgers in implementing such settlement;
3. provide all necessary funding for any independent implementation or administration of such settlement, including any technical committee, called for by the settlement for the period July 1, 2006 to June 30, 2009; and
4. safeguard the State of California's sovereignty over the San Joaquin River, consistent with the settlement and any federal legislation implementing such settlement.

5. Department Re-Harmonization

Finance Letter. A Finance Letter (dated March 30, 2006) proposes changing the name of the department's Program 40 from Conservation Education and Enforcement to Enforcement and proposes transferring funding for the conservation education program to Program 25—Hunting, Fishing, and Public Use.

Update. The department has provided additional written information outlining the reharmonization efforts it is undertaking. The efforts include the following:

- Create a straight line enforcement branch.
- Reallocate program activities for native anadromous fish and of the Watershed Branch into the Fisheries Branch and Habitat Conservation Planning Branch.
- Reallocate program activities of the Lands and Facilities Branch into the Wildlife Branch and Habitat Conservation Planning Branch.
- Consolidate geographic information system activities into the Biogeographic Data Branch.
- Consolidate the Resource Assessment Program into the Wildlife Branch.
- Consolidate grants administration into a Grants Branch in the Administration Division.
- Consolidate information technology functions into an Information Technology Branch in the Administration Division.
- Consolidate the Office of Natural Resource Education and Conservation Education into the Office of Communications, Education, and Outreach Division.

The department indicates that the efforts listed above are intended to improve efficiency and effectiveness while enhancing transparency and communication.

Staff Comments. Staff finds that additional information is needed regarding the impact of reallocating program activities to other branches within the department. Staff is generally supportive of efforts to consolidate similar functions, including information technology, grant administration, and enforcement efforts. However, it is unclear how priorities might change with the consolidation of other program activities. For example, it is unclear how priorities related to

the Resource Assessment Program would be changed by consolidating this program with the Wildlife Branch, which is responsible for the department's hunting programs.

The department has indicated that it is willing to meet at least quarterly with staff to get updated information on the departments efforts to further reharmonize and make improvements to its departmental structure.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter proposal to consolidate enforcement in Program 40.

6. Fisheries Restoration Grant Funds

Governor's Budget. The Governor's Budget proposes $4 million in General Fund monies for the Fisheries Restoration Grant program to restore habitat for Coho Salmon and Steelhead Trout. These funds will be used to leverage approximately $6.5 million in federal funding for this activity.

May Revision. The May Revision proposal includes $10 million in General Fund monies for salmon and steelhead restoration in the Klamath Basin. Specifically, the department proposes to allocate $9.8 million for restoration projects in the Klamath Basin and $250,000 for overtime pay for game wardens to patrol areas and water with populations of salmon and steelhead.

Previous Subcommittee Direction. At the April 24 meeting of the Subcommittee, staff approved this budget proposal and requested staff to evaluate allocating additional funding to this item.

Justification. The National Marine Fisheries Service recently shut down commercial salmon fishing along the North Coast of California due to the low numbers of salmon on the Klamath River system. Low flows, degradation of habitat, and dams that impede fish passage along the Klamath River have greatly reduced the migratory salmon living in this river system. Staff finds that additional funding is needed to restore fish habitat along the river system and its tributaries to increase fish survival and avoid fishing restrictions.

Staff Comments. Staff finds that money awarded through the Fisheries Restoration Grant Program are allocated through a competitive grant process. Projects on the Klamath are eligible and have competed for funds in this program. However, the department indicates that monies could take up to a year to be allocated through the competitive grant process. Since the salmon populations on the Klamath system have reached very low levels, the department proposes to allocate $10 million to address these needs directly through a non-competitive process that will have specific criteria and require matching funds. Staff finds merit in allocating money to the Fisheries Restoration Grant Program and setting aside some money to directly affect the Klamath.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve May Revision proposal.

- Approve budget bill language that specifies that $8 million should be allocated to the Fisheries Restoration Grant Program and $6 million be allocated for projects on the Klamath River system.
- Approve budget bill language to allocate $500,000 from the $6 million for the Klamath River system through a reimbursement to the State Coastal Conservancy, to develop a plan for decommissioning the four lower dams on the mainstem of the Klamath River and for the removal of any dam or migratory impediment on any of the tributary rivers.

7. Land Management

Governor's Budget and Finance Letter. The Governor's Budget and Finance Letter (dated March 30, 2006) has four proposals to enhance management of state-owned lands.

- **Bond Funds.** The budget proposes allocating the remaining $886,000 in Proposition 12 bond funds to support two 1-year limited-term positions and fund the following projects: (1) the acquisition of short-term wetland easements for the California Waterfowl Habitat Program ($647,000), (2) other projects to manage and enhance lands owned by the department ($159,000) and (3) activities to control noxious weeds on DFG land in San Diego County ($80,000).
- **Endowment Funds.** The budget proposes to spend $608,000 in interest from the Special Deposit Fund for management and projects on lands received as mitigation for threatened and endangered species. The department currently has $30 million in endowment funds to manage in perpetuity 5,000 acres of land under 280 different mitigation agreements.
- **Other Capital Outlay.** The budget proposes $1.3 million in special funds ($1.1 million Public Resources Account, $130,000 federal funds, $75,000 Proposition 12 bond funds) for various other capital outlay improvements on state lands.
- **Management of Bolsa Chica Lowlands.** The Finance Letter requests $216,000 in reimbursement funds to support three positions to manage the Bolsa Chica Lowlands. The reimbursements are from a mitigation account managed by the State Lands Commission. The Commission received $17 million through port mitigation for the management and restoration of the Bolsa Chica Lowlands.

May Revision. The May Revision proposes $8.8 million in General Fund monies for emergency work to repair damaged levees for protection of important habitats on state-owned wildlife areas and ecological reserves. These levees were damaged during the severe flooding that occurred in December 2005 and January 2006. The department is seeking 75 percent in reimbursement from the Federal Emergency Management Agency.

The May Revision also includes $10 million in General Fund monies for public trust non-game fish and wildlife activities, including $900,000 and one position for invasive weed control on state lands.

Previous Subcommittee Direction. At the April 24 meeting of the Subcommittee, the following actions were taken:

- Approve the budget proposal to expend the remaining Proposition 12 bond funds to various land management projects.

- Approve the budget proposal to expend endowment funds for management of mitigation properties.
- Approved the Finance Letter proposal to augment staffing to manage the Bolsa Chica Lowlands property.

Department Response. Staff finds that recent legislation (AB 2517, Berg) enacted in 2004 now requires that the department's endowment interest be appropriated through the budget act. Therefore, the department is required to provide annual information in the budget on the revenues earned by the department on its endowment funds. The department concurs with this and does not believe trailer bill language is necessary.

Staff finds that the department has accumulated a significant balance of interest in its endowment account (about $6 million). The department does not currently have a plan for expending these funds on the lands for which they were intended. The department indicates that it does not have adequate staff to develop a plan for submission to the Legislature in January 2007.

