Senator Lois Wolk, Chair
Senator Jim Nielsen
Senator Fran Pavley

Thursday, April 30, 2015
9:30 a.m. or Upon Adjournment of Session
Hearing Room 112

Consultant: Catherine Freeman

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ITEMS PROPOSED FOR VOTE ONLY

3560 State Lands Commission

1. **Royalty Recovery and Revenue Assurance.** The Governor's budget requests $472,000 (General Fund), ongoing, for the conversion of four limited-term auditor positions, to permanent. These positions were provided to address workload needs as identified by a 2010 State Auditor report of commission revenue operations. Prior audit staffing levels were only able to react on a "crisis" basis which resulted in a large backlog and potentially millions of dollars in underreported royalties. The four expiring auditor positions are necessary to ensure accuracy and timely processing of reported royalties, as well as ensuring the state is receiving revenue in accordance with the terms of its leases, contracts and applicable laws. The revenue findings associated with the costs of these auditors is at least a two-to-one ratio, bringing a minimum of one million dollars to the General Fund annually.

2. **Lease Compliance and Enforcement Continuation.** The Governor's budget requests $535,000 (General Fund), ongoing, for the conversion of five limited-term positions, to permanent to continue the implementation of the Lease Compliance, Enforcement and Revenue Recovery program which ensures compliance with lease terms and conditions resulting in increased revenues to the General Fund.

3820 Bay Conservation Development Commission (BCDC)

3. **Baseline Adjustment for Rent Increase.** The Governor's budget requests $85,000 (General Fund) to cover the additional lease costs due to the BCDC office relocation to the Hiram Johnson State Building in San Francisco. The move was prompted by the Department of General Services in order to save overall state funds due to vacancies in state buildings. The Legislature approved this proposal on a one-time basis last year and required BCDC to submit a proposal in January 2015, for a move to the Metropolitan Transportation Commission (MTC) building, including cost estimates. According to BCDC's report, the space in the MTC building will not be available until August of 2016. Therefore, it is not necessary to consider or budget for the move until the 2016-17 budget cycle. *Consistent with the previous year's action, the provisional language continuing the requirement for BCDC to submit a proposal to move to space in the MTC building is included in this item and shifted to January 2016.*

4. **Stable Base Funding.** The Governor's budget requests additional baseline General Fund to fully fund the core functions of the BCDC's existing staff, to fill its vacancies, and to enable it to begin a rulemaking process to increase its permit fees in order to supplement General Fund funding. In addition, BCDC requests that the state establish a special fund into which the additional annual permit fee collections will be placed that exceed the past eleven-year average of annual permit fee collections. Funds from the special fund would be allocated to BCDC through the budget process to augment BCDC's General Fund.

3720 Coastal Commission

5. **Whale Tail License Plate Coastal and Marine Education Program.** The budget proposes an increase to the local assistance baseline budget of $44,000 (Coastal Beach and Coastal Enhancement Account [CBCEA]) for coastal and marine education grants to nonprofits, schools, and government agencies. The budget also proposes an increase to state baseline operations of $45,000 for outreach and promotion of Whale Tail license plates.

6. **Protect our Coast and Oceans Fund—Local Assistance Grants and Outreach.** The budget proposes a one-time appropriation of $315,000 (Protect our Coast and Oceans Fund) from voluntary contributions on the state tax return. Of this amount, $250,000 is proposed to augment the Whale Tail grant program and $65,000 is proposed to support outreach and promotion of the voluntary contribution program.

3760 Coastal Conservancy

7. **Continuing Bond Funded Local Assistance and Capital Outlay.** The budget proposes continued funding from three previous bond funds for continued local assistance and capital outlay programs. These include $12.4 million (Proposition 84), $12.4 million (Proposition 40), $8 million (reimbursement authority, specific to San Francisco Bay programs), $15 million (Proposition 1), and $1.3 million (Proposition 19). This includes a Spring Finance Letter for a technical reversion of funds from Proposition 19.

8. **Coastal Local Assistance and Capital Outlay Proposals.** The budget proposes $500,000 (Coastal Access Account) for ongoing implementation of the conservancy's public access, education, and related programs. The conservancy also proposes $1.6 million (Violation Remediation Account) for associated public access and coastal resource enhancement grants, and $180,000 (Violation Remediation Account) for program delivery, consistent with approved programs.

9. **Habitat Conservation Fund Transfers and Reappropriations.** The budget proposes $3.7 (Proposition 50) to provide for the transfer of the unliquidated balances of funds that reverted prior to being transferred to the Habitat Conservation Fund.

3110 Tahoe Regional Planning Agency

10. **Spring Finance Letter: Invasive Species Program.** The budget proposes $375,000 (Harbors and Watercraft Revolving Fund) to continue a bi-state invasive species boat inspection program at Lake Tahoe.

