

Senator Lois Wolk, Chair
Senator Jim Nielsen
Senator Fran Pavley



Thursday, March 12, 2014
Upon Adjournment of Part A (Joint Oversight Hearing)
Hearing Room 112

Consultant: Catherine Freeman

Part B—OUTCOMES

Items Proposed for Discussion

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Resources—Environmental Protection—Energy—Transportation

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3960 Department of Toxic Substances Control

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

Governor's Budget. The Governor's budget includes \$208 million (including \$27 million General Fund) and 1,005 positions for support of the DTSC. This is a decrease of \$13 million under current year expenditures.

EXPENDITURES BY PROGRAM

| Program | Actual 2013-14* | Estimated 2014-15* | Proposed 2015-16* |
|--|--------------------|-----------------------|----------------------|
| Site Mitigation and Brownfields Reuse | \$103,004 | \$133,568 | \$117,342 |
| Hazardous Waste Management | 63,904 | 72,597 | 73,615 |
| Safer Consumer Products | 12,286 | 12,860 | 14,346 |
| State Certified Unified Program Agency | 1,760 | 2,572 | 2,820 |
| Total Expenditures (All Programs) | \$180,953 | \$221,596 | \$208,123 |

POSITIONS BY PROGRAM

| Program | Actual 2013-14 | Estimated 2014-15 | Proposed 2015-16 |
|--|-------------------|----------------------|---------------------|
| Site Mitigation and Brownfields Reuse | 297.0 | 341.5 | 341.5 |
| Hazardous Waste Management | 335.0 | 386.0 | 410.0 |
| Safer Consumer Products | 58.6 | 56.5 | 64.5 |
| State Certified Unified Program Agency | 10.8 | 14.7 | 14.7 |
| Administration | 178.5 | 174.9 | 174.9 |
| Total Positions (All Programs) | 879.9 | 973.6 | 1,005.6 |

Items Proposed for Vote-Only

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

Recommendation: Approve Item 1.

Vote: **HOLD OPEN**

Items Proposed for Discussion

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| Permitting Coordination and Backlog Support |
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Background. As discussed in Part A (Oversight) of this agenda, the department is responsible for regulating hazardous waste, pursuant according to California law, and administers the state's hazardous waste program, as authorized by the U.S. Environmental Protection Agency. Several divisions and offices within DTSC take a direct role in permitting coordination and support. These include:

- Enforcement Division
- Policy and Program Support Division
- Office of Planning and Environmental Analysis
- Office of Legal Counsel Office of Environmental Information Management

The 2014-15 final budget included the following approved proposals related to permitting and enforcement:

- \$1.6 million (Hazardous Waste Control Account [HWCA] and Toxic Substances Control Account), and 14 two-year, limited-term positions, to reduce a backlog of reimbursements owed to the department for hazardous waste clean-up activities. The Administration, at the time, estimated that this cost recovery backlog includes around \$26 million in unbilled or uncollected costs that are recoverable.
- \$1.2 million (HWCA), and eight, two-year limited-term positions, to address the hazardous waste permit renewal backlog and to update cost estimates associated with closing hazardous waste facilities in the future.
- \$1.3 million (HWCA) in one-time funding to rebuild the Hazardous Waste Tracking System, an information technology system used by the department to track the generation, transportation, and disposal of hazardous waste.
- \$699,000 (HWCA), and five three-year, limited-term positions, to implement the DTSC Permit Enhancement Work Plan. The plan identifies ten reform goals that will serve as a comprehensive roadmap for implementing a more effective, protective, timely, and equitable permitting system.

2015-16 Budget Proposal. The budget requests \$1.6 million (Hazardous Waste Control Account), and sixteen limited-term positions for two years, to address increased workloads in order to: (1) reduce the DTSC inventory of backlogged continued hazardous waste facility permit applications, and (2) streamline and enhance protections in the enforcement and permitting processes.

