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VOTE-ONLY Part I

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)

Issue 1: Automated License Data System 365-Day License and Electronic Display Implementation (AB 817)

Governor’s Proposal. The Governor’s budget requests one-time funding of \$810,000 General Fund in 2022-23, with an extended encumbrance period through June 30, 2024, to support the implementation of AB 817 (Wood), Chapter 607, Statutes of 2021.

AB 817 authorizes the Director of DFW to establish new annual resident and nonresident sport fishing licenses for 12 consecutive months. The bill authorizes DFW to enable the electronic display of licenses, validations, report cards, and other fishing entitlements. AB 817 also allows any resident of California who is 65 or older and receives Supplemental Security Income or Cash Assistance Payments for Immigrants to qualify for a reduced fee sport fishing license.

Staff Recommendation. Approve as budgeted.

Issue 2: Biodiversity Resilience Package — Reversion and Ongoing Appropriation

Governor’s Proposal. The Governor’s budget requests an amendment to the 2021-22 Biodiversity Resilience Package to revert \$48 million General Fund of the \$64.6 million that was originally approved (\$59.6 million General Fund and \$5 million Environmental License Plate Fund (ELPF)). The amendment would also provide DFW with \$12 million in ongoing General Fund beginning FY 2022-23 to support the 39.0 permanent positions that were originally authorized in the FY 2021-22 Biodiversity Resilience Package.

This proposal is intended to provide DFW with ongoing resources to help address its most under resourced service areas identified on the SBB Final Report. The proposed amendment will provide ongoing funding for the permanent positions that were originally approved in the 2021-22 Biodiversity Resilience Package. In 2021-22, DFW will revert \$48 million General Fund of the \$64.6 million that was originally approved to be spent over five years, leaving \$12 million General Fund and \$5 million ELPF to support the approved positions and one-time actions in FY 2021-22. The amendment would then provide DFW with \$12 million ongoing General Fund that would support the authorized permanent positions.

Staff Recommendation. Approve as budgeted.

Issue 3: Cannabis Licensure, Safety, and Quality Assurance (AB 141)

Governor's Proposal. The Governor's budget requests \$1.3 million in 2022-23, \$1.2 million in 2023-24, and \$1.2 million in FY 2024-25 from the Cannabis Tax Fund, Allocation 1, to implement AB 141 (Committee on Budget), Chapter 70, Statutes of 2021.

The funds requested are consistent with the Cannabis Tax Fund, Allocation 1, to continue the coordination and support required with the Department of Cannabis Control (DCC) for provisional cultivation licenses, as specified in the AB 141 updates to Business and Professions Code (BPC) Section 26050.2, and the appropriation provided to DFW pursuant to the Revenue and Taxation Code Section 34019(a)(3).

Background. AB 141 provides authorization to DCC to issue new provisional licenses for commercial cannabis activity until June 30, 2022, prohibits DCC from renewing a provisional license after January 1, 2025, and provides that no provisional license shall be effective after January 1, 2026. Additionally, applicants for new and renewed provisional licenses must meet certain requirements related to Fish and Game Code Section 1602 to obtain a new or renewed provisional license. A Lake and Streambed Alteration Notification (Notification) or self-certification application must be submitted to DFW to receive the required documentation.

DFW anticipates significant new workload under AB 141 to process cultivation related Notifications and self-certifications, track, query and report on provisional licensee's Notification status, follow up with applicants and provide education and outreach, prepare correspondence for non-responsive applicants, conduct site visits to verify Notifications/self-certification project descriptions and proposed feasible measures to reduce impacts on the environment, and conduct compliance inspections to determine all measures in draft/final Lake and Streambed Alteration Agreements are implemented correctly. This proposal is intended to address this increased workload with limited term staff.

Staff Recommendation. Approve as budgeted

Issue 4: Commercial Fishing Inspection: Crab Traps (SB 80)

Governor's Proposal. The Governor's budget requests three permanent positions and \$573,000 General Fund ongoing to address the workload associated with the implementation of SB 80 (McGuire), Chapter 757, Statutes of 2021. SB 80 authorizes DFW to develop and implement an evisceration program for the commercial Dungeness and rock crab fisheries, to expand biotoxin sampling in California fisheries, and to establish a consistent statewide presoak period for Dungeness crab gear.

