

# SUBCOMMITTEE NO. 2

# Agenda

S. Joseph Simitian, Chair  
Dave Cogdill  
Alan Lowenthal



## Hearing Outcomes (see Subcommittee actions under individual issues)

Thursday, May 13, 2010  
9:30 a.m. or Upon Adjournment of Session  
Rose Ann Vuich Hearing Room (2040)

Consultant: Bryan Ehlers

### OPEN ISSUES

### “B” AGENDA

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### Resources—Environmental Protection—Energy—Transportation

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.

## Items Proposed for Vote-Only

### Secretary for Environmental Protection (CalEPA)

**1. FL-1: CalEPA Federal Trust Fund Appropriation.** The Governor requests \$1.5 million in federal fund authority in order to receive and expend federal grant funds from the United States Environmental Protection Agency for the Secretary's Unified Program. The primary objective will be distribution of approximately \$1 million annually to rural Certified Unified Program Agencies (CUPA) to create a Rural CUPA Underground Storage Tank (UST) Inspection grant program, managed by the Secretary's Unified Program, and aimed at increasing the number of UST inspections in rural counties. The secondary objective would be to utilize \$500,000 annually in federal National Environmental Information Exchange Network (NEIEN) grant funds for the continued development and enhancement of the CalEPA's electronic reporting systems.

### Integrated Waste Management Account (IWMA) Reductions

**2. CalEPA – BCP-1: Waste Board Funding Reduction per SB 63.** Reduces by \$954,000 various expenditures from special funds administered by the former Waste Board and now under the control of DRRR, including: (1) \$287,000 in salaries and wages associated with positions abolished in fiscal year (FY) 2009-10; and (2) \$667,000 in operating expenses and equipment (OE&E) that currently support major policy and program leadership by the Secretary for Environmental Protection. Of these amounts, \$771,000 is from the IWMA.

**Staff Comments.** The Administration has not clearly articulated what will happen to the policy and program leadership previously supported by these funds. Therefore, staff cannot support this reduction in its entirety at this time and recommends: (1) approving the \$287,000 reduction associated with previously abolished positions; and (2) denying the remaining OE&E reduction of \$667,000. Should the Administration provide additional, clarifying information in the future, then staff would support the Committee granting this item reconsideration.

**3. State Water Resources Control Board (State Water Board) – BCP-3: Shift Land Disposal Program Funding for 13 Positions from the IWMA to the Waste Discharge Permit Fund (WDPF).** Shifts \$2 million in State Water Board expenditures from the IWMA to the WDPF. The State Water Board has authority to raise fees annually to conform to the revenue levels assumed in the Budget Act.

### Department of Food and Agriculture

**4. FL—COBCP: Reappropriate Tulare/Fresno Animal Health and Safety Laboratory Consolidation and Replacement Funds (Budget Bill Language—BBL).** The Governor requests reappropriation of project funding for working drawings,

construction, and equipment phases of the laboratory consolidation and replacement, and, additionally, requests Budget Bill Language (BBL) to: (1) clarify that the Department of Food and Agriculture, the State Public Works Board (SPWB), and the University of California (UC) are authorized to execute all necessary documents and agreements needed to sell lease-revenue bonds for the project; and (2) clarify that UC has the authority to design and manage the project, subject to Department of Finance (DOF) and SPWB oversight and review.

**Staff Recommendation (for Vote-Only Items 1-4):** APPROVE Items 1, 3, and 4; and DENY IN-PART Item 2 (per the staff comments).

<p><b><i>Action: Approved Items 1 and 4 on a 3-0 vote. Approved Item 3 on a 2-1 vote (Cogdill). Denied in-part Item 2 (per staff comments) on a 2-1 vote (Cogdill).</i></b></p>
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## 3480 Department of Conservation

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; and agricultural and open-space land.

**Governor's Budget.** The Governor's Budget includes \$75.8 million (\$4.8 million GF) for support of the DOC, a decrease of approximately \$635 million, due almost entirely to the transfer of the Division of Recycling (including the Beverage Container Recycling Program) to the new Department of Resources Recycling and Recovery.

### ***ITEMS PROPOSED FOR VOTE-ONLY***

**1. BCP-6: California Farmland Conservancy Program (CFCP)—Local Assistance (BBL).** The Governor requests a one-time appropriation of \$7.9 million for the CFCP and BBL to make these funds, which were originally appropriated in 2006 but were unable to be encumbered, available for three years.

**2. FL-11: Information Technology (IT) Business Planning.** The Governor requests a two-year appropriation of \$122,000 (Oil, Gas, and Geothermal Account) for support of IT project planning for the Division of Oil, Gas, and Geothermal Resources.

**Staff Recommendation (for Vote-Only Items 1-2):** APPROVE Items 1-2 as proposed.

**Action:** *Approved Item 1 on a 3-0 vote.  
Approved Item 2 on a 2-1 vote (Cogdill).*

**ITEM PROPOSED FOR DISCUSSION**

**Finance Letter (FL): Strategic Growth Council (SGC) – Sustainable Communities Planning Grants.** Proposition 84 allocated \$90 million for planning grants and planning incentives, including revolving loan programs and other methods to encourage the development of regional and local use plans that are designed to promote water conservation, reduce automobile use and fuel consumption, encourage greater infill and compact development, protect natural resources and agricultural lands, and revitalize urban and community centers. Of this total amount, \$12 million was appropriated to the Natural Resources Agency in 2009 for data gathering and model development necessary to comply with Chapter 728, Statutes of 2008 [SB 375, Steinberg]. Proposition 84 also stipulated that implementing legislation was needed before funds could be appropriated for the Sustainable Communities Planning Grants and Incentives Program. Chapter 729, Statutes of 2008 [SB 732, Steinberg] created the SGC to, among other things, develop, manage, and award financial assistance for sustainable planning and urban greening projects (consistent with Proposition 84).

**Governor's Request.** The Governor requests a total of \$70 million over six years from Proposition 84 to provide funds to implement and administer the new Sustainable Communities Planning Grant and Incentives Program and to support planning projects and incentives awarded by the SGC. For the 2010-11 Fiscal Year (FY), the Administration is requesting \$575,000 for program support; \$859,000 for outreach (via a new Outreach and Education Program); \$830,000 to develop and provide data and information to applicants; and \$40 million for projects. As proposed, the request would support six existing positions.

**Staff Comments.** At first blush, this request raised concern because it had the appearance of placing the Department of Conservation in a lead role administering (developing, evaluating, and awarding) a new planning grant program with cross-cutting policy implications. Initial questions included: (1) What special expertise does Department of Conservation (DOC) have in planning? and (2) Why has the DOC been chosen over other state entities to head up this program (particularly since this may create "bad blood" or distrust among other agencies)?

However, Natural Resources Agency staff have since indicated that the intent of the request is merely to have DOC staff experienced in administering grants oversee the more objective aspects of the program, while the SGC manages the more subjective and policy-oriented aspects of the program. To help clarify this, the Agency has provided the program development timeline and description contained in Appendix A, which, should the Committee elect to approve this request, should be adopted as an addendum to the BCP.

Staff's main concern is whether or not the DOC has, or will have, adequate vacancies to fill the staffing needs identified in the proposal (six positions). Staff notes that most of the DOC's vacancies were transferred with the Division of Recycling to the new Department of Resources Recycling and Recovery as part of last year's reorganization

of the California Integrated Waste Management Board. According to information provided by the DOC at the request of staff, two positions are currently being redirected to the new Sustainable Communities Planning Grants program, but no vacancies currently exist within that division. The Department of Finance believes that, consistent with the department's proposal for achieving the Governor's workforce cap, the DOC should have adequate vacant positions arise over the course of the budget year (e.g., through attrition) to meet the needs identified in the BCP. Given the Committee's reluctance to approve new permanent positions amid the ongoing fiscal crisis, staff is inclined to agree with the Department of Finance and recommend approving the request as proposed (with no new positions); however, should the DOC offer compelling testimony that this course of action is likely to interfere with the implementation of the new program, then the Committee may wish to approve one-year limited-term positions to fill the interim need (until six vacant positions become available).

**Staff Recommendation:** APPROVE the request.

**Action: Approved on a 2-1 vote (Cogdill).**

## 0540 Natural Resources Agency

The Secretary for Natural Resources heads the Natural Resources Agency. The Secretary is responsible for overseeing and coordinating the activities of the boards, departments, and conservancies under the jurisdiction of the Natural Resources Agency.

**Governor's Budget.** The Governor's Budget includes \$35.7 million to support the Secretary for Natural Resources. This is a nearly \$100 million decrease over estimated expenditures in the current year primarily due to reduced bond fund expenditures, but also the transfer of CALFED resources to the new Delta Stewardship Council.

### *ITEM PROPOSED FOR VOTE-ONLY*

**1. FL-2: California River Parkways Grant Program—Proposition 40 Reappropriation.** The Governor requests reappropriation of the unencumbered balance of \$56.2 million in Proposition 40 funds originally appropriated in 2002.