LAO Assessment of the 2014-15 Budget Proposals. According to the LAO, the Governor's proposals approved by the Legislature in 2014 addressed documented concerns and could allow the department to make progress toward resolving some key issues, including low rates of cost recovery, inconsistent hazardous waste tracking, and permitting backlogs.

The LAO also found that, while the Administration's proposals might be reasonable, they would not fully address the identified problems for the long run. For example, while two of these proposals address current backlogs, they rely on limited-term positions that will not address the underlying problems that caused the backlogs to form in the first place. In fact, the Administration does not anticipate that the permitting proposal will eliminate the entire backlog of permit renewals. Consequently, it is unclear whether the backlogs will begin to grow in the future, after the limited-term positions expire. The LAO notes, however, that the department reports that it is taking additional actions—such as internal administrative and process changes—that are aimed at addressing some of these problems.

Staff Comments. The proposed positions fit into the department's plans to improve planning and permitting. However, there seems to be a lack of a long-term and public plan to address concerns within the department. Over the past few years, the department has submitted multiple proposals that include limited-term positions. The justification for the limited-term nature of the positions was the continued work on the "fixing the foundation" effort to improve internal and structural issues within the department. However, at this time, it seems reasonable that the Legislature should have before it a permanent plan for reducing permit backlogs.

Staff Recommendation:

Vote: **HOLD OPEN**

Exide 2014 Enforcement Order

Background. Exide Technologies is located in the City of Vernon, about five miles southeast of downtown Los Angeles. The facility occupies 15 acres in a heavy industrial region, with surrounding residential areas about $\frac{3}{4}$ miles to the north and south. Exide operations include recycling lead-bearing scrap materials obtained from pent lead-acid batteries to produce marketable lead ingots.

The recycling process requires authorization from DTSC, which was granted in 1981 (by a department within the former California Department of Health Services, now residing in DTSC). The authorization, or “Interim Status,” allowed the facility to operate pending approval or denial of a full permit to ensure operations protected public health and the environment. Other agencies, such as local air quality districts, and local jurisdictions, also impose requirements upon the facility.

No change to the permit was recorded until February 2002, when, in response to contamination at Exide, DTSC issued a corrective action consent order that required Exide to conduct a corrective action (investigation and cleanup). This order is still enforceable.

Enforcement Order and Court Proceedings. On March 1, 2013, the South Coast Air Quality Management District (SCAQMD) announced that Exide operations had a significant potential health impact on the surrounding communities. In a subsequent action in April 2013, DTSC, issued an order to Exide that required the immediate suspension of Exide’s operations, pending an administrative hearing. Exide responded by filing a complaint in the superior court to block (enjoin) DTSC’s suspension order. The superior court granted a temporary restraining order against DTSC’s suspension order in June 2013, and subsequently granted a preliminary injunction against the suspension order in July 2013. This, effectively, allowed Exide to continue operations.

Elevated Levels of Lead Found. In early 2014, sampling results from two of the nearest neighborhoods showed elevated levels of lead in the top six inches of soils in all 39 homes sampled. As a consequence, DTSC required Exide to develop a work plan in accordance with the 2002 corrective action order, to remediate soil contamination at homes in those areas, as well as offer additional sampling to the 215 off-site residential properties located in the two nearby residential areas. DTSC required Exide to provide up-front funding to ensure that cleanup occurs and the community is protected during remediation of off-site residential properties. Exide subsequently received approval from a bankruptcy court to comply with the order to set aside funding to clean up contaminated areas surrounding the facility.

The 2014 Enforcement Order (order) against Exide establishes that Exide Technologies is liable for all costs incurred by DTSC in reviewing work plans and overseeing the work required by the order, including all CEQA costs. The work required by the order includes: (1) cleanup of 215 off-site residential properties; (2) investigation and possible cleanup of properties adjacent to the facility; and, (3) development of a corrective measure study and remedy. Exide must fund both the amount necessary to close the site upon termination of activity (post-closure), and any fines or cleanups required by agencies, separately. To date, the state has collected an \$11 million post-closure bond, \$2.7 million for a post-closure trust fund, and over \$1 million in fines and assessments against Exide.