VOTE (Items 1-10):

Items 1, 2, 5, 6, 7 and 10: **3-0 to approve**

Items 4, 8, and 9: **2-1 (Nielsen, no) to approve**

Item 3 (BCDC)

- Vote on the funding: **3-0 to approve**
- Vote on the budget bill language: **2-1 (Nielsen, no) to approve**

8570 California Department of Food and Agriculture

The California Department of Food and Agriculture (CDFA) serves Californians by promoting and protecting a safe, healthy food supply, and enhancing local and global agricultural trade, through efficient management, innovation, and sound science, with a commitment to environmental stewardship. The goals of CDFA are to: (1) promote and protect the diverse local and global marketability of the California agricultural brand which represents superior quality, value, and safety; (2) optimize resources through collaboration, innovation, and process improvements; (3) connect rural and urban communities by supporting and participating in educational programs that emphasize a mutual appreciation of the value of diverse food and agricultural production systems; (4) improve regulatory efficiency through proactive coordination with stake holders; and, (5) invest in employee development and succession planning efforts.

Governor's Budget. The Governor's budget includes $384 million ($65.8 million General Fund) for support of the CDFA, a decrease of approximately $6 million, mainly due to one-time costs.

EXPENDITURES BY PROGRAM (in thousands)

Program	Actual 2013-14	Estimated 2014-15	Proposed 2015-16
Agricultural Plant and Animal Health; Pest Prevention; Food Safety Services	$182,738	$227,102	$228,015
Marketing; Commodities and Agricultural Services	56,658	70,796	71,897
Assistance to Fair and County Agricultural Activities	2,859	1,300	4,392
General Agricultural Activities	59,235	91,701	80,503
Administration	19,259	21,806	21,952
Total Expenditures (All Programs)	**$301,619**	**$391,078**	**$384,985**

POSITIONS BY PROGRAM

Program	Actual 2013-14	Estimated 2014-15	Proposed 2015-16
Agricultural Plant and Animal Health; Pest Prevention; Food Safety Services	904.5	1,032.4	1,033.9
Marketing; Commodities and Agricultural Services	275.9	305.8	309.8
Assistance to Fair and County Agricultural Activities	5.2	8.0	10.0
General Agricultural Activities	3.9	36.7	36.7
Administration	181.1	189.8	189.8
Total Positions (All Programs)	**1,370.6**	**1,572.7**	**1,580.2**

Items Proposed for Vote-Only

1. **Certified Farmers Markets (AB 1871).** The budget requests $1 million (ongoing, reimbursements) and four permanent positions, to enhance the existing Certified Farmers Market Program, as required by AB 1871 (Dickinson), Chapter 579, Statutes of 2014. The department will contract with county agricultural commissioners for enforcement work along the program to align with industry growth.

Staff Recommendation: Approve item 1.

Vote: ***3-0 to approve***

Items Proposed for Discussion

1. California Animal Health and Food Safety Laboratory System (CAHSF)

Background. The CAHSF Laboratory System is operated by the University of California (UC) Davis School of Veterinary Medicine. The laboratory establishes and operates poultry and livestock disease diagnostic programs for detection and examination of animals with potential diseases. The CAHSF laboratory employees are subject to salary and benefit increases that apply to the UC system. Funding for the positions is made available in the CDFA budget but the positions are accounted for under the UC system. The department has absorbed employee compensation cost increases rather than regularly budgeting for these changes.

Budget Proposal. The budget requests $4.3 million (General Fund), to both offset the employee compensation increases, causing a baseline deficiency ($3 million, ongoing), and to add additional resources required to operate the new South Valley Animal Health Laboratory in Tulare ($1.3 million, ongoing). The laboratory is intended to prevent, detect, and respond to animal health disease outbreaks.

Staff Comments. Staff concurs with the need to provide funding for the employee compensation costs and for the new laboratory. In 2014, this subcommittee discussed why the Administration, the UC system, and CDFA did not work more closely to ensure that funding was requested annually for compensation increases, as is the norm at all state agencies. The Legislature funded employee compensation increases on a one-time basis and asked the department to return with a baseline adjustment sufficient to fund the animal health laboratory program. The department should be prepared to discuss the following:

(1) Will the provisional language (below) be sufficient to allow the baseline to be adjusted for compensation increases, in a similar manner to regular department compensation increases?

(2) The proposal identifies increased detection of animal health disease outbreaks. How will the new laboratory reduce the impact of these outbreaks and what other actions is the Administration taking to reduce the number of outbreaks?

Staff Recommendation: Approve as proposed with provisional language (below) requiring the department to annually adjust for University of California compensation increases, as it would for baseline operations.

> *The amount appropriated in this item for the agreement with the Regents of the University of California to operate poultry and livestock disease laboratories shall be adjusted annually, as necessary, for University of California negotiated employee compensation and benefit adjustments.*

Vote: 3-0 to approve as proposed with BBL.