The department indicates that it has not completed an analysis of its infrastructure needs because it does not have adequate staffing.

Justification – Capital Outlay. Some of the department's capital outlay projects involve fencing properties to reduce illegal dumping and environmental degradation by unauthorized off-highway vehicle (OHV) use. The budget proposal allocates $75,000 from Proposition 99 funds for new fencing in Region 4 (the San Joaquin Valley). Staff finds that funding from the OHV Fund is an appropriate funding source for this activity.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve budget proposal to fund other capital outlay projects, but delete $75,000 from Proposition 99 and replace with $75,000 from the OHV fund for fencing and signs to prevent unauthorized OHV use.
- Approve May Revision proposal to repair storm damage on state-owned lands.
- Approve May Revision proposal to allocate funding for invasive weeds control on state-owned lands ($900,000 of $10 million proposal to fund non-game fish and wildlife resources), but delete position.
- Approve $1 million in General Fund monies to augment the department's land management activities and fund eight new positions.
- Approve supplemental report language that requires the department to provide an interim update of its five year infrastructure plan after it has conducted a comprehensive review of its infrastructure and deferred maintenance needs (facilities and lands). The interim update should be due on January 10, 2008.

8. Marine Life Protection Act

Governor's Budget and Finance Letter. The Governor's budget includes $500,000 from the Environmental License Plate Fund in the base budget to support the department's efforts to implement the Marine Life Protection Act (MLPA). The Finance Letter (dated March 30, 2006)

submitted by the administration includes an additional $380,000 from the General Fund to support 3.75 existing positions to continue to implement the MLPA. These positions have been supported by a contract with the Resource Legacy Fund Foundation, which will expire on December 31, 2006.

May Revision. The May Revision proposes $2.6 million in reimbursement authority from the State Coastal Conservancy to fund 11 positions to support the design and management of a network of marine protected areas.

The May Revision also proposes $10 million in General Fund monies to the department to fund various activities that support the Marine Life Management Act and MLPA. Activities funded include the following:

- 9 positions to coordinate data collection, resource assessment, and research efforts.
- $1.5 million for an ocean mapping system.
- $1.4 million for equipment and overtime to increase enforcement efforts.
- $810,000 for a remotely operated vehicle for deep monitoring.
- Various other one-time contracts for resource assessment studies, research vessel upgrades, and information technology upgrades.

Previous Subcommittee Direction. At the April 24 meeting of the Subcommittee, this issue was held open pending additional information from the department on what it would cost to fund the Marine Life Protection Act in the budget year.

Department Response. The department indicates that a draft report was released on April 20, 2006 that estimates the long-term costs to implement the MLPA. This report estimates that it will cost between $6 million and $21 million to implement the Act in 2006-07. However, these figures are estimated to increase over the next decade as the number of protected areas increases.

LAO Recommendation. The LAO finds that the Governor's May Revision proposal deviates from statute and adds unnecessary bureaucratic layers to MLPA implementation. The LAO indicates that the MLPA (Fish and Game Code §2850-§2863) directs the department to implement the MLPA. In contrast, the administration's proposal would direct the State Coastal Conservancy, on behalf of the Ocean Protection Council, to increase its role in approving expenditures to implement the MLPA. The SCC would then contract with DFG to carry out MPLA-related activities. The LAO recommends rejecting the Governor's May Revision proposal and instead recommends providing an appropriation of $2.6 million from the General Fund directly to DFG for MLPA implementation.

Staff Comments. Staff finds the Governor's proposal confuses to a certain extent the roles of the department and the Ocean Protection Council. The department has the authority to carry out the implementation of the MLPA and should be given the resources to implement this activity. However, since the MLPA is still in the early stages of implementation, the Ocean Protection Council has a broader role in coordinating the implementation of the MLPA with other ocean policies. Since the long-term management and implementation of the MLPA will likely be a joint effort among many entities, it makes sense to have the Ocean Protection Council involved.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Governor's Budget and Finance Letter proposals.
- Reject the Governor's May Revision proposal to allocate the $2.6 million to the State Coastal Conservancy. Instead, allocate these funds directly to the Department of Fish and Game for implementation of the Marine Life Protection Act.
- Approve budget bill language to require the department to expend at least $3,470,000 of this item on implementation of the Marine Life Protection Act.
- Reject the Governor's May Revision proposal to allocate $10 million one-time to DFG for various activities to support the Marine Life Management Act. Instead, allocate $8 million of these monies to the Ocean Protection Council, via the State Coastal Conservancy and $2 million to DFG for implementation of both the Marine Life Management Act and the Marine Life Protection Act.
- Approve budget bill language to require the council to develop a plan jointly with DFG to expend the $8 million.
- Approve budget bill language to give the department and the State Coastal Conservancy up to three years to encumber the $10 million allocated for the Marine Life Management Act and the Marine Life Protection Act.
- Approve $1 million in ongoing General Fund monies to fund 9 positions to support marine resource assessment and other activities related to MLPA implementation and the marine division.

9. Regulation of Bottom Trawling

Governor's Budget. The Governor's budget does not provide additional funding to implement recent legislation (SB 1459, Alpert) that regulates bottom trawling fisheries.

Previous Subcommittee Direction. At the April 24 meeting of the Subcommittee, additional information was requested on the projected costs to implement recent legislation (SB 1459, Alpert) that regulates bottom trawling.

Department Response. The department has estimated that it will cost $10.7 million annually for three years to establish the program. Ongoing costs are projected to be only $1.8 million to manage the program. The department indicates that this legislation created 38 new mandates, many of which require extensive resource assessment and enforcement.

Staff Comments. Staff finds that the department's marine division is generally understaffed and is not able to meet some of its statutory mandates. This includes a mandate established by Public Resources Code §30411 to prepare a programmatic EIR for fisheries aquaculture.

Staff Recommendation. Staff recommends that the Subcommittee approve $5 million to support 35 new staff and contracts to augment the department's marine division to develop a programmatic EIR for fisheries aquaculture and begin implementation of SB 1459.

10. Early Detection of Avian Influenza

Finance Letter. The Finance Letter (dated March 30, 2006) submitted by the administration requests $1.1 million in General Fund monies to support one permanent position and 13 temporary help positions to set up a program for monitoring waterfowl and shore bird populations in urban areas for avian influenza. Approximately $863,000 is proposed to support the positions and to contract with UC Davis for laboratory testing. The remaining funding is one-time to upgrade the department's mobile diagnostic lab equipment.

Previous Subcommittee Direction. At the April 24 meeting of the Subcommittee, additional information was requested on the department's plans to maximize federal funding for this effort.

Department Response. The department indicates that it will receive $125,000 in federal funds from the U.S. Fish and Wildlife Service to enhance surveillance efforts.

Staff Recommendation. Staff recommends that the Subcommittee approve this Finance Letter proposal.