Budget Proposal. The budget requests \$734,000 (HWCA) and 5.5 positions to implement the 2014 Enforcement Order (EO) against Exide Technologies. The DTSC request proposes to add staff to:

- Provide oversight and management of the investigations, planning, execution, and completion of the corrective action activities as outlined in the Order.
- Provide a geologist to lead the enforcement effort, to direct technical teams and inform management of potential problems and status of activities.
- Provide CEQA direction, oversight, coordination and review of environmental documents associated with the cleanup order.
- Provide a public liaison to coordinate and facilitate community meetings.

Staff Comments. Staff is concerned about the amount of time Exide operated under a temporary permit, never having obtained a final operating permit from the state. The corrective orders, along with the SCAQMD orders, may not have been necessary if a proper permitting system had been in place at DTSC.

The department should be prepared to discuss, in plain terms, what actions will be taking place in the next six months, 12 months, and ongoing at the Exide facility. For example, Exide Technologies is in bankruptcy court, and is being investigated by a Grand Jury for criminal complaint. What is the contingency plan should the business not be able to pay for the cleanup?

Is there more the state can, and should, be doing to speed up cleanup? How many more “Exide-like” facilities are there in the state and what is being done to identify them?

Staff Recommendation:

Vote: **HOLD OPEN**

Hazardous Waste Reduction

Background. Hazardous waste siting and planning is partly the responsibility of DTSC. Concerns about incineration and the limited availability of legally operating facilities, led to significant efforts by state and federal regulators, along with the industry, to reduce the generation of hazardous waste, and therefore the need to construct hazardous waste facilities.

The generation and disposal of hazardous wastes in California presents an equity issue for communities where hazardous wastes are generated and where hazardous waste landfills are operated. Only two legal disposal facilities are available in the state. The communities where these facilities are located can bear a disproportionate burden of the legal disposal of these wastes. In 2013, DTSC approved the expansion of one of California's two operating hazardous waste facilities, and will soon review an application for a renewed permit at the second landfill.

The DTSC has initiated an executive-driven proposal to reduce by 50 percent the amount of hazardous waste disposed of in California landfills by 2025. To that end, DTSC proposes an initiative, "The Community Protection and Hazardous Waste Reduction Initiative," that will select up to three pilot-scale projects to reduce hazardous wastes that are generated in significant quantities, that can pose substantial risks or hazards to human health or the environment, and that are treated or disposed of in communities that are disproportionately burdened by multiple sources of pollution. The Administration also proposes to select individuals to sit on an advisory panel that will provide guidance on the initiative.

Budget Proposal. The budget requests an augmentation of \$840,000 and six limited-term positions from the Toxic Substances Control Account (TSCA), for two years, to develop, implement, and evaluate projects that reduce the generation of hazardous waste that are treated or disposed of in California.

Staff Comments. The goal of reducing hazardous waste is laudable and consistent with legislative direction in previous years. However, this specific initiative has not been reviewed by legislative policy committees or by the Legislature. Staff has concerns about setting such specific goals, such as the reduction of 50 percent of hazardous waste disposed of, without some form of legislative direction. To compare, reducing California's dependence on specific energy fuels to percentages has been an ongoing topic within California's policy discussion, and is statutorily authorized. While this is a pilot project, given that DTSC is not a public board or commission, it would be prudent for the Legislature to weigh in on the goals set forth by the initiative, and to contribute its directives to the initiative.

Staff Recommendation:

Vote: **HOLD OPEN**

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| SB 1249 (Hill), Metal Shredder Regulation |
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Background. SB 1249 (Hill), Chapter 756, Statutes of 2014, requires DTSC to evaluate the risks and threats posed by metal shredders and the management of metal shredder waste, and to either develop alternative management standards that governmental shredding activities, or to rescind its 1987 era decisions that have allowed metal shredders to be managed as non-hazardous waste. SB 1249 also authorizes DTSC to assess a fee on metal shredders to cover its costs in implementing the bill and for ensuring compliance with its standards in the future. At the time of the final bill analysis, less than 10 operators were identified as legal metal shredding businesses.