2. Fairs and Expositions—Allocation and Training Program

Background. California hosts one of the largest fair systems in the nation, consisting of 78 active fairs operating under a variety of governance structures. This includes six county-operated fairs, 17 nonprofit operated fairs, two citrus fruit fairs, 54 statutorily created District Agricultural Associations (DAAs), and the California State Fair. For 76 years prior to 2009-2010, funding support for the fairs was generated through pari-mutuel horse racing licensing fees, a funding source established in 1933 that legalized gambling on horse racing. In 2009-10, the Legislature shifted the revenues to the General Fund, in part due to the continuing decline of horse racing revenues. General Fund support for the fair industry continued at $32 million for two years until it was eliminated in the 2011-12 budget. The fairs continued to receive funding from local revenues, fees and fair revenues.

Budget Proposal. The budget proposes a restoration of $3.1 million (General Fund), and two permanent positions, for the Division of Fairs and Expositions to provide operational and training support to the fair network. This request is intended to support fairs and reduce the potential high cost closure of fairgrounds. The funding will provide operational support for 64 small to medium fairs, provide staff and board training to all 78 fairs, and support an audit component to ensure fairs are adhering to state rules and regulations.

LAO Analysis: The LAO reviewed this proposal and raised the following concerns:

> **Target Funding to At-Risk Fairs.** The proposal does not address the main problem identified, specifically to ensure the continued operation of the fairs at risk of closure. This is because the proposal does not target funding among the fairs based on their financial condition. Instead, fairs would receive a set amount of funding based on how much revenue they generate regardless of their financial condition. For example, under the proposal, the five Class I fairs that reported operating deficits in 2013 would receive the same amount of funding as the six Class I fairs that reported an operating surplus.
>
> **Provide Incentive to Improve Fair Operations.** The way that the proposal would distribute funding does not provide fairs that run an operating deficit an incentive to improve their operations. Specifically, providing an ongoing lump sum payment annually to all fairs in the same class would allow those fairs that are running deficits to continue to do so without having to make any changes to their management or operations.
>
> **Include Analysis of Constraints or Challenges Faced by Certain Fairs**. The proposal also does not include a fair-by-fair analysis of the causes of the financial constraints or challenges faced by those fairs at risk of closure. Given the number of fairs and the range of operating circumstances (such as location, regional population, and amenities offered), each fair may experience unique challenges. For example, some fairs may have creative and entrepreneurial management but may face challenging markets and competition from other entertainment venues. In other cases, better fiscal management might be sufficient to ensure financial sustainability. Without information on the specific drivers of the

various fairs' financial conditions, the Legislature is unable to identify the best ways to address their challenges.

LAO Recommendations. We recommend that the Legislature modify the Governor's proposal to provide funding to the fairs on a one-time basis and target that funding to the fairs at highest risk of closure. We also recommend that this funding be structured in such a way as to incentivize improved management. This could be done in a couple of ways. For example, the funding could be provided as a low- or no-interest loan. Alternatively, the funding could be tied to a percentage of the fair's operating deficit. In 2013, 29 of the fairs had operating deficits totaling $2.8 million. The Legislature could appropriate funding to meet 75 percent of those fairs' deficits, at a cost of $2.1 million ($500,000 less than the Governor's proposal).

We also recommend the Legislature pass budget bill language requiring CDFA to provide a report with the 2016-17 budget that identifies the fairs at greatest risk of closure due to their financial conditions, the main reasons that each of those fairs face challenges earning enough revenue to support their operations, and recommendations for addressing the specific challenges faced by those fairs. The purpose of this report is to provide the Legislature with the information it needs to determine how best to address the needs of the fairs.

Finally, we note that this proposal raises questions about the most appropriate role of the state in supporting fairs. These fairs are on state properties and its employees are state employees. However, they provide primarily local benefits and, until recent years, have not been reliant on the General Fund to operate. To the extent that the Fairs and Exposition Fund continues to be a limited revenue source and some fairs persistently run operating deficits, the Legislature may wish to consider whether these fairs should continue to receive state funds. In fact, in 1997-98, CDFA closed two fairs that it determined were not financially viable.

Staff Comments. The Legislature, in reducing General Fund appropriations to fairs, made a policy statement that forced all fairs to review their operations and determine if they are able to increase revenue while still maintaining the nature of the fair as authorized by statute. As the LAO stated, this proposal does not differentiate between fairs that have successfully accomplished this task and those that have not. However, the state has a vested interest in the fair network, and particularly the assets of the fairs, including real property. Staff concurs that this proposal, particularly the audit function, will help to maintain these assets. However, the question of how many fairs the state should support is still an open policy issue.

Questions for the Department.

(1) How does the department differentiate compensation for fairs that are failing due to natural market causes versus those that have attempted to be entrepreneurial and have not been successful?

(2) Has the department considered reducing the number of fairs supported, and assisting these fairs with the sale of property, in order to streamline the fair network?

(3) Has the state considered transferring any fair to a local entity—including property and employee compensation, in order to effectively allow local management of these local enterprises?