11. Funding for Non-Game Fish and Wildlife Resources

Background. Information in a recent report released by DFG entitled "California Wildlife: Conservation Challenges" finds that "…success or failure to conserve California's wildlife may well hinge on the level of funding dedicated to wildlife conservation and restoration programs over the next few decades." The report specifically finds that additional funding for the following efforts is needed to effectively protect wildlife and habitat in California:

- **Resource Assessment.** Currently there are major gaps in data available for making decisions about the impacts of a project on a species or even the basic status of a species. Additional information is critical for making decisions, prioritizing expenditures, and planning projects that maximize benefits for wildlife. This investment would improve the efficiency and efficacy of DFG's conservation efforts.
- **Conservation Planning.** Over the past 15 years, California has been implementing voluntary multi-species regional approaches to wildlife habitat conservation in some parts of the state. Expanding these planning processes is critical for maintaining habitats and wildlife corridors before development occurs. These proactive planning efforts are essential in a fast growing state for maintaining key habitats and will also provide increased certainty for landowners.
- **Habitat Management and Restoration.** Over the past 25 years, the amount of land DFG manages has quadrupled from 250,000 acres to about 1 million acres. However, over this same time period, funding for management of this land has not kept pace. Currently there is one DFG person per 10,000 acres and many lands have no dedicated staff. The lack of adequate management on state lands results in vandalism, habitat destruction by invasive species and potential threat of fire.

May Revision. The May Revision proposal includes $10 million in one-time General Fund monies for public trust non-game fish and wildlife activities, including $9.1 million for activities other than land management (approved under issue 7). The department proposes to allocate

these monies to various research and resource assessment efforts to increase the department's core scientific expertise.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the May Revision proposal to allocate $9.1 million to fund various non-game fish and wildlife resources, but delete positions.
- Approve budget bill language to give the department three years to expend these funds.
- Approve $3 million in ongoing General Fund monies to support 20 new positions and contracts to increase the department's conservation planning and resources assessment activities.

12. Coastal Wetlands

May Revision. The May Revision also proposes transferring $5 million in General Fund monies as an endowment to a new Coastal Wetlands Fund for ongoing maintenance of coastal wetlands. The proposal includes trailer bill language that establishes the fund and allocates 60 percent of the interest to DFG for maintenance of coastal wetlands owned by the department and 40 percent the interest to the State Coastal Conservancy for maintenance of coastal wetlands not owned by the department.

Staff Comments. Staff finds that the trailer bill language being proposed by the department is incomplete. More language is needed to clarify how these funds should be expended.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve $5 million to create a new endowment account for management of coastal wetlands.
- Approve trailer bill language to implement the endowment fund and determine how the money should be allocated.

13. Salary Issues

Background. The department currently has 200 game wardens patrolling all of California. Each warden is responsible for patrolling approximately 1,700 square miles. California currently has the same number of wardens it did in the early 1950s even though the state's population has grown about four times over the same period, putting additional pressure on the state's wildlife resources. Over the last decade, the department has had difficulty in recruiting wardens because of the relatively low pay for a law-enforcement position. Currently the bottom step for a game warden is less than $38,000 annually, which is significantly less than comparable jobs with the California Highway Patrol. Game wardens are also not paid differential pay for holidays or overtime and must work alone without backup the majority of the time.

The Legislature provided $5 million from the General Fund to establish 40 new positions in the 2005 Budget Act. These funds were vetoed by the Governor.

Governor's Budget. The Governor's budget does not provide additional funding to increase the number of wardens the department has statewide or propose augmentations to employee compensation levels to address the recruitment problems.

Staff Recommendation. Staff recommends that the Subcommittee approve the following trailer bill language that expresses the intent of the Legislature that the Department of Personnel Administration address the current crisis facing the Department of Fish and Game related to recruiting and retaining wardens.

3640 Wildlife Conservation Board

1. Riparian Habitat Conservation Program and Inland Wetlands Conservation Program

Background. The California Riparian Habitat Conservation Program has a basic mission to develop coordinated conservation efforts aimed at protecting and restoring the state's riparian ecosystems.

The Inland Wetlands Conservation Program carries out the mandates of the Central Valley Joint Venture, a coalition of public, private and nonprofit organizations dedicated to protecting and restoring wetlands and waterfowl populations.

May Revision. The May Revision proposes $5 million in General Fund monies for restoration and enhancements consistent with the California Riparian Habitat Conservation Program ($3 million) and the Inland Wetlands Conservation Program ($2 million).

Justification. The board indicates that it currently has a backlog of restoration projects in both of these programs. The board currently has $8 million in projects identified in the Inland Wetland Conservation Program and $24 million in projects identified in the California Riparian Habitat Conservation Program.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revision proposal.

3720 California Coastal Commission

1. Improving Coastal Access and Development Mitigation

Governor's Budget. The Governor's budget does not provide additional funding for the Coastal Commission to address the backlog of OTDs (offers to dedicate).

Previous Subcommittee Direction. At the April 24 meeting of the Subcommittee, held this issue open pending additional information and further discussions with the administration.

Staff Comments. The department's staffing needs are well documented. The department does not have adequate funding to support all of its permitting activities, which frequently results in delays. Furthermore, the department has not been able to deal with its backlog of OTDs because of a lack of adequate staffing. The department has not raised its fees since 1991 and they are considerably lower than comparable fees at local governments.

Furthermore, staff finds that the commission could be more effective and provide more opportunities for public involvement if its meetings were webcast. Several other commissions and boards within the Resources Agency and Environmental Protection Agency have started webcasting their hearings and it has enhanced the public's ability to participate in the public process.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt trailer bill language that allocates up to $1 million of the permit fees annually to the State Coastal Conservancy for coastal access projects, including accepting and opening OTDs. The remainder of the fee revenues ($1.3 million) should be deposited in the General Fund to support the Commission's budget.
- Augment the budget by $850,000 General Fund to establish eight new positions. Four new positions for the commission's permitting program, two new positions to address the backlog of conservation OTDs, one new position to address the public access OTDs, and one position to help put in place a new fee schedule (this position should be dedicated to the department's permitting program after implementing the new fee schedule).
- Adopt trailer bill language to require annual reporting to the Legislature on the status of outstanding OTDs.
- Augment the budget by $100,000 General Fund to establish a webcasting pilot project.

2. Review of LNG and Off-Shore Oil Leases

Governor's Budget. The Governor's budget does not provide additional funding for the Commission's energy-related workload.

Previous Subcommittee Direction. At the April 24 meeting of the Subcommittee, $200,000 was approved to authorize two new positions for the department's energy work.

Staff Comments. Since the Subcommittee meeting, staff finds that there has been increased activity and interest in oil and gas facilities off the coast of California. Staff finds that the Commission is understaffed to address the growing number of projects that will need to be permitted by the commission.

Staff Recommendation. Staff recommends that the Subcommittee take the following action:

- Augment the budget by $150,000 General Fund to establish one additional position. (This is in addition to the $200,000 provided at the April 24 hearing of the Subcommittee.)