**Staff Recommendation:** APPROVE the item as proposed.

**Action: Approved on a 3-0 vote.**

**ITEM PROPOSED FOR DISCUSSION**

**FL-1: Strategic Growth Council—Proposition 84 Urban Greening.** Proposition 84 allocated \$90 million for urban greening projects that reduce energy consumption, conserve water, improve air and water quality, and provide other community benefits. Chapter 729, Statutes of 2008 [SB 732, Steinberg] established the Strategic Growth Council (SGC) and gave it the responsibility of managing and awarding financial assistance to cities, counties, or nonprofit organizations for the preparation, planning, and implementation of an urban greening program. Grant guidelines for this program were developed through a public process between October 2009 and February 2010, and they will be updated annually. The SCG Board approved the final guidelines on February 9, 2010, and projects will be solicited and evaluated during the spring and summer.

**Governor's Request.** The Governor requests: (1) an augmentation of \$286,000 (Proposition 84) and three positions to begin the first year of full implementation of the Urban Greening Program; and (2) \$21.1 million (Proposition 84) in grant funds to be appropriated to the Resources Agency ~~but administered by the Department of Conservation.~~

**Staff Comments.** Staff does not have any specific concerns with this proposal, as the proposed grants are consistent with the provisions of Proposition 84, which allocates up to \$70 million to this program. As proposed, the Agency would award \$63 million in local assistance over the next three years, with most of the remaining \$7 million going to administration and statewide bond costs.

The application deadline for the program recently passed and the Agency reports receipt of a considerable number of applications from statewide agencies. At the hearing, the Agency should be prepared to discuss with the Committee what types of projects are being proposed for funding and when they anticipate that funding will go out if this proposal is approved. Additionally, the Agency should be prepared to address concerns on the part of some stakeholders about the definition of “urban” in the program guidelines. (Staff understands that a change in the definition may be warranted in future solicitations.)

**Staff Recommendation:** APPROVE the request.

**Action: Approved on a 2-1 vote (Cogdill).**

## 3540 Department of Forestry and Fire Protection

The California Department of Forestry and Fire Protection (DFFP), 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, DFFP: (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.** Excluding capital outlay, where the amount of carryover makes year-to-year comparisons less meaningful, the Governor's Budget includes \$1.091 billion for support of the DFFP in 2010-11. This is a 2.5 percent decrease over current year expenditures. The significant decrease in GF is due to the proposed backfill of \$200 million GF with revenues from the Emergency Response Initiative property insurance surcharge.

### *ITEMS PROPOSED FOR VOTE-ONLY*

**1. FL-3: Urban Forestry—Proposition 84 (BBL).** The Governor requests fourth-year funding of \$3.2 million (Proposition 84) for urban forestry local assistance grants. Additionally, the Governor requests: (1) a decrease of \$642,000 to state operations; and (2) a reversion of \$6.3 million originally appropriated in 2008. The original Proposition 84 urban forestry request for the 2007-08 fiscal year (FY) included a ten-year spending plan worth \$45.9 million (or roughly half of the \$90 million contained in Proposition 84 for urban greening); however, subsequent creation of the Strategic Growth Council has led to a reallocation of the urban greening monies such that the DFFP's urban forestry program will now receive only \$21 million (necessitating the requested reversion). Based on the revised spending plan, FY 2011-12 will be the last year for Prop 84 grants under this program (approximately \$3.2 million).

**2. FL-4: Integrated Pest Management Grant (American Recovery and Reinvestment Act—ARRA).** The Governor requests \$41,000 (federal funds) to enable the DFFP to implement the Integrated Pest Management projects funded under ARRA.

**3. BCP-13: Reappropriation of FY 2008-09 Prop 40 Bond Funds.** The Governor requests reappropriation of approximately \$7.7 million in Prop 40 funding (\$1.8 million for urban forestry; and \$5.9 million for fuels management) that was originally appropriated in FY 2008-09.

**4. BCP-8: Code Development – Green Building Standards.** The Governor requests one position and \$169,000 special fund to develop building standards, with emphasis on development, adoption, publication, updating, and educational efforts associated with green building standards and efforts to reduce home loss due to wildland fires.

**Staff Comments.** This item was originally heard and held open on March 4 due to staff concerns with the apparent lack of a coordinated strategic plan for expenditure of Building Standards Administration Special Revolving Fund (BSASRF) dollars. The Administration has since provided additional clarification on the overall spending plan, such that staff is comfortable recommending approval of the position with the following stipulations: (1) DENY the requested vehicle (similar building standards positions funded from BSASRF at the Department of General Services and the Department of Housing and Community Development (HCD) do not receive new vehicles and the Governor has declared a freeze on new vehicle purchases to boot); and (2) APPROVE placeholder, uncodified trailer bill language requiring the Office of the State Fire Marshal to report to the Joint Legislative Budget Committee, no later than January 1, 2012, on steps taken to improve fire and panic safety with respect to green building standards. Specifically, the office will need to indicate steps, if any, it has taken, or plans to take, to better coordinate its efforts with the California Building Standards Commissions and the HCD.

**Staff Recommendation:** Consistent with the staff comments (above), APPROVE one position and \$139,000, and placeholder, uncodified trailer bill language.

**5. BCP-7: State Fire Training.** The Governor requests \$315,000 special fund and four positions (two temporary help; and two permanent) in the Office of the State Fire Marshal (OSFM) to: (1) develop a Feasibility Study Report (FSR) for a student records database; and (2) to address increased demand for fire service training.

**Staff Comments.** The Committee previously heard this item on March 4 and approved two temporary help positions and held open the remainder of the request in order for the DFFP to better substantiate the justification. Subsequently, the OSFM has indicated it will not pursue the additional two permanent positions. Therefore, staff recommends the Committee deny the two permanent positions (and the associated funding).

**Staff Recommendation (for Vote-Only Items 1-5):** APPROVE Items 1, 2, 3, and 4, but DENY the vehicle for Item 4 and ADOPT placeholder TBL as described in the staff comments. Additionally, DENY the two permanent positions requested in Item 5 (the remainder of the request was previously approved).

**Action: Approved Items 1, 2, and 3 on a 3-0 vote.  
Approved Item 4 (less \$30,000 for a vehicle) on a 2-1 vote (Cogdill).  
On a 3-0 vote, denied two permanent position requested in Item 5, but approved requested funding to supplant GF currently supporting two positions that will be redirected to state fire training activities.**

**ITEMS PROPOSED FOR DISCUSSION**

**1. BCP-10: Watershed Fuels Management Program.** The Governor requests \$40 million in Proposition 1E (Prop 1E) funds over seven years, including \$5.5 million in FY 2010-11, in order to continue a fuels management program currently funded by Proposition 40 (Prop 40). Notwithstanding the requested reappropriation of 2008-09 funding (see BCP-13 below) and any unencumbered balance from the current-year appropriation, Prop 40 funds for fuels management have been exhausted. Thus, the Governor is proposing to shift the program to an alternative fund source.

**Staff Comments.** Unfortunately, Prop 1E, the Disaster Preparedness and Flood Protection Bond Act of 2006, did not specifically allocate funding for fuels management. Rather, as was discussed on March 4 when this item was previously heard and held open, the DFFP is seeking to utilize Prop 1E funds designated for stormwater flood management by arguing that fuels management helps to reduce fires that can leave watersheds denuded and prone to impaired water quality under flood conditions. While the proposed activities might very well have this beneficial effect, staff cannot recommend approval of the request for funds for a purpose that does not appear to be consistent with the intent of the voters when they approved Prop 1E. That said, should the DFFP offer any alternative funding ideas for fuels management, staff would work closely with the Administration to try and address this critical need. Finally, staff notes that a \$5.5 million reappropriation of Prop 40 funds for fuels management is recommended for approval in this agenda.

**Staff Recommendation:** DENY the request.

***Action: Held open until May 24 to allow the Administration to continue to pursue alternative funding sources for fuels management. Additionally, requested staff to obtain a Legislative Counsel opinion on the legality of using Proposition 1E funds for the requested purpose. [The Chair noted that regardless of Counsel's opinion, the Committee would retain the prerogative to determine whether the request was "appropriate" (even if entirely legal).]***

**2. Staff Issue: Funding and Fiscal Oversight of Fire Prevention and Fire Protection Expenditures.** On April 29, the Committee heard discussion on the following issues associated with funding and fiscal oversight of fire prevention and fire protection: (1) the use and oversight of Emergency Fund (E-Fund) expenditures; (2) the balance between fire protection and fire prevention expenditures; (3) defensible space inspections; and (4) oversight of Schedule A agreements. In the hearing, the LAO provided a hand-out that contained a variety of recommendations and items for consideration.

**Staff Comments:** Based on discussions in the previous hearing and input from the LAO, staff offers the following observations and recommended actions to the Committee:

- **E-Fund** – As noted by the LAO, the E-Fund is currently used for various (mainly staffing) costs that have become regular, annual expenditures, such that they no longer meet any reasonable definition of “emergency.” Further, the Legislature lacks adequate fiscal oversight of E-Fund expenditures. Therefore, staff recommends the Committee move day-to-day expenditures currently budgeted in the E-Fund into the base budget for FY 2010-11 on a one-time basis, and re-align E-Fund and base budget expenditures in the Budget Year associated with reimbursements approved in FY 2009-10. Direct the Administration to return with budget proposals for FY 2011-12 for the items moved into the base budget for review during the annual budget process. Additionally, adopt [placeholder] statutory language that (1) explicitly specifies what expenditures are allowed from the E-Fund and (2) requires that any other expenditures be supported from the department’s base budget.
- **Fire Protection v. Fire Prevention** – In recent years, fire protection costs have increased rapidly, while fire prevention expenditures have lagged. The state could increase its return on investment and obtain greater “bang” (reduce fire threat to life and property) for its GF “buck” by allocating additional resources to fire prevention. Therefore, tied to the above recommendation to shift certain E-Fund expenditures into the base budget, staff recommends the Committee shift \$2 million of the above identified monies from Fire Protection to Resource Management (fire prevention). Staff additionally recommends the Committee adopt placeholder, trailer bill language directing the DFFP to use these funds for the express purpose of funding Foresters to conduct defensible space inspections. The intent would be to supplement, rather than supplant, existing defensible space inspections conducted by seasonal firefighters, and, by using Foresters, to ensure that the number of inspections is not compromised by the need to respond to non-fire emergencies (as is currently the case for firefighters). Further, since the DFFP has not yet released its plan under the Governor’s proposed workforce cap, staff recommends the Committee direct the department to use any existing Forester vacancies (along with reclassification of other positions that would otherwise be held vacant to meet the cap requirements) in order to fulfill this directive.