Staff Recommendation: Approve as proposed with both provisional and reporting language. Approve LAO recommendations for reporting language and ~~additionally provisional language requiring the department to target 2015-16 funding to the fairs at highest risk of closure.~~

Vote: 3-0 to approve as proposed with budget bill language requiring CDFA to provide a report with the 2016-17 budget that identifies the fairs at greatest risk of closure due to their financial conditions

7300 Agriculture Labor Relations Board

The Agricultural Labor Relations Board (ALRB) is responsible for: (1) carrying out the policies of the State of California to encourage and protect the associational rights of agricultural employees; (2) conducting secret ballot elections so that farm workers in California may decide whether to have a union represent them in collective bargaining with their employer; and (3) investigating, prosecuting, and adjudicating unfair labor practice disputes.

Governor's Budget. The Governor's budget includes $9.5 million ($8.3 million General Fund) for support of the ALRB. This includes an increase of $1.6 million and 13 positions proposed to expand ALRB services to farmworkers.

EXPENDITURES BY PROGRAM

Program	Actual 2013-14*	Estimated 2014-15*	Proposed 2015-16*
Board Administration	$2,280	$2,964	$3,626
General Counsel Administration	3,702	5,333	5,831
Administration	541	681	877
Total Expenditures (All Programs)	**$5,982**	**$8,297**	**$9,457**

POSITIONS BY PROGRAM

Program	Actual 2013-14	Estimated 2014-15	Proposed 2015-16
Board Administration	12.0	13.5	16.5
General Counsel Administration	27.9	31.0	40.0
Administration	3.8	6.0	7.0
Total Positions (All Programs)	**43.7**	**50.5**	**63.5**

EXPENDITURES BY FUND

Fund	Actual 2013-14*	Estimated 2014-15*	Proposed 2015-16*
General Fund	$4,983	$7,204	$8,290
Labor and Workforce Development Fund	999	1,093	1,167
Total Expenditures (All Funds)	**$5,982**	**$8,297**	**$9,457**

Items Proposed for Discussion

1. Board and General Counsel Support Program

Background. The Agricultural Labor Relations Act was signed into law by Governor Jerry Brown in 1975 to "encourage and protect the rights of agricultural employees to full freedom of association, self-organization and to be free from interference, restraint, or coercion." Consistent with this purpose, the ALRB's role is to ensure peace and justice in the fields by providing stability in agricultural labor relations implementation, protection, and enforcement of the rights and responsibilities of employers, employees, and unions in their relation with each other.

The ALRB operates as two independent bodies: the Office of the General Counsel and the Office of the Board:

- The Office of General Counsel acts as the prosecutorial branch of the agency with the responsibility to process, investigate, and prosecute unfair labor practice charges.

- The Office of the Board acts in a quasi-judicial capacity—reviews on appeal the interlocutory motions in ongoing cases, reviews the record de novo of all cases appealed to the board, and defends the board's final decisions when review is sought in the Court of Appeal. The board also promulgates regulations and policies necessary to implementing the act and oversees the conduct of representation elections through which farmworkers can choose whether or not to be represented by a union.

Budget Proposal. The Governor's budget requests $1.6 million (General Fund) and 13 positions to support and expand the Agricultural Labor Relations Board (ALRB) services to farmworkers, to improve the timeliness of hearings, and increase efficiency and accountability. Specifically, the proposal includes:

> **Office of General Counsel.** The ALRB requests about $778,000 and nine positions for the General Counsel Program to staff two new regional offices. The positions will help the ARLB address current workload demands, improve the ARLB's services to underserved areas, reduce travel for investigations, and track workload data and program outcomes.
>
> - **Six Positions to Establish Two New Regional Offices.** The two new offices will be located in Northern California and a desert regional office to expand access for farmworkers and enhance agency efficiency by reducing travel times for investigation of charges by regional attorneys and field examiners. Offices are intended to be co-located within existing state facilities in those areas. The Northern California office will be supervised and supported by the Salinas regional office. ARLB investigations are often conducted in the fields because travel to the regional offices can be cost prohibitive for farmworkers. The use of fleet vehicles (versus personal mileage and/or rental vehicle use) is the most cost-effective method of conducting mission-critical

work. This proposal requests one fleet vehicle in each new office. The total one-time costs for two vehicles is $50,000.

- **Three Positions to Staff Existing Locations.** The ARLB requests two staff services analysts to support the Visalia and Salinas regional offices and to track workload data and program outcomes. The analysts will primarily be responsible for collecting and analyzing workload data and will also provide additional administrative support to each regional office. The ARLB requests one legal secretary to support the Oxnard regional office, to format, file, and serve legal pleadings in multiple jurisdictions, perform complex clerical work, and coordinate and scheduled court-related services for the Oxnard regional office.