3760 State Coastal Conservancy

1. Conforming Actions

Marine Life Protection Act. The May Revision allocated $2.6 million to the State Coastal Conservancy (SCC) for implementation of the MLPA. These funds were to be provided to DFG through a reimbursement contract and expended consistent with direction from the Ocean Protection Council.

Coastal Commission Fees. The Governor's budget proposes expenditure of approximately $500,000 from the Coastal Access Account that is funded with fees from the California Coastal Commission to fund coastal access projects and other projects.

Staff Comments. Consistent with an action taken in the Department of Fish and Game's budget, the Conservancy's budget for the Marine Life Protection Act should be amended.

The increase in permit fees and trailer bill language approved under the California Coastal Commission will increase the fee revenues allocated to the Conservancy annually to fund coastal access projects and other projects.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions to conform with prior actions by the Subcommittee:

- Reject the Governor's May Revision proposal.
- Increase funding from the General Fund by $8 million to be expended by the Ocean Protection Council for implementation of the Marine Life Protection Act and Marine Life Management Act.
- Increase the department's expenditure authority from the Coastal Access Account by $500,000.

2. Ballona Wetlands and Laguna Coast Wilderness Park

May Revision. The May Revision proposes to reappropriate $21 million in Proposition 12 bond monies for the following projects:

- **Ballona Wetlands.** Reappropriation of $15 million is needed to restore wetlands on 500 acres of property in the City of Los Angeles. More time was needed to coordinate with the federal government on final project design and implementation of the project.
- **Laguna Coast Wilderness Park.** Reappropriation of $8 million in Proposition 12 bond monies for acquisitions in important coastal watersheds and scenic areas in an area known as the Laguna Coast Wilderness.

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

3860 Department of Water Resources

1. San Joaquin River Restoration

Background. The San Joaquin River historically supported a large salmon population. Its flows have been extremely important to the agricultural development of the San Joaquin valley. However, at present, 100 percent of the river's flows are being diverted at or immediately below Friant Dam, causing sixty miles of the river to dry up and destroy any fisheries that may have existed. Furthermore, the water that flows in the lower river that enters the Delta is stagnant and polluted and impairs water quality in the Delta. This impacts all parties exporting water from the Delta and also negatively impacts the environment.

In 1998, the Natural Resources Defense Council (NRDC) sued the U.S. Bureau of Reclamation (USBR) and the Friant Water Users Authority (FWUA) (NRDC v. Rodgers) claiming that current water management practices destroyed native fisheries in the river. In response, DWR entered into a contract with the FWUA in cooperation with the NRDC in the amount of $15.7 million from Proposition 13 bond funds for feasibility studies and pilot projects to start a restoration effort for the San Joaquin River. (The FWUA has expended $6.5 million on a study that is still incomplete.)

However, in April of 2003, settlement discussions between NRDC and FWUA broke down and the parties returned to court. In August 2004, a federal judge granted NRDC's motion for a court-ordered plan to restore the San Joaquin River. Settlement negotiations between the parties continue today and the court has set a June deadline for reaching an agreement.

Governor's Budget. The Governor's Budget proposes $5 million in Proposition 13 bond funds over a three-year period. The budget contains $1 million for expenditure in 2006-07 to support three new positions (one temporary) and contracts to investigate alternative water supplies, habitat restoration, and fish passage. The department is co-lead with the Department of Fish and Game and will oversee issues relative to fluvial geomorphology, hydrology, and hydraulics.

Staff Comments. Staff finds that there is a significant amount of work to do to restore the San Joaquin River. The department does not plan to study or evaluate flow requirements for the river since these are the subject of the litigation. However, staff finds that the deadline for settlement negotiations is approaching in June of this year. Therefore, either a settlement by the parties or a decision by the court will dictate the path of the restoration. This will and should impact how the department proceeds with its restoration.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal.
- Approve the following budget bill language:

  Provision X.
  All funds provided in this item for San Joaquin River Restoration activities shall become available only after a final settlement has been executed by the

plaintiffs, federal defendants, and Friant defendants in the litigation styled Natural Resources Defense Counsel v. Rodgers (NRDC v. Rodgers), and approved by the court. Once available, all such funds provided to DWR and DFG shall be expended to:
1. further the ecosystem restoration and water management goals and purposes of the settlement in NRDC v. Rodgers;
2. support cooperation between and among state agencies and parties settling NRDC v. Rodgers in implementing such settlement;
3. provide all necessary funding for any independent implementation or administration of such settlement, including any technical committee, called for by the settlement for the period July 1, 2006 to June 30, 2009; and
4. safeguard the State of California's sovereignty over the San Joaquin River, consistent with the settlement and any federal legislation implementing such settlement.

2. California Water Fund

Background. During the energy crisis that began late in 1999, the State Water Project purchased approximately $42 million in electricity (referred to as "sleeving" purchases) for the California Independent System Operator (ISO). The State Water Project has been paid $31.4 million from the ISO for these purchases. According to the department, the State Water Project is still owed $11.5 million from the ISO.

Finance Letter. A Finance Letter (dated March 30, 2006) proposes to allocate $11.5 million to repay the State Water Project contractors from the California Water Fund. (Funds contained in the California Water Fund were originally from tideland oil revenues and are considered General Fund monies.). The administration also proposes to transfer $4.1 million of remaining funds in the California Water Fund to the General Fund.

Staff Comments. Staff finds that the contractors are owed $11.5 million from the ISO for "sleeving" purchases made in the early stages of the energy crisis. However, the Finance Letter proposal would front the money from a General Fund source to repay the contractors early. It is unclear to staff why the ISO has not repaid these funds to the State Water Project Contractors.

Furthermore, staff understands that the state and some of the investor-owned utilities have cases against the State Water Project Contractors for price gouging during the energy crisis. These transactions are separate from the "sleeving" transactions.

Staff Recommendation. Staff recommends that the Subcommittee deny this request. This action will send this item to conference so that staff can gather more information about why the ISO has not repaid the State Water Project contractors for monies owed.

3. State of Emergency

Governor's Budget. The Governor's budget does not contain any funding for the State of Emergency as it was declared after the budget was released. However, $103.4 million in General Fund monies was provided to DWR to repair 29 critical erosion areas in the Central Valley as well as additional flood control activities. These funds were received by the department on March 22, 2006 and are being allocated from the General Fund's Special Fund for Economic Uncertainties (also known as the General Fund reserve).

AB 142. Legislation (AB 142, Nunez) was very recently passed by the Legislature to appropriate $500 million from General Fund monies for levee evaluation and repair and other flood control system improvements. These monies are specifically allocated to fund the Governor's emergency declaration and are not in addition to the $103 million that has already been allocated.

May Revision. The May Revision proposal contains two proposals to fund various activities to implement the Governor's Executive Order and the intent of AB 142. The proposals request the following resources:

- 25 new positions to be funded by the $500 million allocated in AB 142.
- $2.2 million in General Fund monies to support 14 existing programs and three new temporary positions.