Background. SB 80 institutes numerous changes to the commercial Dungeness and rock crab fisheries, including the establishment of eviscerated crab fisheries among other provisions. SB 80 alleviates some of the uncertainty in the opening dates of the commercial Dungeness and rock crab fisheries by providing an alternative to closures or delays when domoic acid levels are above

allowable limits.

Under existing law, Fish and Game Code Section 5523 authorizes the Director of Fish and Wildlife to close or otherwise restrict the take of species in state waters to reduce the human health risk upon a recommendation from the Office of Environmental Health Hazard Assessment in consultation with the California Department of Public Health (CDPH). This process relies on the unique roles of each State department and requires close coordination to close and re-open areas due to public health concerns.

Each year, prior to the opening of the commercial Dungeness crab season, DFW staff coordinate with CDPH to collect samples in the commercial Dungeness crab fishery prior to the fishery opening to determine if they contain unhealthy levels of domoic acid, ensuring that it is safe for consumption. DFW staff are tasked with soliciting volunteer fishermen to collect samples and coordinating transport of samples to the CDPH testing facility. For other key invertebrate fisheries such as lobster and rock crab, samples have been collected opportunistically and sporadically from volunteer fishermen. This results in an incomplete understanding of the extent of domoic acid in these fisheries across locations and through time.

Domoic acid has become more prevalent in the commercial Dungeness crab and rock crab fisheries in recent years, prompting fishery closures and delays. During the 2015-2016 fishing season, a persistent domoic acid bloom caused by an unprecedented large marine heat wave, severely curtailed the length of the Dungeness crab fishing season in the central and northern management areas by approximately 58 and 72 percent, respectively. The 2015-2016 Dungeness and rock crab fisheries were subsequently declared a federal fishery disaster due to the significant economic losses resulting from the protracted closures due to domoic acid. The delay in the 2015-2016 fishing season also likely contributed to the large increase in number of entangled endangered humpback whales that season.

SB 80 establishes the legislative authority for DFW to adopt regulations governing take of Dungeness and rock crab in areas subject to evisceration requirements by CDPH. An evisceration program allows commercial Dungeness crab and rock crab fisheries to catch, land and sell crab that have been eviscerated (intestinal tract removed prior to cooking) under certain circumstances. A key component of any evisceration program is knowing when and where a vessel fishes to definitively safeguard that crab landed are either from an area under an evisceration order or not. This information can be easily obtained by requiring vessels to carry an electronic device that transmits the vessel's location at a regular frequency. Starting in late 2023, the commercial Dungeness crab fleet will be required to have an electronic tracking device onboard during fishing activities. No equivalent monitoring requirement currently exists for other commercial invertebrate fisheries.

Staff Recommendation. Approve as budgeted.

Issue 5: Implementation of Nesting Bird Habitat Incentive Program (AB 614)

Governor’s Proposal. The Governor’s budget requests one permanent position and \$699,000 in 2022-23, and \$1.2 million ongoing from the newly established Nesting Bird Habitat Incentive Program Account, Fish and Game Preservation Fund to address the workload associated with the implementation of AB 614 (Aguiar-Curry), Chapter 521, Statutes of 2021.

AB 614 provides support to the Nesting Bird Habitat Incentive Program (NBHIP) as outlined in Fish and Game Code Section 3480. Implementation of this program supports the reversal of the long-term decline of many bird and pollinator species that rely on upland habitat in the Central Valley of California.

Background. AB 614 provides funding for the NBHIP by adding an additional cost of \$10 to both upland game bird and California duck validations. Funds generated from the increased fees will be deposited into a newly established Nesting Bird Habitat Incentive Program Account, Fish and Game Preservation Fund and will subsequently be used to implement the NBHIP. The NBHIP is primarily intended to reverse long-term trends for many upland nesting bird species that are now at all-time low population levels and increase habitat abundance and quality for pollinators (many of which are also at all-time low population levels). The NBHIP aims to increase the amount of nesting habitat in California by incentivizing the establishment of upland nesting cover and pollinator habitat on private and public lands and incentivizing the delay of harvest on wildlife-friendly agricultural crops such as winter wheat.

Staff Recommendation. Approve as budgeted.