Budget Proposal. The budget requests \$527,000 (Hazardous Waste Control Account) in 2015-16, \$311,000 in 2016-17, \$322,000 in 2017-18, and \$128,000 ongoing, along six positions over that time period, to implement SB 1249.

Staff Comments. The implementation of this bill will require significant funding from the few metal shredding businesses operating legally in the state. In order to fully fund the department's costs to regulate the industry, and to evaluate risks and threat posed by metal shredders, the department will be required to impose a fee on the industry it is regulating, pursuant to state law. That fee is unknown at this time, but if less than 10 legal metal shredders are identified, the fee on each could be in the tens of thousands of dollars per year. Additionally, it is unclear whether or not mobile metal shredders are covered by the law and/or will be required to pay the fee.

The department should be prepared to discuss how it intends to identify and manage the fee regulation process, and its thoughts about the size of the fee on the industry.

Staff Recommendation:

Vote: **HOLD OPEN**

3970 Department of Resources Recycling and Recovery

The Department of Resources Recycling and Recovery (CalRecycle) protects public health and safety and the environment through the regulation of solid waste facilities, including landfills, and promotes recycling of a variety of materials, including beverage containers, electronic waste, waste tires, used oil, and other materials. CalRecycle also promotes the following waste diversion practices: (1) source reduction, (2) recycling and composting, and (3) reuse. Additional departmental activities include research, permitting, inspection, enforcement, market development to promote recycling industries, and technical assistance to local agencies.

Governor's Budget. The Governor's budget includes \$1.5 billion from various funds for support of CalRecycle in 2015–16. This is about the same level as current-year estimated expenditures.

EXPENDITURES BY PROGRAM

| | Program | Actual 2013-14* | Estimated 2014-15* | Proposed 2015-16* |
|--|---|--------------------|-----------------------|----------------------|
| | Waste Reduction and Management | \$174,726 | \$255,230 | \$254,536 |
| | Loan Repayments | -6,367 | -3,385 | -3,745 |
| | Education and Environment Initiative | 1,659 | 2,562 | 2,565 |
| | Beverage Container Recycling and Litter Reduction | 1,262,393 | 1,285,712 | 1,278,322 |
| | Total Expenditures (All Programs) | \$1,432,411 | \$1,540,119 | \$1,531,678 |

POSITIONS BY PROGRAM

| | Program | Actual 2013-14 | Estimated 2014-15 | Proposed 2015-16 |
|--|---|-------------------|----------------------|---------------------|
| | Waste Reduction and Management | 315.9 | 367.9 | 374.9 |
| | Loan Repayments | - | - | - |
| | Education and Environment Initiative | 15.7 | 11.7 | 11.7 |
| | Beverage Container Recycling and Litter Reduction | 217.7 | 236.0 | 234.0 |
| | Administration | 101.0 | 101.0 | 101.0 |
| | Total Positions (All Programs) | 650.3 | 716.6 | 721.6 |

Items Proposed for Vote-Only

- 1. Provisional Budget Language for Two-Year Grant Appropriations.** The budget requests provisional language to increase the encumbrance availability of two CalRecycle grant program funds to two years. These include the Farm and Ranch Solid Waste Cleanup and Abatement Account and the Integrated Waste Management Account (Integrated Waste Management Fund). The proposed changes will allow the department additional time to propose, review, award, and manage these grants.

Recommendation: Approve Item 1.