Workload Justification. The first proposal will allow the department to begin advance planning, design and permitting activities for work that will be initiated with the $500 million provided in AB 142. The second proposal extends funding for positions that were established in the current year after the emergency declaration to address levee deficiencies before the start of the next flood season.

Staff Comments. It is unclear to staff why additional monies are being appropriated to support these staff. The department has already been appropriated $500 million for these purposes and staff costs should be funded from that appropriation. This is consistent with the Governor's proposal to fund 25 new positions.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve additional position authority requested in the May Revision.
- Deny $2.2 million in additional General Fund to support these positions.

4. State Watermaster Service Program

Background. The Watermaster Service Program was established to ensure water is allocated according to established water rights as determined by court adjudication. This program applies to a number of streams in northern California and several groundwater basins in southern California. The department's Watermaster program provides a physical presence in the field to ensure that water is distributed in a manner consistent with court adjudication and put to beneficial uses.

Legislation (SB 1107, Budget) enacted as part of the 2004 budget authorized DWR to levy fees to cover the entire cost of the Watermaster Service Program. This proposal was proposed by Governor Schwarzenegger. Legislation (SB 80, Budget) enacted as part of the 2005 budget reduced DWR's reimbursement authority for the Watermaster Service Program by $749,000.

Governor's Budget. The Governor's Budget includes $1.4 million in reimbursement authority to support 7.5 positions to fully fund the department's Watermaster Service Program from fees paid by water right holders. This funding restores the $749,000 cut from the 2005-06 budget and provides additional funding to fully implement state law.

Workload Justification. The department indicates that 5.5 positions are needed to restore the positions lost in the current year when the reimbursement funds were reduced from the budget. Some of the water control structures in the Northern District are in poor condition and inoperable, which makes it impossible for the watermaster to accurately and defensibly measure and distribute water. The two new positions requested are to assist water users with design and technical assistance to construct the needed water control structures, as required by the Water Code.

Staff Recommendation. Staff recommends that the Subcommittee adopt this budget proposal.

5. Yuba Feather Flood Protection Program

Finance Letter. A Finance Letter (dated March 30, 2006) proposes to revert $2.5 million in unexpended Proposition 13 bond funds that were intended for a capital outlay project to construct a flood protection project for the Colusa Basin Drainage District. The construction of this project has been delayed because of concerns raised during CEQA review. Instead of pursuing the project for the Colusa Basin Drainage District, the DWR proposes to allocate $2.5 million in Proposition 13 bond funds as local assistance to the Three Rivers Levee Improvement Authority to construct setback levees along the Bear River in Yuba County. These funds would allow the Three Rivers Levee Improvement Authority to expedite flood protection for the Plumas Lakes Development.

The Finance Letter also proposes to extend the liquidation period for $297,053 in Proposition 13 bond funds to allow grant recipients to complete feasibility studies and project design.

Previous Subcommittee Direction. At the May 1 meeting of the Subcommittee, this issue was held open pending additional information from the department on how priorities are set, and funding decisions made, in the Yuba Feather Protection Program.

Department Response. The department indicates that it no longer proposes to reallocate funds from the Colusa Basin Drainage District to the Three Rivers Levee Improvement Authority.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Reject this Finance Letter proposal to reallocate funding from the project in the Colusa Basin Drainage District to the Three Rivers Levee Improvement Authority.

- Approve the Finance Letter to extend the liquidation period to complete feasibility studies and project design.

6. Local Flood Control Subventions

Governor's Budget. The Governor's budget does not allocate any new funding to pay for local flood control subventions. Furthermore, one position supports the entire local flood control subvention program, including implementation of provisions in AB 1147.

Previous Subcommittee Direction. At the May 1 meeting of the Subcommittee, staff was requested to work with the LAO, DOF, and the department to evaluate options for providing $10 million to Napa County to continue the development of the Napa River flood project. The Subcommittee also requested that the same group evaluate options for adding additional positions to the Local Flood Control Subventions Program to implement current law.

May Revision. The May Revision proposal includes $100 million in General Fund monies for local flood control subventions. The proposal also includes $1.3 million in General Fund monies to support seven positions to implement the Local Flood Control Subventions Program. The department proposes budget bill language to give the department three years to encumber these funds.

The proposal also includes budget bill language to allow expedited processing of $10 million in claims from the Napa County. The remaining claims will be processed in chronological order, starting with the oldest claims.

Workload Justification. The department indicates that it currently has only one position supporting this program. This level of staffing will not allow for the timely processing of claims received by local governments. Furthermore, the department will not be able to review or analyze projects seeking new state authorization, including making determinations required by law about whether the flood projects meet multiple objectives and are eligible for full funding from the state.

Staff Comments. The state has not allocated funding for local flood control subventions in the last few budget years and currently owes $238 million to locals. This liability is projected to grow to over $815 million over the next ten years. The department indicates that it has on hand $160 million in claims that it has received from local governments. Legislation was recently enacted to authorize a flood protection bond (AB 140, Nunez) that will be put before the voters in November 2006. This bond includes $500 million in general obligation bond monies to pay additional arrearages owed local governments.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revision proposal.

7. All-American Canal Lining

Governor's Budget. The Governor's Budget proposes $84 million from General Fund monies to fund the lining of the All-American and Coachella Canals.

Previous Subcommittee Direction. At the May 1 meeting of the Subcommittee, this issue was held open and the Subcommittee requested that the department provide additional information on the impact of the lawsuits on the construction schedule for the All-American Canal.

Department Response. The department indicates that it is not likely that construction will be stopped by the lawsuits that have been filed. The department continues to project that the Imperial Irrigation District will start construction on the All-American Canal in the budget year.

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

8. Integrated Regional Water Management Program

Finance Letter. A Finance Letter (dated March 30, 2006) proposes to reappropriate $78.2 million in Proposition 50 bond funds for Integrated Regional Water Management grants appropriated in 2003 and 2005. So far, the department has allocated approximately $12.6 million in planning grants. In February 2006 the department announced a list of applicants that are invited to apply for the second round of implementation grants. The department projects that it will award contracts for implementation in the early part of 2006-07. Therefore, the department needs to reappropriate these funds.

Staff Recommendation. Staff recommends that the Subcommittee approve this Finance Letter request.

9. Extension of Liquidation Period – Various Bond Funds

Finance Letter. A Finance Letter (dated March 30, 2006) proposes to extend the liquidation period for the following bond funds:

- **Water Conservation and Groundwater Recharge Program.** The Finance Letter proposes to extend the liquidation period for $509,146 in Proposition 204 bond funds to allow completion of a contract with a local water agency for the development of supplemental water sources, distribution systems, and recharge facilities in a watershed that is in a state of overdraft.
- **Local Projects Loan and Grant Program.** The Finance Letter proposes to extend the liquidation period for $123,246 in Proposition 204 bond funds to allow for the completion of contracts with several local water agencies for feasibility study grants to determine water supply needs.
- **Pro-Act Floodplain Mapping.** The Finance Letter proposes to extend the liquidation period for $62,500 in Proposition 13 bond funds to continue to cost share with the U.S.