Issue 6: Modernization of Aging Vessel Fleet

Governor’s Proposal. The Governor’s budget requests one-time funding of \$1.9 million General Fund in 2022-23, with an extended encumbrance period through June 30, 2024, and an extended liquidation period through June 30, 2027, to replace an aging vessel fleet and to modernize equipment needed to assess the effects of climate change on California’s unique biodiversity. These investments are intended to allow increased access to additional types of aquatic habitat and decrease long-term reliance on state funding to repair aged vessels. With 12 of DFW’s monitoring vessels likely to be retired by 2024, DFW is targeting specific vessel functionality that will enable the department to replace those aged vessels with the following five vessels:

- \$1.03 million for a Class III 42’ research vessel for trawling in rougher Bay waters.
- \$496k for a Class II 32’ research vessel for trawling-based surveys.
- \$256k for two Class I 24’ landing crafts for beach seining in restored habitats or shallower waters, and gill netting of sport fish.
- \$146k for a Class I 23’ chase boat with a movable gantry that could also be used as an alternate trawling vessel.

These vessels would allow staff more days on the water, creating a force multiplier by providing more available days for surveys and diversifying the habitats accessible to monitoring. Use of these vessels will rectify gaps in needed species monitoring efforts, create efficiencies, bridge programs within the department, and foster cooperation and collaboration.

Background. Continual monitoring of aquatic life and habitat has long been foundational to DFW's mission. The timely acquisition of this ecological information is necessary to make decisions and actions to support ecosystem health and fisheries management. Monitoring species populations helps identify declines and impacts to species, and monitoring habitat helps identify where and how much suitable habitat is available.

DFW's monitoring vessels are aging and the need for repairs has caused interruptions to monitoring due to a lack of resiliency within the fleet. The age of these vessels ranges from 8 to 38 years, with most of them purchased in the 1990's. Much of DFW's diverse aquatic monitoring is performed in a dynamic environment, and with age, vessel performance has become less predictable. More frequently, malfunctioning equipment reduces the number of days staff can be on the water, resulting in decreased productivity. Additionally, these unpredictable malfunctions can be safety issues, stranding or putting staff at greater risk of injury. Distant locations and differing vessel specification needs make frequent sharing within the department impractical.

The expected service of work for research vessels is typically 25 years, and DFW has provided upkeep that has allowed vessels to be in service well beyond the typical lifespan. DFW recently retired four vessels, seven more are scheduled to exceed their service life by 2024, and at least one other vessel is in frequent need of repairs. A one-time investment to rejuvenate DFW's older vessels will ensure a reliable fleet to monitor aquatic life and habitat. New vessels will create fiscal efficiencies by reducing substantial and ongoing maintenance costs of older vessels.

Staff Recommendation. Approve as budgeted.

Issue 7: Reimbursement and Federal Trust Fund Permanent Position Authority

Governor's Proposal. The Governor's budget requests 10 positions (permanent position authority only) ongoing to replace the temporary positions used to complete work historically funded by long-term reimbursement agreements or federal grants. These positions are fully funded by reimbursement agreements and federal grants and are expected to remain fully funded by those funds.

Background. DFW has long-term agreements with several state and federal entities which include the funding of staff. Unfortunately, without permanent position authority, the DFW is losing valuable, knowledgeable staff every two years. These agreements are with entities such as the US Fish and Wildlife Service, US Bureau of Reclamation, DWR, Santa Clara Valley Water, High Speed Rail Authority, Tejon Ranch Corporation, California Department of Transportation, and the Sites Reservoir Project. Eliminating the staff turnover of temporary help positions would allow DFW to complete activities and objectives of reimbursement agreements and federal grants more effectively and efficiently.

Staff Recommendation. Approve as budgeted.

Issue 8: Wildlife Connectivity Actions: Compensatory Mitigation Credits (SB 790)

Governor’s Proposal. The Governor’s budget requests three permanent positions and \$717,000 General Fund 2022-23, and two additional permanent positions and \$1.1 million in 2023-24 and ongoing to address the workload associated with the implementation of SB 790 (Stern and Cortese), Chapter 738, Statutes of 2021.

SB 790 authorizes DFW to approve compensatory mitigation credits for certain wildlife connectivity actions that measurably improve habitat connectivity or wildlife migration, such as adding an overpass or underpass for a roadway.