- **Fire Prevention Reporting** – Good data is essential to the DFFP’s ability to fulfill its mission to protect California wildlands and the life and property of the citizenry in these areas, as well as to the Legislature’s ability to adequately oversee DFFP expenditures. Given the recommended increase to fire prevention expenditures noted above and the fact that the DFFP has, to date, failed to provide the Legislature with the 2009 fire prevention report it is statutorily required to submit each year on January 1, staff recommends adoption of placeholder TBL to:
  - Amend the existing reporting requirement so that the data reported is synchronized to the fiscal year (to ensure data can be more easily correlated with funding levels and can be readily provided in time for consideration in the annual budget process).
  - Include specific tracking and reporting on the increased defensible space inspections proposed above.
  - Require the DFFP to utilize a standardized metric (e.g., inspections per Personnel Year) in its reporting that allows defensible space inspections and other fire prevention statistics to be compared year-to-year adjusted for changing levels of available resources (e.g., staff).
  - Include direction to the DFFP to submit in its annual report, as it sees fit, various qualitative data and/or qualifying statements that will better enable the Legislature to analyze and interpret the impact of DFFP fire prevention expenditures (particularly as they relate directly, or indirectly, to reduced fire threats, and, by extension, reduced need for fire protection expenditures).
  
- **Schedule A Agreements** – Given concerns over the continued expansion of the DFFP’s role in activities beyond wildland fire protection, and the authority given to the DFFP Director to enter into agreements to provide full-service emergency response outside of the State Responsibility Area, the Legislature should review all of these agreements prior to the expansion of the DFFP’s operations. Additionally, fiscal prudence and the state’s ongoing fiscal crisis dictate that the state should take all reasonable steps to ensure that it receives fair reimbursement for fire protection services provided to local governments through these Schedule A agreements. Therefore, staff recommends the Committee adopt placeholder TBL requiring the DFFP to submit to the Legislature, for review and approval, all new or renewed Schedule A agreements of a certain size (to be determined). The intent is to model this process after the Department of Parks and Recreation process for approval of park concessions (which are submitted in the annual budget process and approved via Supplemental Report Language).

**Staff Recommendation:** ADOPT the various LAO and staff recommendations detailed in the staff comments (above), most notably: (1) the shift of E-Fund to the base budget and the LAO-recommended placeholder TBL; (2) a \$2 million shift from Fire Protection to Resource Management of E-Fund expenditures identified by the LAO for inclusion in the FY 2010-11 base budget, for the express purpose of funding Foresters to carry out

increased defensible space inspections; (3) various pieces of placeholder TBL (as specified above) aimed at enhancing fire prevention and the adequacy and value of related data provided to the Legislature; and (4) additional placeholder TBL intended to increase legislative oversight of Schedule A agreements in order to check any unnecessary expansion of the DFFP's activities beyond wildland fire protection and to better ensure the state receives fair reimbursement for fire protection services provided to local governments.

***Action: Held open in order to allow more time for staff, LAO, and the Administration to work out any technical difficulties with the staff recommendation. [The Chair noted support for the staff recommendation and indicated that the additional time was not to be used to "re-argue" the issues.]***

## 3600 Department of Fish and Game

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 includes \$385 million for support of the DFG, a reduction of \$25 million, or 6 percent, over current year expenditures. This reduction is primarily due to a reduction in GF support.

*[See the following page for Items Proposed for Discussion.]*

**ITEM PROPOSED FOR DISCUSSION**

**Staff Issue: Coastal Salmon and Steelhead Fishery Restoration.** There is an opportunity for the Committee to approve additional funding for coastal salmon and steelhead fishery restoration from Proposition 84 funds.

**Background.** The Fisheries Restoration Grant Program (FRGP) was established in 1981, in response to rapidly declining populations of wild salmon and steelhead trout and deteriorating fish habitat in California. This competitive grant program has invested over \$180 million to support projects from sediment reduction to watershed education throughout coastal California. Contributing partners include the DFG, federal and local governments; tribes, water districts, fisheries organizations, watershed restoration groups, the California Conservation Corps, AmeriCorps, and private landowners.

Restoring anadromous salmon and steelhead habitat is a commitment the program and partners have embraced and with population of some salmon at critically low levels, there are many opportunities for restoration projects that will directly benefit the salmon and steelhead trout in California.

**Staff Comments.** On May 6, the Committee approved a Governor's request for \$17.2 million in Federal Funds for 2010-11 for the Fisheries Restoration Grant Program. However, Public Resources Code Section 75050 (a) from Proposition 84 allocates a total of \$180 million for Bay Delta projects, Natural Conservation Community Planning development and *fisheries restoration*. Of this funding, up to \$45 million is specifically made available for *coastal salmon and steelhead fishery restoration* projects that support development and implementation of species recovery plans. In 2008-09 the DFG's budget request for Anadromous Fish Management indicated that funding from this section would be divided as follows: Coastal Salmonid Plan Implementation -- \$2.5 million; Coho Recovery Plan Implementation – \$25.6 million; and Coastal Steelhead and Chinook Recovery – \$16.8 million. The Committee may wish to inquire of the DFG: 1) how much funding in total will be available for local fisheries restoration grants; and 2) how much funding remains in this section for local grants. Based on the DFG's responses, the Committee may want to consider an additional appropriation of local grant funds to accelerate projects.

**Staff Recommendation:** APPROPRIATE the balance of Proposition 84 funds available for salmon and steelhead restoration grants over a three-year period with the following BBL:

*The funds approved in this item for fisheries restoration grants shall be expended pursuant to section 6217.1 of the public resources code.*

**Action: Approved on a 2-1 vote (Cogdill).**

## 3860 Department of Water Resources

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 (SWP). The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and water projects. Historically, the department was also a major implementing agency for the CALFED Bay-Delta Program, tasked with 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. As noted above, that program was abolished with SBx7 1, and CALFED responsibilities were transferred to new entities, including the Delta Stewardship Council.

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 report.)

**Governor's Budget.** The Governor's Budget includes \$1.5 billion (\$188 million GF) for support of the DWR, a decrease of approximately \$1.6 billion, due primarily to reduced bond fund expenditures. An additional \$3.7 billion in CERS funding is not subject to the Budget Act (these funds are primarily for energy payments related to the 2001 electricity crisis).

### ***ITEMS PROPOSED FOR VOTE-ONLY***

**1. BCP: FloodSAFE Support (BBL).** The Governor requests continued FloodSAFE funding of \$210.8 million (including \$173.8 million Proposition 1E; \$21 million Proposition 84 [continuously appropriated]; and \$16 million Proposition 13) and 37 positions (including 15 new, full-time positions; 13 new limited-term positions; and nine existing positions) to carry out activities across six functional areas.

**2. BCP: Salton Sea Conservation Implementation.** The Governor requests one-year funding of \$4 million (reimbursement authority) to carry out Salton Sea restoration activities. These funds will be provided through reimbursements from the Department of Fish and Game and the Natural Resources Agency and will be used to construct shallow habitat on the sea as is outlined in the 2007-08 Salton Sea Management Plan.

**3. BCP: Multi-Benefit Water Planning and Feasibility Studies.** The Governor requests \$30.6 million from Proposition 84 (including new appropriations totaling \$16 million over the next three years; and reappropriation of approximately \$14.6 million

originally appropriated in FY 2007-08), and three new positions to fund various multi-benefit water planning and feasibility studies activities,

**4. BCP: San Joaquin River Restoration Program.** The Governor requests \$33.8 million in reimbursement authority (\$13.8 million in FY 2010-11; and \$20 million in FY 2011-12) in order to receive Proposition 84 funds from the Natural Resources Agency for support of year four of San Joaquin River restoration efforts.

**5. BCP: Water Use Efficiency Technical Assistance and Science Program (BBL).** The Governor requests reversion of \$6 million (Proposition 50) originally appropriated in FY 2008-09 that has gone unused due to the 2008 bond freeze, and a new appropriation of \$6 million, including \$3 million for the Water Use Efficiency Technical Assistance Program and \$3 million for the Program Science Evaluation.

**6. BCP: Water Supply Reliability and Urban Streams Restoration Program (BBL).** The Governor requests \$794,000 (Proposition 50), to be reverted from funds originally appropriated in FY 2003-04, for water supply reliability projects; and \$9.1 million (Proposition 84) to continue the Urban Streams Restoration Program.