Office of the Board

- **Two limited-term Administrative Law Judges (ALJs) to Address Hearing Workload.** The ARLB currently has 1.5 full-time equivalent ALJs. One full-time judge is currently assigned to a case that is expected to occupy ALJs time through 2014-15 and the majority of 2015-16. The 0.5 ALJ is assigned to a second case that will occupy the rest of the fiscal year. The General Counsel has requested ten additional hearings, and anticipates that the General Counsel is likely to request another eight hearings, in addition to the two cases mentioned above. The two new positions will help to address the current hearing workload.

- **One Limited-Term Attorney IV to Address Litigation Workload**. In recent years, parties before the board have become increasingly litigious and petitions for review of board decisions have become increasingly common, significantly increasingly the board counsel's workload. To address the increased state and federal court litigation workload, in January 2014, the Labor and Workforce Development Agency temporarily redirected resources to provide an Attorney IV to the ARLB to oversee, coordinate, and assist board counsel and attorneys assigned from the Office of the Attorney General. The ARLB requests position authority and funding to establish this position as a two-year limited-term position.

Administrative Oversight

- **One Chief of Administration to Perform Administrative Oversight.** To support the operational needs of the board and the General Counsel, the ALRB requires a Chief of Administration to oversee budgeting, accounting, procurement, business services, personnel, and information technology activities.

LAO Recommendation. The LAO offers the following recommendation:

"Approve Governor's Proposal, But Make Staff for New Regional Offices Limited-Term. We find that (1) additional temporary resources are appropriate to enable the Board to address increased hearings and appeals workload, (2) the request for additional administrative staff is reasonable and could result in increased accountability and transparency, and (3) while creating new regional offices may have merit, approving permanent positions is not justified at this time on a workload basis. Accordingly, we recommend that the Legislature approve the Governor's proposal, with the exception that six positions intended to staff proposed new regional offices be approved on a two-year limited-term basis."

"**Require Budget Process.** To better assess the ongoing need for additional resources to staff new regional offices, and to evaluate the effectiveness of recent reforms to General Counsel staffing practices, we recommend that the Legislature require ALRB to report on workload and outcomes at each of the regional offices at the end of the limited-term for the new positions (as part of the 2017-18 budget process)."

Staff Comments. On March 17, the Assembly adopted the proposal as budgeted and added, to address the concerns to continue to monitor the success of the new offices, adopted the LAO proposal to have the ARLB report on workload and administrative efficiency as part of the 2017-18 budget process. Staff concurs with this action.

Questions for the Administration.

- How does the ALRB estimate workload in the within the Office of General Counsel versus the Office of the Board? Who drives the discussion?

- The board, in recent years, has sustained funding and increased its expenditures from $5.9 million and 43 positions in 2013-14 to the proposed level of $9.4 million and 63 positions. How should the Legislature forecast future growth of the ALRB?

Staff Recommendation: Approve as budgeted and adopt LAO proposal for the ALRB to report back to the subcommittee in 2017-18 on outcomes at each regional office.

Vote:

2-1 (Nielsen, no) to approve Governor's proposal as proposed.
3-0 to approve LAO reporting recommendation.

Coastal Climate Adaptation—State Investment and Response

BACKGROUND:

Sea Level Rise in California. According to the Administration, climate change in California during the next century is expected to shift precipitation patterns, accelerate sea level rise, and increase temperatures. The country's longest continuously operating gauge of sea level, at Fort Point in San Francisco Bay, recorded a seven-inch rise in sea level over the 20th century. As has been seen throughout the country such as with Hurricane Sandy, as well as the recent "king tides" (very high tides) in Southern California. Much of the developed California coast is susceptible to the impacts of sea level rise. In recent events, high tides inundated parts of the Pacific Coast Highway, Huntington Beach, and other low-lying areas of Southern California. Parts of the San Francisco Bay Area also experience regular flooding, including portions of Highway One in Marin County. These very high tides are considered a good indicator of the possible impacts of sea level rise and create challenges for local planners and developers in low-lying areas.

Administration Efforts for Climate Adaptation. In 2008, Executive Order (EO) S-13-08 called on state agencies to develop California's first strategy to identify and prepare for expected climate impacts. The EO focused on the need to understand and improve how sea level rise projections would impact the state's coastal and low-lying areas. The EO required the California Natural Resources Agency (CNRA) to develop a Climate Adaptation Strategy with various state agencies through the established Climate Action Team. These efforts were designed to be complementary, but not duplicative, of the state's strategy for reducing greenhouse gas (GHG) emissions. The Office of Planning and Research, in conjunction with CNRA, was required to provide land-use planning guidance related to sea level rise and other climate change impacts.