Background. SB 790 adds new provisions to the Fish and Game Code to clarify DFW’s authority to use Conservation and Mitigation Banking and Regional Conservation Investment Strategies to provide advance mitigation credits for projects that improve habitat connectivity and migration. Advance mitigation is a science-based approach to identify mitigation opportunities. By considering mitigation development early in the planning process, prior to design and permitting phases, project proponents can identify higher-quality mitigation opportunities that support species and habitat needs on a regional and landscape scale, result in higher ecological function, and help reduce project approval and permitting timelines. Historically, these programs have not been used to create credits for projects that improve habitat connectivity, but this bill clarifies that they could do so under the current statutory schemes. This change will support public and private entities in developing such projects and improving wildlife connectivity throughout the state.

Staff Recommendation. Approve as budgeted.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)
3640 WILDLIFE CONSERVATION BOARD (WCB)**Issue 9: Wildlife Conservation Board Accounting**

Governor’s Proposal. The Governor’s budget requests four permanent positions and \$741,000 in Reimbursement authority in 2022-23, and \$697,000 ongoing to expand existing staff resources, which provide contracted accounting services for WCB. WCB will utilize various continuously appropriated bond funds to cover the cost of the contracted positions.

Background. WCB currently contracts with DFW for Accounting Services. WCB reimburses the department for accounting services, which is currently provided by three Associate Accounting Analyst positions. The positions perform professional accounting duties and fiscal activities to establish and maintain accounting records pertaining to WCB’s various bond and state funds. A full range of accounting support services are completed for WCB’s various funding sources, including but not limited to maintaining the general ledger accounts, auditing, and processing claim schedules, preparing and transmitting year-end financial statements, expenditure and encumbrance reporting, and associated bond-funded accounting activities.

DFW has identified added complexities due to the implementation of FI\$Cal. These added complexities have created a need for additional staff resources within the department. Since the implementation of FI\$Cal, DFW has struggled to maintain its current accounting tasks, thus causing significant delays in meeting control agency deadlines for WCB and DFW. In addition, there are recent policy changes that require WCB to now have their own checking account, which necessitates the department to separate the bank and office revolving fund reconciliations for WCB and monitor the separate checking account. WCB’s current contract does not fund any accounting services management staff, accounts payable, accounts receivable, or cashiering staff. The department must also ensure the appropriate level of separation of duties is in place for the various accounting services. Therefore, these services are being absorbed by existing department staff that are not currently funded under the existing WCB contract.

Staff Recommendation. Approve as budgeted.

3860 DEPARTMENT OF WATER RESOURCES (DWR)**Issue 10: Advancing Essential Open Data for Transparency and Water Resilience (AB 1755)**

Governor’s Proposal. The Governor’s budget requests \$750,000 per year from the Environmental License Plate Fund (ELPF) for three years, beginning fiscal year (FY) 2022-23, for the California Water Data Consortium (CWDC). The funding would be administered by DWR to support CWDC efforts to assist DWR in advancing open and transparent water data to address California’s most pressing water management challenges. DWR also requests an additional \$1.1 million ELPF per year, beginning FY 2023-24 and ongoing, to address critical open water data needs and expectations, including DWR’s necessary collaboration with the California Water Data Consortium (CWDC).

Background. Assembly Bill 1755 (AB 1755), the Open and Transparent Water Data Act passed in 2016, acknowledges the tremendous potential of California’s water data. It requires the California Department of Water Resources (DWR), in consultation with the State Water Resources Control Board (Water Board), the California Department of Fish and Wildlife (CDFW), and the California Water Quality Monitoring Council (CWQMC), to create, operate, and maintain an integrated water data platform for open, accessible data. Scientific analyses, sound water resource management decisions, and climate resiliency, as addressed in the Water Resilience Portfolio, depend upon open water data. Expanding statutory references to open data, for example CWC §144(e)(6) and §10609.15(c), increasingly call upon open data and reinforce its importance.