Vote: 2-0 (Wolk, Nielsen Aye)

Implementation of New Single-Use Carryout Bag Law

Background. Beginning July 1, 2015, SB 270 (Padilla), Chapter 850, Statutes of 2014, prohibits stores from providing single-use carryout plastic bags to customers. Stores may sell reusable grocery bags that are made by a certified reusable grocery bag producer and that meet specified requirements with regard to the bag's durability, material, labeling, heavy metal content, and recycled material content. Chapter 850 requires CalRecycle to perform several activities, including: (1) establish and maintain a system for certifications of reusable bags, (2) develop and maintain a web page to post the certifications and re-certifications, (3) develop a fee schedule to charge reusable bag manufacturers for the costs of reviewing proofs of certification, (4) establish the Reusable Grocery Bag Fund to deposit certification fees, (5) provide \$2 million in loans from the Recycling Market Development Zone Loan Subaccount to manufacturers of reusable bags, and (6) submit a report to the Legislature by March 1, 2018 on the implementation of the law.

Governor's Proposal. The Governor's budget proposes \$268,000 in 2015–16, \$264,000 in 2017–18, and \$180,000 ongoing, from the Integrated Waste Management Account, to support one limited-term and two permanent positions, in order for CalRecycle to implement the provisions of Chapter 850.

Referendum. In January 2014, opponents of SB 270 submitted signatures to county election offices in an effort to qualify a voter referendum seeking to repeal the law. At the time the budget was prepared, it was unclear whether the referendum would qualify. However, if enough signatures were found to be valid, most provisions of the law would be suspended until the outcome of the referendum was determined at the November 2016 statewide election. Therefore, should the referendum qualify for the ballot, CalRecycle would not require any of the resources requested until at least 2016–17, and should the voters reject the proposed law, it would not be implemented at all.

LAO Recommendation. “We find that the requested resources are reasonable to implement the provisions of Chapter 850 should the referendum effort fail. However, we recommend that the Legislature reject the budget proposal if the Secretary of State determines that the referendum qualifies for the November 2016 ballot because the provisions of SB 270 would no longer be implemented in the budget year.”

Staff Comments. Staff concurs with the LAO analysis and recommendation.

Staff Recommendation: Reject Proposal. The referendum qualified for the ballot.

Vote: 2-0 to Reject (Wolk, Nielsen Aye)

Funding the Beverage Container Recycling Program

Background. The Legislative Analyst's Office (LAO), has done extensive research on the Beverage Container Recycling Fund (BCRF), and has provided both background and analysis of issues over several years related to the program, and provides the following background to the program:

Staff Recommendation: Information item, no action necessary.

3930 Department of Pesticide Regulation

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

Governor's Budget. The Governor's budget includes \$90.1 million and 307 positions for the Department of Pesticide Regulation. This is an increase of about \$3 million, mainly due to a proposal for a new information technology system. Funding for the department is derived mainly from an assessment on the sale of pesticides of the state. Other funds include fees on registration of products, federal funds, and the California Environmental License Plate Fund.

EXPENDITURES BY PROGRAM

| Program | Actual 2013-14* | Estimated 2014-15* | Proposed 2015-16* |
|--|--------------------|-----------------------|----------------------|
| Pesticide Programs | \$83,130 | \$87,742 | \$90,909 |
| Total Expenditures (All Programs) | \$83,130 | \$87,742 | \$90,911 |

POSITIONS BY PROGRAM

| Program | Actual 2013-14 | Estimated 2014-15 | Proposed 2015-16 |
|---------------------------------------|-------------------|----------------------|---------------------|
| Pesticide Programs | 284.5 | 304.1 | 307.1 |
| Administration | 82.0 | 83.7 | 83.7 |
| Total Positions (All Programs) | 366.5 | 387.8 | 390.8 |

Items Proposed for Vote-Only

- 1. Implementation of SB 1405 (School and Child Care Integrated Pest Management).** The budget requests \$412,000 (Department of Pesticide Regulation Fund), and three positions, to implement SB 1405 (Desaulnier), Chapter 848, Statutes of 2014. SB 1405 expands the School and child care integrated pest management (IPM) program to require development and administration of comprehensive training courses that anyone using pesticides at a school site must take, and a template for a written IPM plan for school districts and child care centers that use certain pesticides (excluding antimicrobials).

Recommendation: Approve Item 1.