Army Corps of Engineers for floodplain mapping efforts that identify flood-prone areas in California.

- **Flood Protection Corridor Program.** The Finance Letter proposes to extend the liquidation period for $5.1 million in Proposition 13 bond funds for the completion of contracts with local governments and non-profit organizations to implement flood water conveyance improvements and transitory storage for peak flood water flows in floodplains.
- **Urban Streams Restoration Program.** The Finance Letter proposes to extend the liquidation period for $975,286 in Proposition 13 bond funds to allow for the completion of several urban streams restoration projects.
- **Agricultural Water Conservation Program.** The Finance Letter proposes to extend the liquidation period for $57,427 in Proposition 13 bond funds to complete feasibility study grant contracts with various local water agencies to improve agricultural water use efficiency.
- **Groundwater Recharge Facilities Loan Program.** The Finance Letter proposes to extend the liquidation period for $2.9 million in Proposition 13 bond funds to complete a contract with a local water agency for a groundwater recharge construction project.
- **Urban Water Conservation Program.** The Finance Letter proposes to extend the liquidation period for $810,615 in Proposition 13 bond funds to complete contracts with local water agencies for feasibility study grants and construction loans for urban water conservation projects.
- **Groundwater Recharge Facilities Loan Program.** The Finance Letter proposes to extend the liquidation period for $8.7 million in Prop 13 bond funds to complete contracts with local water agencies for groundwater recharge construction projects.
- **Groundwater Storage Program.** The Finance Letter proposes to extend the liquidation period for $21.5 million in Proposition 13 bond funds to complete contracts with local water agencies for conjunctive use feasibility studies, pilot projects, and construction projects.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter proposal.

10. Infrastructure Rehabilitation Grant Program

Background. The Infrastructure Rehabilitation Grant program provides grant funding to local water agencies serving small and medium sized economically disadvantaged communities for cost-effective projects that rehabilitate or replace leaking or otherwise failing water distribution systems.

Finance Letter. The Finance Letter proposes to extend the liquidation period for $46,517 in Proposition 13 bond funds allocated in 2001 to complete a contract with a local water agency for a feasibility study for a water distribution system replacement project.

The Finance Letter also proposes to extend the liquidation period for $8.2 million in Proposition 13 bond funds allocated in 2003 for completion of contracts with local water agencies for water distribution system replacement projects.

May Revision. The May Revision proposes to revert $2.9 million in Proposition 13 bond funds appropriated in 2004. The Yuba County Water District has returned these funds since its Forbestown Pipeline project can no longer proceed. The May Revision also proposes to reapproriate these funds to provide new grants for the Infrastructure Rehabilitation Grant Program or augment existing grants.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Finance Letter proposal to extend the liquidation period for this program.
- Approve the May Revision proposal for this program.

11. Groundwater Storage Grant Program

May Revision. The May Revision proposes to revert $2 million in Proposition 13 bond monies from the Los Angeles Department of Water and Power's North Hollywood Wellfield Restoration Project. The department proposes to appropriate this savings for other groundwater storage program grant applications.

Staff Recommendation. Staff recommends that the subcommittee approve this budget proposal.

12. Other May Revision Proposals

May Revision. The May Revision includes the following proposals:

- **Pro Rata Reallocation.** The May Revision proposes to adjust the pro-rata allocation for the department among the department's different special funds. This adjustment results in a reduction in funding from the Electric Power Fund and an increase in funding from the State Water Project.
- **Provisional Language.** The May Revision proposes language to allow the Sacramento Area Flood Control Agency to pay the state for federal obligations. The U.S. Army Corps of Engineers did not receive adequate funding in 2006 to continue construction of the American River – Common Features Project to protect the Sacramento Pocket Area from flooding. Therefore, to continue construction, the local government will advance some monies with the intent of being reimbursed or credited for these advance payments. The state has also agreed to advance monies to the federal government to get the 29 critical erosion repairs completed before the end of the calendar year.

Staff Recommendation. Staff recommends that the Subcommittee approve these May Revision proposals.

3940 State Water Resources Control Board

1. Water Rights Program

Background. The board is responsible for regulating a number of surface water rights, including issuing new water rights, approving changes to existing rights, and enforcing existing rights. In 2003, legislation was enacted to implement water rights fees to shift funding for the board's water rights program from the General Fund to fees. The new fees are assessed annually on parties applying for or holding water rights that are under the jurisdiction of the SWRCB.

The water rights program was reduced by approximately $3.3 million (about 30 percent) in 2002-03. The reductions to the water rights program have increased an already existing backlog of water rights applications pending at the board. This backlog has been further exacerbated by the new fee program given the extra staff time required to address issues related to fee collection.

Governor's Budget. The Governor's Budget includes $3.6 million in special funds to improve the efficiency of the water rights program in processing water rights applications. The funds will support six new positions ($669,000) to aid in reducing the current backlog of water rights applications and change petitions.

The remaining funding ($2.9 million) will be used to fund a one-time investment in information technology upgrades to the board's water rights database management and tracking system. Funding for the database management and tracking system will be provided through a loan from the Underground Storage Tank Fund that will be paid back over a 5-year period in order to minimize increases to the water rights fees. This financing arrangement adds approximately $400,000 to the total cost of the project.

Workload Justification. The six additional positions will enable the board to process about 25 more water rights applications annually. The current backlog of pending petitions and applications for water rights is nearly 1,200, and this will provide a marginal improvement to the program.

Furthermore, the board's current water rights database tracking system is antiquated and does not allow the board to easily comply with new mandates that require the board to enable the public to track water rights applications on the Internet. Furthermore, the current system does not do a good job of supporting the board in tracking and collecting water rights fees. A new system will be designed to comply with the new mandates and improve the efficiency of the department, thereby freeing up additional staff resources to process water rights applications. The board has completed the necessary feasibility study report.

Audit of Water Rights Program. The Bureau of State Audits (BSA) recently completed an audit on the board's Water Rights program. This audit found that a sampling of the board's water rights permit data had many errors. This data is the basis for setting water rights fees, which are based on the amount of water diverted by the permit holder. The board indicates that it plans to fix the errors found in the data sampling reviewed by BSA. The board also plans to

review and update other key water rights permits to ensure that they are correct. However, the LAO finds that the board does not have plans to review all of the permits in its system to ensure that the data that will be input into the new computer system will be accurate. Therefore, the LAO finds that the board may be charging fees that are based on erroneous and out of date information. The board indicates that, given existing budgetary resources, it will not be able to complete a comprehensive review of all of the records in its system to determine if they are correct.

Staff Recommendation. Staff recommends the Subcommittee take the following actions:

- Approve $669,000 and six new positions to process water rights permit applications.
- Approve a $2.9 million loan for information technology upgrades.
- Request that staff, DOF, the LAO, and the board evaluate options for adding additional funding to research and correct errors in the water rights permit database.