The CWDC was founded in 2019 as supported by Secretary for Natural Resources, Wade Crowfoot, and Secretary for Environmental Protection, Jared Blumenfeld, and the State’s AB 1755 Partner Agency Team. The CWDC is an independent, non-profit organization that supports data-informed water management decisions in California in the face of climate change and other pressures on water resources. The CWDC assists the State’s efforts to implement AB 1755 by providing an independent forum for ongoing collaboration and sustained engagement among state agencies, water agencies, industry, NGOs, tribes, academia, and others. Through its work, the CWDC aims to increase access to high quality, comprehensive, and interoperable data for a more resilient water future for every Californian.

Consistent program resources do not exist to maintain DWR’s progress in implementing AB1755 and achieving statutory compliance. Consistent program resources also do not exist to support the essential efforts of the CWDC that help DWR and the State advance open water data.

Issue 11: Central Valley Flood Management and Ecosystem Conservation

Governor’s Proposal. The Governor’s budget requests \$28.5 million in General Funds for the fiscal year 2022-23 for the following multiple high-priority flood and multi-benefit activities: 1) position authority for six positions to perform flood operation and maintenance activities, 2) \$1 million to complete and close-out the 2022 Central Valley Flood Protection Plan, 3) \$27.5 million to create an endowment for long-term maintenance of a habitat mitigation site in the expanded Yolo Bypass.

Background. *Flood Maintenance Program.* The Flood Maintenance Program does not have sufficient resources for operations and maintenance (O&M), repair, replacement, and rehabilitation of features of the State Plan of Flood Control (SPFC) in the Central Valley to complete the work mandated by the California Water Code Sections 8361, 12670 & 12878 et seq. The state has given assurances to the federal government for O&M of SPFC. Completion of the mandated work requires environmental permitting, tribal consultation, data management, project-specific functions, project management and administration, and performance of O&M, repairs, and rehabilitation. The lack of sufficient resources creates delays for DWR to complete required flood O&M activities and assist locals with SPFC rehabilitation.

Central Valley Flood Protection Plan. The Central Valley has among the highest risk of flooding in the state, and that risk is growing with climate change. More than 1 million people, \$60 billion in assets, and critical infrastructure, including water supply for 25 million people, are in floodplains protected by the Central Valley flood system. Despite great progress realized by recent flood system investments, residual flood risk in California's Central Valley remains among the highest in the country. It is estimated that a 100-year event could result in more than \$24 billion in damage. Climate change is likely to bring more intense and frequent floods, thus increasing pressure on a flood control system that was not designed for these conditions. DWR is not adequately funded to fully deliver the expected functions of improving and maintaining the Central Valley flood system, and the gap between flood infrastructure needs in the Central Valley and rates of investment is growing.

The Central Valley Flood Protection Plan (CVFPP), first completed in 2012, is California's strategic blueprint to prioritize and guide the State's investments in flood management in the Central Valley through DWR's flood management programs. The 2017 CVFPP Update identified priority actions for State investment, including: performing required operation and maintenance (O&M) activities for the State Plan of Flood Control (SPFC); implementing systemwide multi-benefit flood and ecosystem projects prioritized in the CVFPP; updating the CVFPP; and providing financial assistance to small, disadvantaged communities to address flood risk due to climate change while incorporating natural ecosystem enhancements.

Issue 12: Bryte Chemical Laboratory Environmental Laboratory Accreditation Program (ELAP) Accreditation Support

Governor's Proposal. The Governor's budget requests four permanent/full time (P/FT) positions and \$1 million to be funded by various funds. These positions are essential for Bryte Chemical Laboratory (Bryte) to maintain ELAP, which is required for environmental labs generating data for regulatory decision making.

Background. Established in 1988, the California Environmental Laboratory Improvement Act requires laboratories to be accredited by the ELAP Program and enacted new requirements for accreditation on January 1, 2021, following CCR Title 22, Division 4, Chapter 19, Certification of Environmental Laboratories. These new standards require the implementation of a quality management system, which has strict requirements for all aspects of the laboratory. The new

requirements include a dedicated Laboratory Quality Assurance Officer (LQAO) and strict method adherence to regulatory methodology that require additional staff.

Established in 1956, Bryte has provided analytical services to DWR for its water quality sampling programs to meet both compliance and research objectives. Bryte does not currently have the staff capability to fulfill ELAP requirements. The lab is currently operating at maximum capacity and cannot absorb additional samples and the required quality assurance/quality control tasks. Furthermore, the sample workload is expected to increase substantially due to the Delta Conveyance Project, monitoring of restored wetland properties, implementation of management actions, additional permit requirements including the Incidental Take Permit, and climate change related extremes, such as drought and floods.