**7. BCP: Sacramento Valley Water Management Program (BBL).** The Governor requests \$8 million (Proposition 204) to be reverted from funds originally appropriated in FY 2008-09, for the Sacramento Valley Water Management and Habitat Protection Measures Program.

**8. FL: Proposition 50 Water Supply Reliability, Reappropriation, Extension of Liquidation Period, and Various Other Technical Adjustments.** The Governor requests \$11.8 million (Prop 50) for water supply reliability activities which can no longer be funded from existing funds due to a technical reversion error in the Budget Act of 2009. Additionally, the Governor requests various reappropriations, extensions of liquidation period, and technical adjustments for projects that cannot be completed by June 30, 2010. These include, but are not limited to, the following:

### Reappropriations

- Item 3860-101-6023, Budget Act of 2009
- Item 3860-101-6026, Budget Act of 2004
- Item 3860-101-6026, Budget Act of 2005
- Item 3860-101-6026, Budget Act of 2006
- Item 3860-101-6026, Budget Act of 2007
- Item 3860-101-6031, Budget Act of 2006
- Item 3860-101-6031, Budget Act of 2007
- Item 3860-101-6031, Budget Act of 2009
- Section 6(b)(3)-(7), Chapter 1, Statutes of 2008
- Section 6(a)(1)-(2), Chapter 1, Statutes of 2008
- Item 3860-101-6051, Budget Act of 2009
- Item 3860-001-6052, Budget Act of 2009

- Item 3860-101-6052, Budget Act of 2009

**9. FL: California/Nevada Water Allocation of the Truckee River.** The Governor requests conversion of one limited-term position to permanent status and \$200,000 (federal funds) for five years to allow receipt and expenditure of Truckee River Operating Agreement grant funds.

**10.COBCP: American River (Common Features) Project.** The Governor requests \$7 million (\$5 million Proposition 1E; and \$2 million reimbursement authority) to continue the re-evaluation, design, and construction of the American River (Common Features) Project to improve the level of flood protection for Sacramento.

**11.COBCP: Folsom Dam Modifications Project.** The Governor requests \$38.2 million (\$26.9 million Proposition 1E; and \$11.3 million reimbursement authority) to continue design and construction of the Folsom Dam Modifications Project aimed at enhancing the flood release capability of the dam and increasing the level of flood protection to Sacramento.

**12.COBCP: Mid-Valley Area Levee Reconstruction Project.** The Governor requests \$2.7 million (\$1.9 million Proposition 1E; and \$750,000 reimbursement authority) to fund the Mid-Valley Area Levee Reconstruction Project which will restore levee sections of the Sacramento River Flood Control Project in reclamation districts between the Tisdale Bypass and the Sacramento Bypass.

**13.COBCP: South Sacramento County Streams.** The Governor requests \$6.2 million (\$4.4 million Proposition 1E; and \$1.8 million reimbursement authority) to continue construction of the South Sacramento County Streams Project to protect Sacramento from high water events in the Delta and from flooding associated with various local creeks.

**14.COBCP: System-wide Levee Evaluations and Repairs.** The Governor requests \$48 million (Proposition 1E) to continue: (1) system-wide evaluation of state/federal (project) levees; (2) evaluation of non-project levees that protect urban areas; and (3) repair of levees and erosion sites where deficiencies are found.

**15.COBCP: West Sacramento Project.** The Governor requests \$3.1 million, including: (1) \$1.2 million (\$625,000 Proposition 1E; and \$550,000 reimbursement authority) to fund the non-federal share of the development of the West Sacramento Project General Reevaluation Report; and (2) \$1.9 million (\$1.4 million Proposition 1E; and \$562,000 reimbursement authority) to fund the non-federal share of design and construction for the north and south slip repair sites of the West Sacramento Project.

**16.COBCP: Yuba River Basin Project.** The Governor requests \$2.7 million (\$2.2 million Proposition 1E; and \$510,000 reimbursement authority) for completion of the General Reevaluation Report and the design of the Marysville Ring Levee Reconstruction element for the Yuba River Basin Project.

**17.COBCP: Butte Slough Outfall Gates Rehabilitation Project.** The Governor requests \$15.1 million (Proposition 1E) to rehabilitate the Butte Slough Outfall Gates, and feature of the Sacramento River Flood Control Project that controls the passage of floodwaters from the Butte Basin to the Sacramento River.

**18.COBCP: Lower Cache Creek, Yolo County, Woodland Area Flood Control Project.** The Governor requests \$1.6 million (\$1.4 million Proposition 1E; and \$200,000 reimbursement authority) for a feasibility study of the Lower Cache Creek, Yolo County, Woodland Area Flood Control Project to improve the existing 10-year flood protection.

**19.COBCP: Lower San Joaquin River Feasibility Study.** The Governor requests \$1.7 million (Proposition 1E) for the Lower San Joaquin River Feasibility Study to reduce flood damage between the Mariposa Bypass and north of Stockton.

**20.COBCP: Sutter County Feasibility Study.** The Governor requests \$1.9 million (\$1 million Proposition 1E; and \$861,000 reimbursement authority) to investigate measures to improve the level of flood protection for the Yuba City Basin from a 100-year event to the maximum level feasible.

**21.COBCP: Land Acquisitions for Mitigation Bank(s) to Support Delta Levee Repairs.** The Governor requests \$1 million (Prop 84) to acquire approximately 100-150 acres of land in the Delta where habitat could be restored to provide mitigation for needed levee repairs in the Delta.

**22.COBCP: Reappropriate and/or Extend Liquidation Period for Various Capital Outlay Projects.** The Governor requests reappropriation and/or extension of the liquidation period for the follow capital outlay projects:

- a. Franks Tract Pilot Project
- b. Marysville/Yuba Levee Reconstruction
- c. 1997 Flood Damage Repair Projects
- d. West Sacramento Project
- e. Mid-Valley Levee Reconstruction
- f. Magpie Creek
- g. 1997 Flood Damage Repair Projects — San Joaquin Valley
- h. Yuba River Basin Project
- i. South Sacramento County Streams
- j. American River Watershed – Folsom Dam Raise Project
- k. American River Watershed – Folsom Dam Raise Project, Bridge Element
- l. Sutter Bypass Pumping Plants Control systems
- m. Sutter Bypass East Water Control Structures

**23.COBCP: Feather River Early Implementation Program Project.** The Governor requests \$9.6 million (Prop 1E) to support two existing positions for the state cost-share

funding for the design and environmental review of the Sutter Buttes Flood Control Agency's Feather River Levee Strengthening Early Implementation Program Project.

**24.COBCP: Sutter Bypass East Borrow Canal Water Control Structures Project.**

The Governor requests \$1.5 million (Prop 1E) to support 9.9 existing positions to complete the replacement of two hydraulic control structures on the East Borrow Canal of the Sutter Bypass.

**25.COBCP: Terminus Dam—Lake Kaweah.** The Governor requests \$1.4 million (Prop 1E) and \$200,000 (reimbursement authority) to support 2.5 existing positions to continue the Terminus Dam, Lake Kaweah Enlargement Project.

**Staff Recommendation (for Vote-Only Items 1-25):** APPROVE Items 1-25 as proposed.

**Action: Approved Items 1 and 4-25 on a 3-0 vote.  
Approved Items 2 and 3 on a 2-1 vote (Cogdill).**

**ITEMS PROPOSED FOR DISCUSSION**

**1. BCP: Create Flood Emergency Fund (BBL).** The Governor requests a shift of \$1 million in baseline GF to a new Emergency Fund (“E-Fund”) for exclusive use in responding to imminent flood threats with duration of no more than seven days. The Administration would be provided authority to redirect the existing GF support for flood management (currently totaling \$40 million GF). The Director of DWR could access this new fund, at his or her discretion, to support emergency response activities. Proposed budget bill language (BBL) would further allow the DOF to immediately transfer additional funds (GF) to the E-Fund without legislative notification whenever the \$1 million appropriation was exhausted.

**Staff Comments.** This item was previously heard on April 22 and held open to provide the DWR with more time to work with legislative staff to develop a modified proposal that would address LAO and staff concerns. Specifically, the Committee asked the Administration to: (1) more clearly define the purposes for which the E-Fund could be used; and (2) provide the Legislature with adequate fiscal oversight to ensure funds are used appropriately.

In the interim, the Administration has demonstrated a willingness to work with the Legislature to refine this proposal. Currently the DWR has agreed to report any E-Fund expenditure to the Joint Legislative Budget Committee within 30 days. Additionally, the DWR has agreed to specify in Budget Bill Language (BBL) that E-Fund monies are only to be expended for flood events that are consistent with the criteria identified in the department’s internal “Water Resources Engineering Memorandum Process.” Staff notes that this memorandum has not been finalized by the DWR (and any approval of the E-Fund request would need to be made contingent upon legislative review of the final version); however, the following are examples of the criteria to be included:

- High water conditions are forecasted within the next five days, flood stage is forecasted to occur at one or more locations, and the Flood Operations Director determines that an imminent flood risk exists (imminent meaning potential system failure within five days).
- Hydraulic models suggest that one or more levees will be over-topped or that water surface elevations will exceed flood stage for three or more days.
- Inspection(s) finds that water flow through a levee is carrying sediment.
- An inspection finds active erosion of a levee or flood control structure.
- An inspection of a levee or flood control structure, performed at the request of an Operational Area (County) or Levee Maintaining Agency, finds conditions represent an imminent threat to the levee or structure.
- An inspection by a Geotechnical Engineer or a Flood Fight Specialist finds that levee conditions require immediate repair to stabilize the levee section and prevent failure.