2. Bond-Funded Grant Programs

Background. The board implements several bond programs, including bond programs that support the CALFED program. Concerns have been raised over the last few years regarding the length of time it takes the board to award grants and contracts. The board has taken several actions to improve the efficiency of its bond program and to improve communication with potential applicants for bond monies. This has improved the board's bond program.

Governor's Budget. The Governor's budget proposes allocating bond monies to the following programs:

- **Groundwater Monitoring.** The budget proposes $10 million from Proposition 50 bond funds to support the board's groundwater monitoring program.
- **Integrated Regional Water Management.** The budget proposes $20 million from Proposition 50 bond funds to fund Integrated Regional Water Management grants.
- **Water Use Efficiency.** The budget proposes $950,000 from Proposition 50 bond funds for grants to implement water recycling projects.
- **Watershed Program.** The budget proposes $2.7 million from Proposition 13 bond funds for watershed restoration grants.
- **Non-Point Source Pollution.** The budget proposes $4.7 million in Proposition 13 bond funds for non-coastal non-point source pollution grants. The budget also proposes $1.5 million in Proposition 13 bond funds for coastal non-point source pollution grants.

The budget also proposes additional bond funding (around $17 million) to support the CALFED program. (These funds will be considered as part of an overall CALFED package.) The budget also proposes to shift eight positions from the bond program to the Underground Storage Tank Program.

Workload Justification. The board indicates that the shift of eight positions from the bond program will result in a 10 percent reduction in staffing for the board's bond program. The board indicates that less than one-third of the bond funding allocated to the board remains

unallocated. Funding for some bond programs is completely committed and these positions are not needed at this time.

Staff Recommendation. Staff recommends that the Subcommittee adopt the board's non-CALFED bond proposals.

3. Underground Storage Tank Cleanup Fund Program

Governor's Budget. The Governor's budget proposes to shift eight positions that currently exist in the board's bond program to the Underground Storage Tank Cleanup Fund program. The budget also requests a one-time increase of $10 million in expenditure authority of reverted funds to accelerate distribution of cleanup funds.

Previous Subcommittee Direction. At the meeting of Senate Budget Subcommittee #2 on April 3, 2006 the Subcommittee held open the proposal to redirect positions from the board's bond program and requested additional information supporting this proposal.

The Subcommittee approved the one-time $10 million increase in Underground Storage Tank Cleanup Funds to pay additional claims.

Workload Justification. The board indicates that the payment processing time for this program has grown to 98 days. Current law requires the board to make payments within 60 days of receipt. Furthermore, the board indicates that it has suspended pre-approvals of corrective action costs, which is an important process for small businesses. Staff finds that the Legislature approved 9.5 new positions for this program in the current year to meet increased workload. However, additional workload, associated with implementing legislation (AB 1906, Lowenthal) enacted in 2004, has further increased the board's need for additional positions. This legislation will result in an additional $33 million annually for the Underground Storage Tank Cleanup Fund program and requires the board to create a new program that funds cleanup of sites where there is no identifiable responsible party.

Staff Recommendation. Staff recommends that the Subcommittee adopt the Governor's proposal to shift eight positions from the bond program to the Underground Storage Tank Cleanup Fund program.

4. Other Budget Proposals

Governor's Budget. The Governor's budget also proposes funding for the following budget proposals:

- **Lake Tahoe TMDL.** The budget proposes $64,000 in federal funds to support one 1-year limited-term position to complete implementation of the Lake Tahoe TMDL by 2008.
- **San Diego Transportation Projects.** The budget proposes $85,000 in reimbursements to support one 2-year limited-term position to conduct and follow up on environmental reviews for transportation projects in San Diego.

Workload Justification. Two federal grants have been granted to the Lake Tahoe TMDL process totaling $2.5 million. The board needs one position to coordinate the expenditure of these grant monies in order to explore new management strategies to reduce pollutants and to develop tools to track progress and performance of individual programs.

San Diego County currently has ten major transportation projects that are in various stages. The San Diego Association of Governments (SANDAG) is requesting that the board participate in the planning process for these transportation projects so that concerns regarding storm water pollution can be incorporated in the planning process. Incorporating features that deal with storm water pollution prevention during the planning process for transportation projects has the potential to realize significant cost savings in reducing pollution from storm water.

Staff Recommendation. Staff recommends that the Subcommittee approve these budget proposals.

Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 2 Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal

Thursday, May 18, 2006
Upon Adjournment of Session
Room 2040

Agenda – Part III

Item	Department	Page
3910	Integrated Waste Management Board	2
3790	Department of Parks and Recreation	3
8660	California Public Utilities Commission	4
3560	State Lands Commission	5
3760	State Coastal Conservancy	6

Resources—Environmental Protection—Energy—Utilities

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

3910 Integrated Waste Management Board

1. LNG Transportation Fuel Demonstration Project

Background. Recent advances in technology are increasing the potential for landfill gas to be used as a fuel source. By removing volatile organic compounds, landfill gas can be reduced to 100 percent methane and carbon dioxide and may be used as common liquefied natural gas in electrical generation or as transportation fuel.

Previous Subcommittee Direction. At the April 3 meeting of the Subcommittee, staff was directed to identify funding sources for a demonstration project that converts methane gas from landfills to LNG.

Staff Comments. Staff finds that a large amount of landfill gas is flared into the environment and is not used. Staff finds that this is a missed opportunity and if landfill gas can be converted successfully to usable LNG, this could contribute significantly to domestic natural gas supplies, thereby reducing our dependence on imported oil.

Staff Recommendation. Staff recommends that the Subcommittee adopt the following trailer bill language to give the Waste Board authority to fund an LNG transportation pilot project:

> *Provision X*
> *Of this appropriation, an amount not to exceed $1 million may be awarded in the form of a grant for demonstration projects that convert landfill gas to liquefied natural gas for use as a clean transportation fuel, provided that the demonstration project meets all the following conditions:*
> *(1) The project shall produce at least 10,000 gallons of LNG per day.*
> *(2) The project shall utilize landfill gas that is currently flared.*
> *(3) The project shall have obtained all applicable land use permits before award of the grant.*
> *The grant amount shall not exceed 15 percent of the total project cost.*

2. Manufacturer Take-Back Programs

Background. Manufacturer "take back" programs are becoming increasingly important in achieving global waste reduction objectives. These programs are being developed in the European Union and elsewhere, and require manufacturers to extend their responsibility for products beyond manufacturing and sale, and to extend their responsibility to the re-use and recycling of products for the entire life-cycle of a product.

Previous Subcommittee Direction. At the April 3 meeting of the Subcommittee, staff was directed to work with the department, LAO and DOF to develop supplemental report language requiring the board to prepare a report on the feasibility of requiring most or all manufacturers of

goods purchased or procured by the state to be subject to extended producer responsibility, including recommending a date by which this could be implemented.