The state subsequently undertook four climate change assessments. The first assessment, in 2006, examined the broad impacts of climate change on California's assets. The second assessment, completed in 2009, attempted to provide initial economic impacts of climate change. It concluded that preparing for climate impacts, in addition to efforts to reduce GHG emissions, could substantially reduce California's risk of economic losses and damages. The third assessment, completed in 2012, focused on vulnerability and adaptation discussed in the 2009 Climate Adaptation Strategy (described below). This assessment focused on more specific types of response needs related to ground exposure, sensitivity, and natural and human systems. The fourth assessment, funded by the Environmental License Plate Fund (ELPF), was approved in the 2014 budget. Due to the shortfall in the ELPF, this assessment has been delayed by a year.

As discussed in 2014 budget hearings, the CNRA has published a 200 page report entitled, "Safeguarding California: Reducing Climate Risk." The report provides policy guidance for state decision makers, and highlights climate risks to nine sectors in California, from agriculture to energy, and forestry to ocean ecosystems. The plan provides a multi-sector framework for state efforts to reduce climate risk and is designed to work in conjunction with the more in-depth, sector-specific climate planning and risk reduction activities, such as addressed in the 2013 sea level rise report.

The state also published the 2103 State of California Seal-Level Rise Guidance Document which states:

> "Specifically, this document provides step-by-step guidance on how to address sea-level rise in new and updated Local Coastal Programs (LCPs) and Coastal Development Permits (CDPs) according to the policies of the California Coastal Act. LCPs and the coastal development permit process are the fundamental land use planning and regulatory governing mechanisms in the coastal zone, and it is critically important that they are based on sound science and updated policy recommendations. This document also contains guiding principles for addressing sea-level rise in the coastal zone; a description of the best available science for California on sea-level rise; specific policy guidance to effectively address coastal hazards while continuing to protect coastal resources; and, background information on adaptation measures, sea-level rise science, how to establish future local water conditions in light of sea-level rise, links to useful resources and documents from other state agencies, and Coastal Act policies relevant to sea-level rise."

Climate Adaptation Strategy. The California Energy Commission (CEC) has taken the lead in developing the climate assessments and adaptation strategies for the state, through use of the Public Interest Energy Research (PIER) program. The CEC and CNRA have used this research to develop an Adaptation Planning Guide (APG), a decision-making framework intended for use by local and regional stakeholders to aid in the interpretation of climate science and to develop a systematic rationale for reducing risks caused, or exacerbated, by climate change. The CEC and CNRA have also released Cal-Adapt, a web-based tool which enables city and county planners, government agencies, and the public to identify potential climate change risks in specific areas throughout California.

MULTIPLE STATE AGENCIES INVOLVED WITH COASTAL CLIMATE ADAPTATION

In addition to the state agencies previously mentioned (CEC, CNRA and Office of Planning and Research), several other state agencies have primary roles in the assessment and planning for coastal climate adaption. Below are four primary state agencies responsible for addressing aspects of sea level rise on the coast.

State Coastal Conservancy Climate Ready Program. The SCC's Climate Ready program provides a focus for SCC work in protecting coastal resources and habitats from the current and future impacts of climate change. The SCC collaborates with local partners and other agencies to reduce greenhouse gas emissions and prepare communities along the coast, and within the San Francisco Bay, for climate change. SB 1066 (Lieu), Chapter 611, Statutes of 2012, gave the SCC explicit authority to work with its partners on projects to address the effects of climate change on coastal resources along the coast and within the San Francisco Bay Area, including those that prepare our communities for extreme weather events, sea level rise, storm surge, beach and bluff erosion, salt water intrusion, and flooding; address threats to coastal communities, natural resources, and infrastructure; and reduce greenhouse gas emissions.

Using remaining bond funds, the SCC solicited grants for climate readiness, and though it received grant requests totaling over $13 million in the first round, was only able to fund $1.1 million in projects. The projects ranged from Eureka to Imperial Beach and included cities, airports, conservation districts and regional nonprofits. Because bond funds are limited, it is unlikely that larger solicitations will be possible in the near future without a new funding source.

Bay Conservation Development Commission (BCDC). BCDC staff has taken a lead in developing an Adaptation Assistance Program (AAP) to provide information and resources to Bay Area local and regional governments to assist them in planning for, and adapting to, the impacts of a changing climate. These outreach efforts primarily focus on addressing the needs of land use planning, public works, park and open space districts, flood control districts, and wastewater authorities, as well as resource-based managers.

The AAP aims to help San Francisco Bay Area communities achieve coordinated and region-wide adaptation to climate change impacts by building capacity within local governments to assess climate change issues, and to plan for and implement adaptation strategies.

BCDC has identified five broad program components for accomplishing this objective:

- building partnerships that cut across jurisdictional boundaries, both geographic and sectorial;
- public outreach to build community and institutional support for adaptation planning;
- education to help planners and managers develop knowledge and skills for adaptation planning;
- creation of a “one-stop shop” website and information clearinghouse; and,
- development and dissemination of strategies to improve the region’s resilience and adaptive capacity.