Finally, the DWR has agreed to include BBL to require that the funds be spent only during an event, defined by the above memorandum process, for a period not to exceed seven days. While staff agrees that the period of time during which the Director may authorize E-Fund expenditures should be limited, seven days still seems too long. If the E-Fund is needed, in part, because response to impending flood emergencies should not be unnecessarily delayed by the day or two that it might take to get approval for release of emergency (or pre-emergency funds) from a higher authority (e.g., the Governor, or the Legislature), then the Director's discretion to spend funds beyond this initial period of time (perhaps as long as three days) should be limited. After that point in time, unless the Administration can make a very compelling reason why it should not, the responsibility for authorizing additional expenditure of taxpayer money should rest with elected officials (either the Governor or the Legislature).

At this time, staff believes a mutually acceptable compromise with the Administration on the E-Fund is still possible, but the Committee may wish to provide additional direction to staff and the LAO in fashioning a final proposal for adoption at the May 24 hearing.

**Staff Recommendation:** Continue to HOLD OPEN.

**Action: Held open. The Chair noted overall satisfaction with the direction of the current compromise, but requested staff to work with the Administration to develop language specifying that the Governor's approval would be needed to expend E-Fund after the initial (3-4 days, approximately) of a pre-emergency action.**

**2. Davis-Dolwig Act—State Water Project Facilities Fish and Wildlife Enhancement and Recreation (TBL).** Similar to last year, the Governor has proposed to provide ongoing funding for State Water Project recreation costs, and various changes to existing statute (the Davis-Dolwig Act).

**Davis-Dolwig Act.** Chapter 867, Statutes of 1961 (AB 261, Davis), also known as the Davis-Dolwig Act, states the broad intent of the Legislature that State Water Project (SWP) facilities be constructed “in a manner consistent with the full utilization of their potential for the enhancement of fish and wildlife and to meet recreational needs.” The DWR is charged with implementing the act as part of planning for construction of SWP facilities. The Davis-Dolwig Act does not provide criteria specifying what kinds of recreation facilities or fish and wildlife enhancements are to be developed, nor does it require legislative review or approval of such facilities or enhancements.

**DWR has Authority to Determine Cost-Share.** The DWR determines what share of the costs of SWP facilities relate to fish and wildlife enhancements and recreation and are Davis-Dolwig costs not subject to reimbursement by state water contractors. In practice, most Davis-Dolwig costs are related to recreation. Most fish and wildlife costs are classified as being related to “preservation” of these species, rather than the “enhancement” of fish and wildlife, and therefore are not usually attributed to Davis-Dolwig.

There are two primary costs under the Davis-Dolwig Act. First is the capital cost of the creation of recreation facilities when the SWP was constructed (such as the purchase of additional land for hiking trails and camping). The second is an allocation to recreation of the total annual budget of the overall SWP, based on an assessment of each facility’s value as a recreational asset. This is an indirect form of cost allocation, whereby a portion of the operation and capital cost at every SWP facility is allocated to recreation. These indirect recreation-related costs, on a statewide basis, average about three percent for operations and six percent for capital spending.

**General Fund Role in Davis-Dolwig Act.** The Davis-Dolwig Act states that the DWR is not to include costs of fish and wildlife enhancements and recreation in charges levied on the SWP contractors. The act states the intent of the Legislature that such costs be paid for by an annual appropriation from the General Fund (GF). The act, however, did not actually appropriate any GF monies to pay for Davis-Dolwig costs.

Since 1961, the DWR has allocated over \$464 million of SWP costs to Davis-Dolwig. Of this amount, \$107 million has been paid from a combination of tidelands oil revenue (\$90 million) and the GF (\$17 million). A further \$202 million in Davis-Dolwig costs fronted by SWP contractors was offset with monies owed by them to the state, which had fronted the costs for SWP construction projects. The remaining \$155 million allocated by DWR for Davis-Dolwig recreation costs has been paid for, on an interim basis, by SWP contractors.

**Governor's Budget.** The Governor requests an augmentation of \$15.6 million (Proposition 84) and an ongoing continuous appropriation (contained in TBL) of \$7.5 million annually from the Harbors and Watercraft Revolving Fund to pay for benefits to public recreation and fish and wildlife enhancements (R/F&WE) that are provided to the public as a result of the SWP. Additionally, the proposed TBL would clarify that, because the State Constitution prohibits the Legislature from creating certain debts or liabilities for future Legislatures without voter approval, if there is no appropriation in a certain budget year for R/F&WE costs, the State does not carry an obligation to repay those costs in future years.

**LAO Recommendation.** Similar to last year, the LAO recommends that the Legislature deny the request for Davis-Dolwig funding in the budget year and reject the proposed statutory change to provide an ongoing appropriation from the Harbors and Watercraft Revolving Fund to pay Davis-Dolwig costs. The LAO further recommends that the Legislature carefully evaluate the policy and legal implications for the state before adopting the administration's proposal to modify state law to declare that no historical state funding obligation exists for Davis-Dolwig costs. To this effect, the LAO makes a series of recommendations:

- The LAO recommends that Davis-Dolwig be amended to specify that only costs related to construction of recreation facilities at new SWP facilities are to be paid for by the state under Davis-Dolwig. The LAO advises the Legislature to specify that there is to be no allocation of total SWP costs to recreation. The recreation cost component of SWP capital projects would be removed, presumably allowing revenue bonds to be sold and construction to continue on pending SWP projects.
- The LAO recommends that the Legislature specify that SWP is no longer to incur operational and maintenance costs for state recreation areas, or use SWP funds for these purposes. These costs should be considered for funding alongside any other budget requests for the state park system, and be subject to legislative review and approval in the annual budget process. In particular, the LAO thinks that DWR should not incur any further costs related to the operation of the State Recreation Area at Lake Perris.
- The LAO also recommends that the Legislature specify that any SWP recreation facilities that are to be developed or improved under a regulatory requirement shall not be considered eligible state costs under Davis-Dolwig. This approach is consistent with legislative policy on how regulatory compliance costs are to be funded. If this recreation spending is required by a federal, state, or local regulatory agency as a condition of approving the construction or operation of an SWP facility, these regulatory costs should be considered a project cost and paid for by SWP contractors.

**Staff Comments.** Staff generally agrees with the concerns raised by the LAO, and notes that one of the fundamental problems with Davis-Dolwig and the funding of SWP benefits to public recreation is that the Legislature is being requested to appropriate funds for activities over which it has no input (because the SWP is "off-budget"). While there remains staunch opposition (from the Administration and others) to bringing the

SWP “on-budget” and subjecting its expenditures to the same review and oversight as most of the rest of the state budget, the Legislature will likely resist efforts to force payments for expenditures over which it has no input or oversight (e.g., dam construction at Lake Perris).

In the meantime, the DWR has raised concern about its continued ability to secure revenue bond financing of capital projects. The department needs to show prospective investors a secure revenue stream to back its debt obligations, and, in the absence of a state appropriation for the Davis-Dolwig share of costs, limited funds from other sources are available to fill in the financing formula. To date, the DWR has used "fourth priority" revenues to meet this need; however, the department notes concern that these funds are diminishing. Therefore, the Committee may wish the DWR to provide an update regarding the ongoing availability of these funds and the implications for revenue-bond financing in FY 2010-11.

**Staff Recommendation:** Consistent with the Legislature’s actions last year, again DENY the request (both the TBL and the related capital outlay proposal).

***Action: Denied the TBL and capital outlay proposal on a 3-0 vote.***

**3. BCP: Agricultural Drainage Reduction.** The Lower San Joaquin River (LSJR) is listed as an impaired water body under the California Clean Water Act, due in part to agricultural drainage that has resulted in elevated concentrations of salt, boron, and trace elements (arsenic, chromium, mercury, selenium, and molybdenum). This has led the local and state water boards to set objectives to improve water quality, and prompted creative efforts to reduce the deleterious impacts of agricultural drainage.

**Governor's Budget.** The Governor requests \$1 million (\$394,000 for 1.7 positions and 0.5 temporary help; and \$606,000 for grants from Proposition 84) in FY 2010-11 to begin implementation of a new five-year program to provide grants for projects that eliminate discharges of agricultural subsurface drainage water from the west side of the San Joaquin Valley into the San Joaquin River (SJR). The resources requested would develop their work plan, prepare, solicit, and evaluate the Request for Proposal. The total expected cost for this program is expected to be \$38.6 million over a five-year period.

Eligible grant entities will be farmers that drain into the west side of the SJR and types of projects will be divided into four categories:

- **Conservation measures:** Projects that reduce the volume of subsurface drainage effluent while at the same time saving water for other beneficial uses. These measures include source reduction, shallow groundwater table management, and groundwater management.
- **Reuse Measures:** Projects that reduce the amount of subsurface drainage effluent while at the same time making additional water available for irrigation and other beneficial purposes. This will involve measuring comprise reuse in salt tolerant crops, regional integrated drainage management systems, reuse in wildlife habitats, wetlands, and pastures.
- **Treatment Measures:** Physical, chemical, and/or biological processes that remove salts and/or harmful constituents from subsurface agricultural drainage water prior to discharging into the SJR.
- **Disposal Measures:** Enhanced evaporation systems that help to store the salts from concentrated agricultural subsurface drainage water.