Vote: 2-0 (Wolk, Nielsen Aye)

Product Registration Data Management System

Background. The DPR is required to provide a thorough and timely evaluation before a substance is registered for the first time and to place appropriate restrictions on such use, to continuously evaluate all registered pesticide products, and eliminate from use in the state any pesticide that endangers the agricultural or nonagricultural environment. The Pesticide Registration Branch (PBR), which serves as the primary liaison to pesticide product and device registrants, maintains registration for approximately 13,000 pesticide products containing 1,000 different active ingredients and seven devices. PBR receives and processes approximately 5,000 registration submissions each year, as well as managing license renewals and product label and data storage for existing products. At present, several problems have been identified with the current registration process, including:

- Paper-based, manual-intensive registration processes resulting in cumbersome processing, bottlenecks and inefficiencies. Disparate, stand-alone systems limit visibility of workload per station and staff, and no single data source exists to register products.
- Hard-copy product labels limit the ability to efficiently evaluate pesticide product labels and impact stakeholders in the field needing the information. Registrants submit incomplete registration and label amendment submissions.

Budget Proposal. The budget requests \$1.9 million (Department of Pesticide Regulation Fund) for two years, and \$400,000 in year three, and \$163,000 ongoing, to develop and implement a fully integrated information management system for the pesticide product and device registration process. According to the Administration, once completed, the system will offer online functionality and allow for online submission of registration-related materials and electronic payment. The system will make DPR more efficient with accepting, evaluating, processing, and managing pesticide product and device registration materials. The system will also allow the public, including medical professionals, poison control centers, and pesticide enforcement agencies, to access copies of currently registered pesticide products and device labels.

Staff Comments. Staff concurs with the necessity of this proposal. The process of registering pesticides in this state is a long process that needs to be expedited for those pesticides determined to be appropriate for use. There are several outstanding questions:

- Does DPR have a backlog of registrations, and if so, how is this defined and how will this new system improve the defined backlog? Why are we using emergency regulations?
- What issues are on the horizon that are not captured by the current DPR system (wherein we register pesticides for known uses), such as marijuana cultivation or emerging products? How does DPR handle these?

Staff Recommendation: Approve.

Vote: HOLD OPEN

3900 California Air Resources Board (ARB)

In California, air quality regulation is divided between the ARB and 35 local air quality management districts. The local air districts manage the regulation of stationary sources of pollution (such as industrial facilities) and prepare local implementation plans to achieve compliance with the federal Clean Air Act. The ARB is responsible primarily for the regulation of mobile sources of pollution (such as automobiles) and for the review of local district programs and plans. Historically, the ARB's regulations focused on emissions that affect local or regional air quality, such as particulate matter and ozone-forming emissions. More recently, the ARB also began overseeing the state's efforts to reduce GHG emissions.

The Governor's budget proposes \$582 million for ARB in 2015–16, a net decrease of \$266 million (31 percent) compared to estimated expenditures in the current year. This year-over-year decrease is largely the result of a one-time \$240 million appropriation of Proposition 1B bond funds for port modernization that was included in the 2014–15 budget.

EXPENDITURES BY PROGRAM

| | Program | Actual 2013-14* | Estimated 2014-15* | Proposed 2015-16* |
|--|--|--------------------|-----------------------|----------------------|
| | Mobile Source | \$314,663 | \$482,510 | \$204,278 |
| | Stationary Source | 34,521 | 37,867 | 37,829 |
| | Climate Change | 66,773 | 248,877 | 254,986 |
| | Subvention | 72,468 | 79,111 | 79,111 |
| | Total Expenditures (All Programs) | \$488,425 | \$848,365 | \$576,204 |

POSITIONS BY PROGRAM

| | Program | Actual 2013-14 | Estimated 2014-15 | Proposed 2015-16 |
|--|---------------------------------------|-------------------|----------------------|---------------------|
| | Mobile Source | 669.0 | 712.2 | 712.2 |
| | Stationary Source | 255.0 | 271.3 | 271.3 |
| | Climate Change | 126.1 | 134.4 | 136.4 |
| | Subvention | - | - | - |
| | Administration | 230.1 | 244.8 | 244.8 |
| | Total Positions (All Programs) | 1,280.2 | 1,362.7 | 1,364.7 |

Item Proposed for Discussion**ARB Southern California Consolidation Project**

Budget Proposal. The budget requests \$5.9 million to begin the process to consolidate and relocate the ARB's existing motor vehicle and engine emission testing and research facility. Funding includes \$3.8 million (Motor Vehicle Account), \$1.2 million (Air Pollution Control Fund), and \$0.9 million (Vehicle Inspection Repair Fund).