Staff Recommendation. Approve as budgeted.

Issue 13: Central Valley Flood Protection Board (CVFPB) — Permitting and Enforcement Branch Support Reimbursable Authority

Governor’s Proposal. The Governor’s budget proposes an additional three-year limited-term (2022-23, 2023-24, 2024-25) reimbursable authority of \$1.089 million annually to complete the contracted project in which will be reimbursed by the Sacramento Area Flood Control Agency (SAFCA).

The CVFPB regulates and manages the State Plan of Flood Control (SPFC) through its regulatory and local assistance programs. This request for continued reimbursable authority is related to the US Army Corps of Engineers (USACE) supplemental funding received in 2018 for the Sacramento area. The USACE received a special supplemental funding package of which \$1.6 billion (approximately 18 times average annual allocation) will be used to complete projects along the heavily populated Sacramento and American Rivers in Sacramento. The continued work of CVFPB staff will allow the state to fulfill its obligation of enforcing encroachments, permitting, and inspecting encroachments upon the SPFC facilities and allow important major construction projects to move forward within the extremely short time limits imposed by Congress for expenditure of the supplemental funds. Completion of these projects will provide Sacramento Metropolitan Area with 200+ year flood protection and concurrently lower the risk of significant loss of life and property due to a catastrophic levee failure.

Staff Recommendation. Approve as budgeted.

Issue 14: CVFPB Electronic Encroachment Application and Permit Process Improvement Program.

Governor's Proposal. The Governor's budget proposes \$500,000 one-time General Fund for 2022-23 to develop and implement an online permit application program including online fee payment, which would reduce overall permit submission and processing time. Improving the CVFPB's permitting processes will reduce unpermitted and non-compliant encroachments resulting in a reduction to the state's liability for the costs associated with damages to federal flood control system from a flood event.

Staff Recommendation. Approve as budgeted.

Issue 15: CVFPB: Sacramento and San Joaquin Drainage District Property Maintenance and Cooperative Management of Lands

Governor's Proposal. \$679,000 ongoing baseline General Fund beginning in 2022-23 and one permanent full-time position to manage resource agreements with cities and counties in the Central Valley for abatement of existing hazardous conditions on Sacramento and San Joaquin Drainage District (SSJDD) land within the CVFPB's jurisdiction. The request includes one Sr. Right of Way Agent and funding for assessments and minimal maintenance, consistent with prior actual nuisance orders.

Staff Recommendation. Approve as budgeted.

Issue 16: Climate Change Adaptation and Equal Access Investment for Statewide Flood Management

Governor's Proposal. The Governor's budget requests \$6.268 million ongoing baseline General Fund starting in 2022-23 and two new permanent full-time positions to provide support to continue the work of the Division of Flood Management (DFM) Hydrology and Flood Operations Branch in the utilization of proven emerging technologies to base operational decisions on during periods of flood and drought. This request continues to support the water priorities identified in the Governor's Water Resilience Portfolio including long-term capacity to anticipate drought and prepare for flood events.

Staff Recommendation. Approve as budgeted.

Issue 17: Delta Levee Integrity, Flood Emergency Preparedness, and Climate Resiliency

Governor's Proposal. The Governor's budget requests \$18.5 million over three years (\$15.5 million in State Operations and \$3 million in Local Assistance) from Proposition 1, Chapter 11, Section 79781(d)) to reduce the state's risk from drought, flooding of the Delta Islands, and water supply, and also increase regional flood emergency response.

The \$15.5 million requested in State Operations funding for the Delta Flood Emergency Preparedness Response and Recovery Program are planned for the following fiscal years:

- 2022-23: \$2.5 million
- 2023-24: \$3.5 million
- 2024-25: \$9.5 million

The \$3 million requested in Local Assistance funding for the Delta Flood Emergency Response Grant Program is planned for the fiscal year 2024-25. This funding will provide grant funding to local public agencies within the legal Delta with primary responsibility for flood emergency response and coordination.