**Staff Comments.** This item was on the April 22 agenda, but was not heard due to time constraints. This is a new program and the resources requested would generally be for developing local assistance program criteria to address West Side agricultural drainage. The DWR has requested \$606,000 in local assistance funds for the first year of this program with the funding level increasing annually to \$15.3 million in FY 2014-15 (for a total of \$36.6 million).

The proposed activities are consistent with the following bond section:

*PRC 70529(a). Projects that reduce or eliminate discharges of salt, dissolved organic carbon, pesticides, pathogens and other pollutants to the San Joaquin River. Not less than forty million (\$40,000,000) shall be available to implement projects to reduce or eliminate discharges of subsurface agricultural drain water from the west side of the San Joaquin Valley for the purpose of improving water quality in the San Joaquin River and the Delta.*

Notwithstanding the above authorization, however, staff notes concern that the state is footing the bill for activities for which the federal government is really responsible. The federal Central Valley Project delivers water to most of the farmers from whose land the drainage is occurring, and Congress has agreed decades ago to build a drainage system for the area. However, the project, which would have included a 188-mile concrete-lined canal designed to convey saline drainage water to the Delta, became mired in controversy and resulted only in an 85-mile canal “portion” that discharged into the Kesterson reservoir. The discovery of bird deformities due to high concentrations of selenium led to the shutdown of the reservoir, and, subsequently, to the plan to reroute drainage flows into the SJR (and, ultimately, to the problem driving this BCP). The Committee may wish to ask the DWR for an update on the role (or the lack thereof) on the part of the federal government to solve these ongoing drainage problems.

Additionally, the Committee may want to ask the department: (1) how it came up with the various grant categories sited above and the \$606,000 level of initial program funding; and (2) when it anticipates that it will be ready to begin awarding grants in the budget year. Because this is a new program, staff recommends that the Committee approve the staffing as ongoing but only approve the local assistance funds for one year in order to give the Legislature an opportunity to assess the program design in next year’s budget process before approving ongoing funding.

**Staff Recommendation:** APPROVE the request, but with local assistance for only one-year so that the program may be reviewed and assessed next year before ongoing funding is approved.

**Action: Approved on a 2-0 vote (Simitian absent).**

**4. Staff Issue: Williams Settlement—San Francisco Turbine Sales.** Unanticipated revenues to a state fund may be available to assist in addressing the current GF shortfall.

**Background.** Following the 2001 “energy crisis,” the state settled claims against several energy corporations, enabling it to renegotiate long-term energy contracts (at lower prices) and obtain cash and assets. As part of one of these agreements, the Williams Settlement (with Williams Energy), the state received \$101 million in cash and \$90 million in assets, including six gas-fired turbine generators that the Attorney General allocated to two local districts (four of the turbines were allocated to the San Francisco Public Utilities Commission and two to the Kings River Conservation District for use in the Fresno area). It was anticipated that the turbines would be used to build new “peaker” plants to provide energy generation to meet peak load requirements. However, by the terms of the 2003 Williams Implementation Agreement, if the turbines were ever to be sold, then the state was to receive a portion of the assets.

**Staff Comments.** As previously discussed on April 29, the City of San Francisco recently sold at public auction the four turbines it received from the state in the Williams Settlement. The sale grossed somewhere in excess of \$40 million. By the terms of the Implementation Agreement, San Francisco is entitled to \$2.5 million from the sale of each turbine (\$10 million total), plus some additional amount (including five percent of any amount above \$2.5 million per turbine). Meanwhile, any remaining proceeds are to be deposited into the Electric Power Fund (Fund), which is continuously appropriated to the DWR. Based on conversations with the DWR, staff has learned that approximately \$21 million has already been deposited into the Fund from the sale, and the DWR is currently in talks with the City of San Francisco about the disposition of roughly \$8 million in remaining sale proceeds. DWR staff have indicated that it is the department’s intent to use the sale proceeds deposited to the Fund to effectively credit ratepayers via the DWR’s next Revenue Requirement submittal to the California Public Utilities Commission.

On April 29, the Committee heard testimony from Legislative Counsel that, in its view, the state’s share of proceeds from the sale of the San Francisco turbines are the revenues from litigation and are therefore state funds which the Legislature may dispose of as it pleases. As such, given the state’s ongoing fiscal crisis, staff recommends the Committee adopt TBL to transfer the state’s share of the turbine-sale proceeds (including \$21 million currently in the Electric Power Fund and any additional balance from the sale of the turbines that is deposited into the fund) to the GF.

**Staff Recommendation:** ADOPT placeholder TBL as described in the staff comments, and preliminarily score \$21 million to the benefit of the GF. Additionally, in follow-up to earlier discussions with the department, DIRECT the DWR not to expend any proceeds received from the sale of the San Francisco turbines until the final disposition of these funds has been determined via the conclusion of the 2010-11 budget process (i.e., by the enactment of the 2010-11 Budget and accompanying trailer bills).

**Action: Approved on a 2-1 vote (Cogdill voting no; and Simitian adding on upon his return).**

**5. Staff Issue: Quantification Settlement Agreement (QSA)—Loan Guarantee for Imperial Irrigation District (IID).** The IID has requested the state—via the California Infrastructure and Economic Development Bank (I-Bank)—provide a loan guarantee in order to insure that it can issue revenue bonds required to finance water conservation measures designed to ensure that California continues to receive the maximum amount of water from the Colorado River.

### **The QSA**

As a result of a court order, California's use of Colorado River water will eventually be limited to 4.4 million acre-feet annually, or up to 800,000 acre-feet less than California's historical use. In October 2003, a number of historical users of Colorado River water, including IID, the San Diego County Water Authority (SDCWA), the Coachella Valley Water District (CVWD), and the Metropolitan Water District of Southern California (MWD) reached an agreement—the QSA—in order to ensure that California can implement water transfers and supply programs that will allow California to live within the state's 4.4 million acre-foot basic annual apportionment of Colorado River water.

Among the major features of the QSA were the following: (1) voluntary water transfers from the IID to SDCWA, CVWD, and MWD ramping up to hundreds of thousands of acre-feet annually over time; and (2) various conservation measures (e.g., lining of the All-American Canal). In fact, in an illustration of how finely balanced is the QSA, various water transfers and water conservation projects are inextricably linked—the water is only available by way of conservation (e.g., preventing thousands of precious acre-feet from seeping into the bed of an earthen canal by lining the canal with concrete), and the conservation projects require revenues from the transfers to support bond financing. Due to the potential risk of reduced water-transfer revenues stemming from early termination clauses in the QSA, an important part of the agreement from the IID's standpoint was the commitment on the part of the state to provide IID with a loan guarantee—through the I-Bank—for its water conservation efforts.

### **I-Bank Requirements**

The I-Bank is authorized to finance public infrastructure and private development that promotes economic growth, revitalizes communities, and enhances the quality of life for Californians. In the case of the IID, the I-Bank was approached in early 2003 to guarantee up to \$150 million in IID water conservation-project debt. Later that year, the I-Bank approved a Preliminary Loan Guarantee Commitment for IID and transferred \$20 million from the I-Bank fund to a "Guarantee Trust Account" established at the I-Bank for the purpose of paying IID water conservation-project debt obligations, as needed (e.g., if anticipated water transfer revenues failed to meet the IID's debt obligations).

Under existing law, the I-Bank is required to maintain a reserve account requirement—as established by the Legislature—such that if the amount in the IID Guarantee Trust Account falls below the reserve account requirement, then the I-Bank would report a deficiency to the Legislature and request an appropriation to fulfill the reserve account

requirement. In the case of the IID's 2003 Preliminary Loan Guarantee Commitment, a reserve account requirement was never set and the preliminary commitment expired on December 31, 2009.

**Staff Comments.** It has come to staff's attention that the I-Bank has extended the IID's preliminary loan guarantee commitment for one additional year, and the IID and the I-Bank have agreed to a proposal that would identify the \$20 million (now \$24 million due to the accrual of interest) in the Guarantee Trust Account as satisfying the reserve account requirement. This would allow the loan guarantee to be finalized and the IID to begin selling revenue bonds to support construction of various water conservation projects. As noted above, the I-Bank would alert the Legislature and request an appropriation in the event the IID transfer revenues were insufficient to meet its debt service requirements and the Guarantee Trust Account was tapped.

Staff notes that, according to the IID, the funds in the Guarantee Trust Account are sufficient to meet several years of anticipated debt service payments. Therefore, should the I-Bank guarantee ever be triggered, the IID indicates it would have ample time to renegotiate contracts such that an additional appropriation would likely be unnecessary (as it would be able to re-assume its debt obligations before the Guarantee Trust Account was exhausted). In any case, staff notes that the Legislature would have the option of denying any request for a supplemental appropriation, the bond purchasers having been fully aware of this down-side risk to their investment from the outset.

**Staff Recommendation:** APPROVE TBL to identify the amount in the IID Guarantee Trust Account as meeting the reserve account requirement for the obligations of the IID, up to \$150 million, to be guaranteed by the I-Bank; and further specify that the I-Bank guarantee would be triggered, upon appropriation by the Legislature, by a reduction or elimination of transfer revenues under the QSA (and related agreements) between the IID and SDCWD.

**Action: Approved on a 2-0 vote (Simitian absent).**

## 3900 Air Resources Board

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 responsible primarily 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 includes \$601.9 million (no GF) for support of the ARB in FY 2010-11. This is a 30 percent decrease over current year expenditures due primarily to a reduction in Proposition 1B (Transportation Bond) expenditures.