Staff Recommendation. Staff recommends that the Subcommittee approve the following supplemental report language:

> *The Board, in conjunction with the Department of General Services, shall evaluate the feasibility of implementing a manufacturer responsibility or "take-back" program for those goods purchased by the California State Government. This study should focus on those materials that are, or could be, most conducive to reuse or recycling by the manufacturer together with materials that make up a substantial portion of the State government waste stream. Further, it should assess the effectiveness of current take back provisions in state contracts. This evaluation shall result in a report to the legislature by January 1, 2008 and shall include an overview of similar activities that are occurring across the country or around the world that may serve as a model for California in the future.*

3790 Department of Parks and Recreation

1. Parks Reappropriations

Background. Staff has identified several appropriations that will expire at the end of the budget year. Without reappropriation, the department will not be able to spend these funds on the projects as intended by the Legislature.

Staff Recommendation. Staff recommends that the Subcommittee approve the following budget bill language:

> *3790-493 Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate the encumbrance of the following citation, subject to the following limitation, is extended until June 30, 2007.*
>
> *0262—Habitat Conservation Fund*
> *(1). Item 3790-101-0262 (1) Budget Act of 1999 (Ch. 50, Stats. Of 1999), 80.25.001—Local Grants—Habitat Conservation Fund Program; provided that this reappropriation is limited to the 325,000 grant to the Mid Peninsula Regional Open Space District.*
>
> *0005-Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Fund*
>
> *(1) Item 3790-102-0005(a)(5)(i), Budget Act of 2000 (Ch. 52, Stats. 2000), City of Huntington Park: Regional Community Youth Center, as re-*

appropriated by Item 3790-492(3)(a)(5)(i), Budget Act of 2005 (Ch. 38/39, Stats. 2005), City of Huntington Park: Regional Youth Center

(2) Item 3790-102-0005(a)(5)(qx), Budget Act of 2000 (Ch. 52, Stats. 2000), City of Huntington Park: Bonelli Regional Youth Center as re-appropriated by Item 3790-492(3)(5)(qx), Budget Act of 2005 (Ch. 38/39, Stats. 2005), City of Huntington Park: Bonelli Regional Youth Center.

2. Operations and Maintenance

Background. The Department of Parks and Recreation has suffered General Fund reductions over the past decade. This has increased their reliance on fees to support their activities. Unfortunately, user fees are extremely volatile from one year to the next depending on the weather and many other factors. In order to address this volatility the department has had to reduce ongoing staffing and routine maintenance activities at many state park properties.

Furthermore, recent news reports and a 2005 audit by the State Auditor indicate that more money is needed to upgrade outdated equipment and facilities used by lifeguards at state beaches.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve $10 million in General Fund monies to support 20 new positions and to support the operations and maintenance of existing and new park properties.
- Approve $500,000 in General Fund monies to support staff, capital outlay and equipment to augment the number of existing lifeguards and upgrade outdated lifeguard facilities.

8660 California Public Utilities Commission

1. Water Division

Background. Recent legislation requires triennial general rate case reviews for investor owned water utilities. Many of these utilities serve low-income under-served communities. Staff finds that many of these utilities do not have sophisticated planning and tracking systems and require more time by staff at the commission to understand and decipher.

Staff Recommendation. Staff recommends that the Subcommittee approve five new positions to augment the commission's water division.

2. California Solar Initiative—Performance Based Incentives

Background. For decades, California has been a leader in the promotion of solar energy technology. During that time, there has been constant tension between the equally laudable goals of ensuring the development and sustainability of a California solar energy market, and

protecting ratepayers from paying large and ongoing subsidies to an industry whose costs will need to be reduced as solar technology evolves.
Last year, SB 1 (Murray), which established the California Solar Initiative (CSI), was introduced and passed the Senate. The measure was held in the Assembly after much discussion about its provisions. In the meantime, the CPUC administratively adopted a decision setting up the CSI. However, several key features were omitted from the CPUC's decision and from the pending legislation.

Issues that were not addressed include: how much ratepayers should pay over time in subsidies for solar power, and whether there should be a set of standards to ensure that solar equipment manufacturers lower their costs and commit to manufacture equipment more efficiently.

Neither the commission nor the legislation spell out in detail so-called "performance-based incentives (PBI)" to ensure that larger solar systems that are installed actually produce the electricity their manufacturers claim they will produce as well as use declining amounts of ratepayer funds over time.

Staff Recommendation. Staff recommends that the subcommittee adopt trailer bill language to require the CPUC, not later than January 1, 2007, to ensure that the payment of CSI incentives for larger commercial solar systems (> 100 Kw) is based on actual electrical output, and that the commission be required to report to the Senate and Assembly Budget Committees on its progress in implementing these requirements.

3560 State Lands Commission

1. Tidelands Oil Revenues

Background. Over the last several years, the Governor's budget has proposed to sweep all of the tidelands oil revenues into the General Fund instead of allocating these funds to the resource priorities set in statute. Public Resources Code §6217 requires that tidelands oil revenues be allocated in the following order:

- Revenues necessary to fund SLC expenditures.
- $2 million to the California Housing Trust Fund.
- $8 million to the Department of Fish and Game (DFG) for salmon and steelhead restoration.
- $2.2 million to DFG for marine life management.
- $10 million to the Department of Parks and Recreation for deferred maintenance expenses.
- Remaining funds to be deposited in the Natural Resources Infrastructure Fund for preserving and protecting the natural and recreational resources of the state.

Public Resources Code §6217 becomes inoperative July 1, 2006 unless a statute is enacted, which becomes effective on or before January 1, 2007.

Staff Recommendation. Staff recommends that the Subcommittee adopt trailer bill language to allocate tidelands oil revenues, starting in 2007-08 with a sunset date of June 30, 2009, to the following priorities:

- $10 million to the Salmon and Steelhead Restoration Account;
- $5 million, for the next ten years, for the Coastal Wetlands Account;
- $10 million to the Marine Life and Marine Reserve Management Account;
- $10 million to non-game fish and wildlife program Account;
- $10 million to the State Parks System Deferred Maintenance Account; and
- $5 million to the Wetlands and Riparian Habitat Conservation Account.

3760 State Coastal Conservancy

1. Technical Reappropriations – Bond Funds

Background. The State Coastal Conservancy has indicated that they will not be able to expend all of the bond monies that they were allocated in the 2003 Budget Act before the end of the current fiscal year. In order for the conservancy to expend these funds in the budget year, the conservancy is requesting that the funds be reappropriated.

The Conservancy has identified the following funds as needing reappropriation:

- **Proposition 40** bond funds allocated to the conservancy in the bond for public access, urban waterfront restoration, watershed and other habitat restoration and agricultural preservation. The Conservancy estimates that there will be over $5 million remaining for expenditure in the budget year.
- **Proposition 50** bond funds for watershed restoration projects. The conservancy estimates that there will be about $1.5 million remaining for expenditure in the budget year.

Staff Recommendation. Staff recommends that the subcommittee approve budget bill language to reappropriate Proposition 40 and Proposition 50 bond funds that were allocated to the Conservancy in the 2003 Budget Act.