State Lands Commission (SLC). The SLC provides stewardship of state lands, waterways, and resources through economic development, protection, preservation, and restoration. The SLC also manages state oil and gas leases in coastal areas, including offshore oil platforms, for which it receives royalties from the sale of the produced oil. The SLC collects and monitors tidelands oil revenues.

According to the SLC, sea level rise resulting from climate change is an issue that has far reaching consequences for California, including the lands under the jurisdiction of the SLC. Lands within the SLC's jurisdiction and adjacent properties are already vulnerable to a wide range of naturally occurring events, including storms and extreme high tides. While some of these lands remain undeveloped, significant portions of California's shoreline areas have been developed, including areas either pursuant to a lease from the SLC or pursuant to authorization from local government trustees of state tide and submerged lands. The SLC has an important role to play in addressing the issue of sea level rise and assuring that those decision-makers involved in proposed and existing development on the state's Public Trust lands consider the impacts of sea level rise.

California Coastal Commission (CCC). The CCC is the primary state agency responsible for administering the 1976 Coastal Act. The CCC, in partnership with coastal cities and counties, plans and regulates the use of land and water in the coastal zone. Development activities, which are broadly defined by the Coastal Act to include (among other things) construction of buildings, divisions of land, and activities that change the intensity of use of land or public access to coastal waters, generally require a coastal permit from either the Coastal Commission or the local government.

The CCC has maintained a steady budget over the past several years but has struggled to make progress in updating LCPs. There are many reasons for this, including: (1) funding has not been available to assist local jurisdictions in updating their coastal plans; (2) some locals are reluctant to take back coastal permitting and prefer to have the state provide this service; and, (3) recent local funding issues have, as with other areas of government, reduced their ability to do forward-thinking planning. The Legislature, in 2015, appropriated funding to continue to update and improve LCPs relative to sea level rise. Given the number of outdated and inadequate LCPs (again, relative to sea level rise), the CCC was charged with providing locals with the funding necessary (within budget constraints) to begin to shift the CCC's role away from providing direct permitting for 36 local jurisdictions, to its appellate role for coastal land use decisions. Dedicated funding has accelerated the development and approval of LCPs.

LITTLE HOOVER COMMISSION (LHC) REPORT ON CLIMATE ADAPTATION

Governing California Through Climate Change. The LHC began a climate change study process in August 2013 to review state government preparedness for what risk experts now widely foresee as a long-term and "slow-moving emergency." After three hearings, an advisory committee meeting, and dozens of interviews with experts and interested stakeholders, the LHC concluded that:

- California state government has no single-stop administrative structure in place to create statewide climate adaptation policy, overcome institutional barriers and govern the state's response to climate change impacts. Many state adaptation initiatives continue to be scattered among individual departments, agencies, commissions and councils.

- The state's adaptation strategies are still unfolding and relatively new, remain advisory in nature and require continuing evolution to assure comprehensive statewide responses to climate impacts. State government adaptation processes also have been conducted without widespread consultation of local governments and the private sector. The status quo is slow, understaffed and inwardly focused on state agencies.

- No single authoritative source of standardized information about climate risks in California currently exists within state government. Cities, counties, regional governing agencies and even the state lack reliable, consistent information to guide decision-making, particularly regarding long-range infrastructure investments and land-use choices. Local government leaders understand they are vulnerable to climate impacts, but lack more specific risk assessment capacity that would help guide planning decision-making.

REVENUE OPTIONS FOR FUNDING COASTAL CLIMATE ADAPTATION

Tidelands Oil Revenue. As previously discussed, the SLC receives royalty revenues from oil extraction activities on state tidelands. SB 271 (Ducheny and Thompson), Chapter 293, Statutes of 1997, established the principle that royalty revenues received by SLC from oil extraction activities should be dedicated, in large part, to various coastal and natural resources protections that benefit the entire state. Through subsequent legislation and budget actions, the Legislation funded various programs through the Resources Trust Fund (RTF) including marine management, natural resources infrastructure, and State Parks deferred maintenance. In 2002, the budget proposed eliminating the current statutory requirements for distributing tidelands oil revenues to various special funds to fund resource activities. In addition to baseline tidelands oil revenues, the SLC also collects rents from coastal leases that could be dedicated to coastal climate adaptation.

2014 BUDGET ACTION ON CLIMATE ADAPTATION.

The Legislature approved the following direct climate adaptation proposals in the 2014 budget. The Assembly and Senate budget subcommittees had approved funding from tidelands oil revenue for the Sea Level Rise Proposal (below), but this was shifted to the ELPF at the request of the Governor's Office.

- **Sea Level Rise Proposal.** As part of the "Sea Level Rise" legislative proposal put forth by the respective Assembly and Senate budget subcommittees, the 2014 budget included the establishment of the Climate Resilience Account in statute to provide additional funding to specifically address the risks and impacts of climate change, sea level rise, and associated extreme events. Of the $2.5 million appropriated for this purpose from the ELPF, $500,000 is allocated to the Coastal Commission; $1.5 million is allocated to the State Coastal Conservancy, and $500,000 is allocated to the Bay Conservation Development Commission. Funding is directed to existing efforts, including the Climate Ready Program, with updated statutory requirements. A portion of this funding was shifted one year later to address the shortfall in the ELPF.