### ***ITEM PROPOSED FOR DISCUSSION***

#### **BCP-1: Support Additional Rulemaking Requirements (Implement AB 1085).**

**Background.** Chapter 384, Statutes of 2009 (AB 1085, Mendoza) requires the ARB to make available to the public—prior to the start of a regulatory 45-day public comment period—any technical, theoretical, or empirical study, report, or similar document related to, but not limited to, air emissions, public health impacts, and economic impacts used in developing any proposed regulation.

**Governor's Budget.** The Governor requests four positions and \$559,000 (special funds) to support the ARB's new AB 1085 rulemaking responsibilities.

**Staff Comments.** This item was previously heard on March 18 and held open in order for the ARB to more clearly articulate the justification for these resources (which are greater than the legislative fiscal analysis produced when the bill was heard in Appropriations Committee). Based on that analysis, implementation of AB 1085 was expected to cost less than \$100,000. However, as previously noted, the ARB believes that AB 1085, particularly in view of the intent language contained in the bill, requires substantially more information than has historically been included in the Initial Statement of Reasons that ordinarily accompanies a package of proposed regulations.

Staff notes that the codified portion of AB 1085 essentially requires the ARB to provide the same level of public disclosure of information as is already mandated under the Administrative Procedures Act. However, the ARB reads the AB 1085 intent language as setting a much higher bar. That language is as follows:

*It is the intent of the Legislature in enacting this act to ensure that the public is provided sufficient information **so that interested parties may easily and without undue effort reproduce and verify all aspects of state board staff***

*analysis, related to, but not limited to, air emissions, public health impacts, and economic impacts, performed during the development of a regulation [emphasis added].*

Staff notes that, while the above language certainly creates unnecessary confusion insofar as it appears to set a higher bar for public disclosure of information than the codified portions of AB 1085, based on conversations with Legislative Counsel, the intent language would not be considered by a court of law unless the underlying code were deemed ambiguous. Since the codified requirements of AB 1085 are, by reference, essentially those of the long-standing Administrative Procedures Act (Government Code 11346, et seq.), staff believes that AB 1085 is largely unambiguous and that the above intent language on which the ARB relies to justify its proposal is immaterial. Furthermore, by rejecting the bulk of this request, the Committee can reaffirm the true intent of the Legislature in enacting AB 1085—to require the ARB to provide specified information *before* the comment period for any regulation proposed for adoption. Should the Committee wish to go a step further, then staff would recommend adopting amendments to the AB 1086 intent language in order to clarify the matter once and for all.

**Staff Recommendation:** Consistent with the legislative fiscal analysis of AB 1085, APPROVE one position and \$100,000, and DENY the remainder of the request.

**Action: Approved on a 2-0 vote (Simitian absent). The Committee requested staff and LAO to work with the ARB and the author's office (Mendoza) to explore the possibility of adopting TBL to clarify the intent of AB 1085. [Staff requests the ARB make contact with Mendoza's office regarding the author's receptivity to such an amendment, and then advise staff on the outcome of that discussion.]**

## 3360 California Energy Commission

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

**Governor's Budget.** The Governor's Budget includes \$420 million (no GF) for support of the CEC, a decrease of approximately \$366 million, due primarily to reduced federal fund expenditures (after a one-time influx of ARRA dollars in FY 2009-10).

### *ITEMS PROPOSED FOR VOTE-ONLY*

**1. FL: Augment Siting Program and Renewable Energy Development Support (TBL).** The Governor requests nine positions and a two-year total of \$8.7 million—\$6.2 million in FY 2010-11—from the Energy Facility License and Compliance Fund to process electricity generation siting applications and to ensure the more rapid development of the Desert Renewable Energy Conservation Plan (DRECP). Of the requested amount, \$5.2 million in FY 2010-11 and \$3.8 million in FY 2011-12 would go to continued funding of a peak siting workload contract (valued at \$6.2 million in the current fiscal year).

Additionally, the Governor requests trailer bill language (TBL) to increase existing licensing fees and expand them to include renewable generation. The proposed increases include raising: (1) the standard fee from \$100,000 to \$250,000; 2) the per-megawatt fee from \$250 to \$500; and 3) the fee cap from \$350,000 to \$750,000.

**Staff Comments.** This proposal was previously heard on April 29 and held open in order for the CEC to provide the Committee with assurances that the Siting Division has adequate managerial/supervisory staff to properly oversee contractors and insure against "bottlenecks" in the siting process. Additionally, the Committee raised the question as to whether the proposed elimination of the fee-waiver for renewable projects would create a disincentive to developers of those projects (thus, inhibiting the state's attainment of its Renewable Portfolio Standard goals).

In the first instance, the CEC indicates that the additional supervisory positions approved in the Budget Act of 2009, together with the Deputy Division Chief requested as part of this proposal, are sufficient to oversee all contract work and provide for timely authorization and sign-off within the certification process.

In the second instance, the LAO points out that the proposed fee increase is de minimis relative to the cost of most renewable projects, and therefore likely plays a comparatively small role in the decision to develop in the state. For example, the cost of Ivanpah is estimated at \$1.2 billion. The CEC estimated that the siting fee for the

project would have been \$235,000, which amounts to .02% of project costs. While anecdotal, developers have remarked that the greater cost burden is the length of time it takes to get their projects sited. If they were able to get projects sited in a more timely fashion then they would begin receiving a return on their investment more quickly.

Staff has no further concerns with this request.

**2. BCP-3: Energy Efficiency Program for Existing Residential and Nonresidential Buildings (Implement AB 758).** The Governor requests ten permanent positions and \$1.8 million (federal funds), including \$500,000 for contract expenses, to implement AB 758. The proposed federal funds would come from American Reinvestment and Recovery Act (ARRA) dollars for the State Energy Program (SEP) in FY 2010-11, but costs would begin to shift to the Energy Resources Program Account (ERPA) in FY 2011-12, and would be entirely borne by the ERPA beginning in FY 2012-13.

Chapter 470, Statutes of 2009 [AB 758, Skinner and Bass], requires the CEC to develop and implement (through regulations) a comprehensive program to achieve greater energy savings in existing residential and nonresidential building stock, including energy assessments, cost-effective energy efficiency improvements, financing options, public outreach, and education efforts.

**Staff Comments.** This item was originally heard on April 29 and held open in order to seek a Legislative Counsel opinion on the legality of funding AB 758 from state funds in future years (as proposed by the Governor). Based on Counsel's verbal opinion that such funding is indeed allowable, staff notes no concerns with the request (which is consistent with the legislative fiscal analysis of the bill).

**Staff Recommendation (for Vote-Only Items 1-2):** APPROVE Items 1-2 as proposed.

**Action: Approved on a 2-1 vote (Cogdill voting no; and Simitian adding on upon his return).**

**ITEMS PROPOSED FOR DISCUSSION**

**1. BCP-2: Distribution System Infrastructure Analysis to Support Integration and Use of Low Carbon Resources.** The Governor requests the 2 two-year limited-term positions and \$282,000 (Energy Resources Program Account—ERPA) originally authorized to support adoption of guidelines pursuant to Chapter 713, Statutes of 2007 [AB 1613, Blakeslee], the Waste Heat and Carbon Reduction Act, be made permanent. The positions would conduct ongoing oversight and management of the CHP program, but would also address distributed generation (DG) issues associated with developing a “smart grid” (e.g., determining where on the distribution system new generation provides value).

**Staff Comments.** This item was previously heard on April 29 and held open in order to provide the CEC with more time to clarify the justification for this request. In the interim, in addition to maintenance of program guidelines, the CEC has made a fairly compelling argument that ongoing monitoring and compliance verification of AB 1613 will likely be necessary (particularly in view of resistance to the measure from the Investor-Owned Utilities—IOUs). Therefore, staff is prepared to recommend approval of one of the requested positions.

However, with respect to the CEC’s stated intention to use the other position to model and plan how to best optimize the use of additional DG, the Legislature, as previously noted, has not directed the CEC to carry out these activities, and staff finds insufficient justification to implement these activities through the budget at this time.

**Staff Recommendation:** APPROVE one position (Elec Gen Sys Spec II). DENY one position (Elec Gen Sys Spec I).

**Action: Approved the staff recommendation on a 2-0 vote (Simitian absent).**

**2. BCP-4: Smart Grid Development (Implement SB 17).** The Governor requests two permanent positions and \$287,000 (ERPA), to provide the California Public Utilities Commission with consultation on defining and developing a smart grid in California, consistent with Chapter 327, Statutes of 2009 [SB 17, Padilla].

**Staff Comments.** This item was previously heard on April 29 and held open in order to provide the CEC additional opportunity to justify its request, which is significantly higher than the Senate's own SB 17 cost estimate of \$100,000. However, based on follow-up conversations it is not evident that the previous Senate fiscal analysis overlooked any relevant facts, and, therefore, in support of the integrity of the policy-bill process (including the fiscal analysis of the Appropriations Committee), staff recommends approval of only \$100,000 and one position.

**Staff Recommendation:** APPROVE one position. DENY one position.

**Action: Approved the staff recommendation on a 2-0 vote (Simitian absent).**

**3. Staff Issue: Biosolids Renewable Energy Project.** Biosolids are the end product of the processing of sewage and are often managed by transporting them to counties in- and out-of-state that allow their use for landfill cover or soil amendment. Due to health and safety concerns, local ordinances have reduced the number of counties and facilities that offer these management options, creating a statewide need to address a growing biosolid management problem.