LAO Recommendation. *Direct Administration to Provide Additional Information.* "In view of the above concerns, we recommend that the Legislature direct the Administration to provide a more detailed analysis of the needed size and scope of the project, a more complete analysis of reasonable alternatives, more specific information about how the identified funds will support the long-term project costs, and a more detailed justification for the \$5.9 million cost estimate. Until the Administration provides such information, we find that the proposal is premature."

Staff Comments. Staff concurs with the LAO's assessment of the proposal. Further, concerns have been raised about the process used to select the site determined by Department of Finance (DOF) and the Department of General Services (DGS). Neither the alternatives analysis, nor budget proposal, includes a discussion of other sites within a 50-mile radius of the current facility. Several other higher education institutions were involved with early discussion regarding the co-location of the ARB facility with their existing programs. The idea of co-location goes beyond the DOF/DGS determination of simply finding the lowest priced piece of land, but goes to the use of programmatic efficiencies. For example, if a university had programs directly related to the ARB functions, these would not be included as cost-factors (and therefore not included in the current determination), but would be extremely important to the program's ongoing use of intellectual capital within the local and university systems.

Staff Recommendation: Deny proposal. Request the Administration return in January with a proposal that addresses the LAO concerns as well as provides a serious alternatives analysis, including a public process for site selection, that goes further than finding the lowest-priced piece of land, but rather includes programmatic efficiencies to be found within possible partnerships based on co-location.

Vote: 2-0 to reject (Wolk, Nielsen Aye)

SB 1371 (Chapter 525, Statutes of 2014)—Natural Gas Leakage Abatement

Budget Proposal. The budget requests a total of \$670,000 in 2015-16 from the Public Utilities Reimbursement Account to implement SB 1371. This includes \$370,000 annually for two positions, and a one-time allocation of \$300,000 for contract funding to independently collect additional pipeline emission data and examine additional methods to estimate emissions. The requested positions would consult with the CPUC on its proceedings, analyze pipeline emission data, and help develop future regulations and policies related to pipeline emissions. (The Governor’s budget provides \$550,000 and four positions for CPUC to administer the proceeding and develop the rules and procedures.)

LAO Recommendation. Reject ARB Request. “We recommend the Legislature reject the ARB request for funding and positions. The request for resources and positions to collect additional leakage data and analyze the new pipeline emissions data is premature. After the data is submitted, if the ARB determines that the data provided by utilities is inadequate or requires a significant additional analysis, the ARB can request additional resources at that time. In addition, it is not clear that the additional workload to assist CPUC on the proceeding requires additional position authority.”

Staff Comments. Staff concurs with the LAO assessment. In addition, the legislative analyses of the bill do not include the addition of ARB positions, nor ongoing costs. Specifically, costs are identified as:

- One-time costs *to the CPUC* of approximately \$400,000 from the Public Utilities Reimbursement Account (special fund) for the required proceeding.
- Ongoing costs *to the CPUC* of approximately \$160,000 from the Public Utilities Reimbursement Account (fund) to perform ongoing evaluations, audits and enforcement.

The activities included in the bill are well within the current scope of the ARB’s work with greenhouse gas reduction program. It is possible that this would add a layer of administration that is, at present, unnecessary. As the LAO suggests, evaluation of the effectiveness of this program after one year would allow the Legislature to consider any gaps that need funding, including ongoing ARB costs.

Staff Recommendation. Reject proposal.

Vote: 2-0 to reject (Wolk, Nielsen Aye)