- **Local Coastal Plan Updates.** The 2014 budget included $3 million (General Fund carryover, Coastal Act Services Fund and the ELPF) per year, for five years, for state operations in the CCC budget to work in partnership with local governments to accelerate the completion and updates of LCPs. The budget also included $1 million (General Fund) for LCP-related local assistance.

- **Fourth Climate Assessment.** The 2014 budget included $5 million (one-time, two-year appropriation, [ELPF]), and one position at the California Natural Resources Agency, to carry out a fourth climate change assessment. The majority of funds will be used for contracts to conduct the scientific research needed for the assessment. Provisional language restricts the use of funds by allowing only $2.5 million to be spent in the budget year, with the remainder available in the second year, in order to preserve the fund balance in the ELPF. Trailer bill language allows the ELPF to be used for this purpose. The program was delayed one year to address the shortfall in the ELPF.

ISSUES FOR LEGISLATIVE CONSIDERATION:

What is the Long-Term Strategy for the State's Approach to Climate Adaptation? According to research conducted by those working on climate adaptation in the state, climate adaptation is one of the most serious emerging threats to California's economy and well-being. The list is long—sea level rise, increased wildfire threats, lengthening and increased occurrence of drought, increased instances of vector-borne illnesses, among other threats.

The Administration continues to study the impacts of climate change through its fourth climate assessment but has not funded direct actions to reduce the impacts of climate change, with the exception of a proposal to increase fire suppression activities at CalFIRE. The Administration did not propose continued funding for the climate-ready grants approved by the Legislature in 2014, nor does it require state agencies to incorporate adaptation of climate change strategies into their overarching planning functions. No state agency has been identified as the lead on climate adaptation, which contrasts with the identification of the Air Resources Board as the lead on greenhouse gas reductions.

Is it Time to Revisit Tidelands Oil Revenue Allocations? In 1997, when the Legislature first established the principle that Tidelands Oil revenues should be allocated to natural resource and coastal activities, the royalties totaled a little over $50 million. Today, due mostly to the price of oil, these funds bring between $250 and $350 million to the General Fund annually. Since 2006, all of the Tidelands royalties have been directed to the General Fund, in part for budget balancing. The addition of funds that have been directed to the Oil Trust Fund (related to the City of Long Beach abandonment reserve fund, now capped), are now included in the Administration's revenue estimates for Tidelands Oil.

Given the need for dedicated funding for sea level rise and adaptation, the Legislature should consider appropriating funding from Tidelands Oil to natural resource and coastal-related needs. Consistent with the Administration's Climate Action Strategy, providing a dedicated funding source for coastal preparedness would be an appropriate state strategy to deal with sea level rise. A portion could be dedicated to local infrastructure, but a second subset should be directed to protect state-owned and managed assets such as roads, highways, state parks, water systems, ports, and other critical infrastructure.

Questions for the Coastal Departments:

- In 2014, during final budget negotiations, the Administration shifted funding for both the Sea Level Rise proposal (climate-ready grants) from the approved tidelands oil revenue to the Environmental License Plate (ELPF), and at the same time restored the denied Fourth Climate Assessment using the same fund. It now appears that there was not a robust evaluation of the ELPF fund balance, and that there was not sufficient funding to accommodate these changes. Should the Administration and the Legislature consider a more permanent source of funding for climate adaptation, such as tidelands oil revenue?

- The state continues to assess and evaluate the impacts of climate change, and focuses efforts on tools for local communities, businesses and individuals. What is the state doing to incorporate climate adaptation to state agencies overall?

- What are the results of the climate ready grants at various departments, and how can the state better serve local communities attempting to prevent coastal climate adaptation impacts?

- What is the Administration's long-term approach to coastal climate adaptation and who in state government is in charge of this effort?

Staff Recommendation:

(1) Recommend approval of $2.5 million, directly from Tidelands Oil Revenue, on a one-time basis, to sustain the existing Climate-Ready grant program. The Administration should prioritize funding received from rent revenues in coastal areas for this purpose.

(2) Shift $2.5 million for the Fourth Climate Assessment to tidelands oil revenue and require that a portion of the research be focused on coastal climate adaptation.

(3) Approve budget bill language requiring Administration to consider climate adaptation for all infrastructure, capital outlay, and other st ate investments including regulatory actions.

(4) Require all greenhouse gas emission reduction fund grant programs to consider climate adaptation as a secondary benefit.

(5) Require the Strategic Growth Council to report to the appropriate budget and policy committees on, or before, January 10, 2016, and annually thereafter, on actions taken by state agencies to prepare the state for climate change impacts.

Vote: Item heard and public testimony taken. Vote will take place on May 7.