As options for land-based management of biosolids decline due to local restrictions, sanitation districts are looking for new options for sustainable management of biosolids. In the San Francisco Bay Area, a coalition of 16 sanitation districts have proposed to develop a facility that would process biosolids waste into a state that can be easily converted into energy through combustion. The goals of this project, called the San Francisco Bay Area Biosolids to Energy (BAB2E) Project, are to: 1) find a sustainable management practice for biosolids; 2) generate enough energy to run the sanitation operations in the 16 districts and supply excess energy to the grid; and, 3) design the project in a way that makes it flexible enough to accept other types of biomass feed-stock.

#### **Public Interest Energy Research Program**

The California Energy Commission's Public Interest Energy Research (PIER) Program supports energy research, development, and demonstration (RD&D) projects that will help improve the quality of life in California by bringing environmentally safe, affordable and reliable energy services and products to the marketplace.

The PIER Program annually awards up to \$62 million to conduct the most promising public interest energy research by partnering with RD&D organizations including individuals, businesses, utilities, and public or private research institutions. Funding for this program is awarded via a stakeholder driven process.

Currently, research and development funding allocated to the development of biomass is allocated primarily to the following three biomass sectors: Landfill Gas To Energy; Anaerobic Digestion; and Ethanol/Electricity from Biomass. At the hearing, the CEC should be prepared to discuss with the Committee how traditional biomass as well as biosolid biomass combustion, fits into the Commission's renewable energy portfolio of research and development.

**Staff Comments.** Staff is aware that the coalition promoting BAB2E have been requesting \$1 million in PIER funding for project development work, site selection studies, and final project design and construction for this demonstration project. This request is made under the notion that there is an increasing statewide need for sustainable biomass management and this project and this pilot could serve as a model for other regions. The Committee may want to consider whether this is an appropriate allocation of PIER funds

**Staff Recommendation:** None at this time.

***Action: Held open until May 24. As acting Chair, Senator Lowenthal indicated preference for allowing this request to proceed through the existing PIER review process, but requested that the CEC and the BAB2E discuss what project details could be provided in the very near-term in order to enable the CEC to assess for the Committee whether or not the project had a fair shot of obtaining funding if it re-applied through the PIER process.***

## 8660 California Public Utilities Commission

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

**Governor's Budget.** The Governor's Budget includes \$1.4 billion (no GF) for support of the PUC, an increase of roughly \$200 million over current year expenditures, due primarily to an increase in the Universal Lifeline Telephone Service Trust Administrative Committee Fund.

### *ITEMS PROPOSED FOR VOTE-ONLY*

**1. BCP-13: Comprehensive Energy Efficiency Residential and Non-Residential Programs (Implement AB 758).** The Governor requests one position and \$112,000 (PUCURA) to implement Chapter 470, Statutes of 2009 [AB 758, Skinner and Bass]. AB 758 requires the CEC, in consultation with the PUC, to develop and implement (through regulations) a comprehensive program to achieve greater energy savings in existing residential and nonresidential building stock, including energy assessments, cost-effective energy efficiency improvements, financing options, public outreach, and education efforts.

**Staff Comments.** This item was previously held open pending resolution of concerns about whether use of state funds is allowable under AB 758. Based on a verbal opinion from Legislative Counsel that state funds are indeed allowable, staff has no further concerns with this proposal.

**Staff Recommendation:** APPROVE the Vote-Only item.

**Action:** *Approved on a 2-1 vote (Cogdill).*

**ITEM PROPOSED FOR DISCUSSION**

**BCP-3: Provide Staffing to Evaluate Advanced Energy Storage (AES).** The Governor requests three positions and \$310,000 (Public Utilities Commission Utilities Reimbursement Account) to evaluate the cost effective use of AES in support of various California policy goals, but primarily the Renewable Portfolio Standard (RPS) and AB 32.

**Staff Comments.** This item was previously heard on April 29 and held open due to uncertainties about AES technology and the state's need for storage capacity. In the interim, the PUC has provided the following response to the Committee's concerns and questions:

*The CPUC seeks to promote initial and early policy development around incorporating storage technologies into investor-owned utility procurement planning. Storage is likely to be increasingly important as a resource as more and more renewables are connected to the electricity grid, at either the transmission or distribution level, and we need to begin the planning process for incorporating this resource into IOU portfolios on a more standardized basis, similar to energy efficiency and renewables.*

*Currently, there are two projects being conducted by California IOUs that are funded by ARRA stimulus funds. The first is a 300 MW compressed air project by PG&E, funded at approximately \$50 million. The second is an 8 MW lithium ion battery project for wind integration by SCE, funded at approximately \$40 million. In addition, storage is an eligible application for small-scale projects under the Commission self-generation incentive program (SGIP). We expect to see more technologies applying for eligibility under SGIP in the near future.*

*Currently, there are policy activities and initiatives occurring at the California Independent System Operator, CEC, Federal Energy Regulatory Commission, and the federal Department of Energy. Storage is an emerging issue that has captured the attention of regulators at all levels, and there is a recognized need for policy development. Currently, the CPUC does not have any positions devoted to oversight and evaluation of storage as a resource.*

*The CPUC BCP had proposed 3 positions, to handle:*

- 1. Policy Development*
- 2. Procurement Oversight*
- 3. Interagency Coordination*

*If the Senate wishes to suggest a scaled-back effort, but allow the CPUC to move forward with some positions to begin to develop policies in this area, we would suggest removing the position dedicated to interagency coordination. Instead, for the startup phase, those liaison responsibilities could be handled*

*by the other two analysts with responsibility for policy development and procurement oversight. The first (policy) position would be mostly focused on designing the policy framework for IOU investment in storage, including designing the economic incentives, counting conventions, and the like, for storage. The second position would be more technical in nature, designed to be up-to-date on the most current technology developments, and to work with the utilities to target specific technologies that could provide benefits in their energy portfolios.*

*We also note that there is a current bill in the Assembly by Skinner that would create a storage portfolio standard requirement for California IOUs. If that bill were to pass in its current form, the CPUC would require closer to 15 positions to implement the program, because it is aggressive in scope and size and would require a level of effort similar to that expended currently to support the RPS program, the California Solar Initiative, or the energy efficiency programs.*

In follow-up to the above, the LAO has requested, but has not received (as of the time of this writing—a week later), additional clarification regarding the number and anticipated timing of the AES projects identified, and additional detail on the two proposed projects. As previously noted, this request appears premature, and the PUC has failed thus far to convincingly demonstrate otherwise. Therefore, staff continues to recommend denial of the request.

**Staff Recommendation.** DENY the request.

***Action: Held open. The Chair gave the PUC until May 24 hearing to respond to ongoing questions and concerns from LAO and staff. [Staff notes that all issues need to be fully resolved no later than COB May 21 in order to be considered for inclusion on the May 24 agenda.]***

## Appendix A – SGC Sustainable Communities Planning Grant Program Development Timeline

- **July 2009** – SGC Key Staff, representatives from each SGC Board member, inform the California Natural Resources Agency(CNRA) and Department of Conservation (DOC) that they will be the departments responsible for administering the SGC Sustainable Communities Urban Greening and the Sustainable Communities Planning Grant programs respectively.
- **Aug – Sept 2009** – DOC staff work with SGC key staff and CNRA staff to develop a shell of the guidelines, mainly the requirements from the bond, SB 732 and those that need to be included in all bond guidelines.
- **October 13, 2009** – SGC Board updated on the development of grant guidelines by John Amodio from the Department of Conservation. John was initially shepherding the development of the guidelines until he was moved into the new Department of Resources, Recycling and Recovery in January, 2010. Chelsea Haines worked alongside him until January and then took over his responsibilities. They both organized the Technical Advisory Committee(TAC) meetings where the guidelines were developed. Members of the TAC came from recommendations made by the SGC Key Staff who represent each of the board members, except for Bob Fisher. The members of this committee are:

Agency/Department	Representative
BTH: HCD - CalTrans -	Cathy Creswell Marilee Mortenson
CHHS: DPH	Jacquolyn Duerr
CALEMA	Julie Norris
OPR	Seth Litchney
Resources: DWR - DOC -	Christy Spector Bruce Gwynne
CEC	Bill Pfanner
CalEPA: SWRCB ARB	Barbara Evoy Terry Roberts
SGC Key Staff Reps: Resources CalEPA OPR	Luree Stetson Marian Ashe Anna Marie Young

- Also participating: John Amodio and Chelsea Haines DOC.
- **December 2, 2009** – Grant guidelines workshop with the SGC Board to hear public comments on the planning guidelines.
- **December 7, 2009** – Grant guidelines workshop with the SGC key staff and a board member (Bob Fisher) to hear public comments on the planning guidelines.
- **March 3, 2010** – Grant guidelines public meeting held by the SGC Key Staff and Board to receive comments on the draft guidelines.
- **March 17, 2010** – Planning Grant Guidelines Approved by the SGC Board.
- Workshops will be held throughout the state to educate potential applicants on the program, similar to how the Urban Greening program was introduced.
- Projects will be solicited during the summer and then evaluated by the TAC.
- Recommendations for funding will be brought before the SGC key staff and then before the SGC Board at a meeting this fall.