Funds from this request will support the efforts of DWR to do the following:

- Manage local assistance grants for flood emergency response; procure regional stockpiles of flood fight materials; develop emergency response tools; support the development of an interagency Delta Flood Emergency Response and Recovery Framework Plan (as required under Water Code 12994.5); conduct interagency Delta-wide exercises to improve communication, coordination, and flood emergency response capabilities; provide grants to local agencies to improve their ability to prepare for and respond to flood events in the Delta; and maintain the operational readiness of existing state-of-the-art DWR Emergency Materials Transfer Facilities in the Delta that support local and state flood emergency response.
- Continue critical maintenance, rehabilitation, repair, and improvement of levees in the Delta.
- Develop mandated habitat mitigation and enhancement work to support the levee improvements.
- Carry out objectives embodied in the DWR "O&M Needs Assessment for Habitat Lands" report. DWR has purchased thousands of acres of land in the Delta to meet various statutory and water supply reliability requirements. Funds for maintenance and security are not keeping up with needs. In the past few years, deferred maintenance costs have increased. Funds will be used to address critical maintenance needs on state-owned lands and lands where DWR has a statutory responsibility for maintenance.

Staff Recommendation. Approve as budgeted.

Issue 18: Office of Workforce Equality Staffing

Governor's Proposal. The Governor's budget requests \$236,000 ongoing across various funding sources and two permanent full-time positions to support equal employment opportunity investigation timelines and implement new training and program requirements.

Background. The equal employment opportunity program (EEO) is a centralized program with oversight of EEO policy implementation and administration across all DWR locations, including performance of EEO (discrimination and sexual harassment) investigations. EEO staff perform complaint triage for DWR via a complaint intake process, administer EEO training to all DWR staff, and oversee mandated EEO programs including upward mobility, Limited Examination and Appointments Program (LEAP), workforce analysis, EEO Counselors, and Disability Advisory Committee. Although overall DWR staff has increased over the years, EEO staffing levels have remained steady. The absence of an EEO staff increase commensurate with the staffing increases department-wide coupled with additional responsibilities in the office mandate by both statutory changes and the addition of diversity, equity, and inclusion priorities has led to longer timeframes to complete workload and limited DWR's ability to provide training beyond what is minimally required.

Staff Recommendation. Approve as budgeted.

Issue 19: Riverine Stewardship Restoration Activities (Proposition 13)

Governor's Proposal. The Governor's budget requests an appropriation of \$6 million in Local Assistance (two years to encumber and three years to liquidate) and \$500,000 in State Operations funds (\$100,000 per year for 2022-23 through 2026-27) from the Interim Reliable Water Supply and Water Quality Infrastructure and Management Subaccount to support the Riverine Stewardship Program.

This request will provide Local Assistance to various water and reclamation districts and cities in the Delta Export Service Area and counties included within the Association of Bay Area Governments. The Local Assistance funds will support water quality and supply projects with a focus on green infrastructure solutions, riverine stewardship, fish migration improvements, and habitat enhancement projects that benefit aquatic species, including by reconnecting aquatic habitat to help fish and wildlife endure drought and adapt to climate change.

Staff Recommendation. Approve as budgeted.

Issue 20: State Water Project (SWP) Transactions

Governor's Proposal. The Governor's budget requests five permanent full-time positions funded by the SWP. Currently, there are no resources available, within the Water Project Bill Processing and Analysis Office, needed to review and analyze each SWP funded transaction posted in the DWR's accounting system.

While any incorrect charges are trued up during year-end processes, erroneous postings still drive administrative workload and may result in interest being paid or collected from the Contractors. Incorrect postings have the potential to also impact DWR's Revenue Bond Ratings, which are higher than the State's current Bond Rating.

Background. Over the last several years, the SWP has encountered multiple instances of costs being incorrectly coded/recorded in the DWR's system of record, SAP. These instances have resulted in large volumes of data being analyzed to determine whether costs were coded correctly. As a result, hundreds of millions of dollars were reclassified from minimum to capital, as the related projects met the capitalization Generally Accepted Accounting Principles (GAAP) and Bond related criteria. Erroneous postings have also led to the reinstatement of prior year GAAP Financial Statements for the State Water Resources Development System. Filling these positions would ensure the accuracy of all SWP Master Data and postings into DWR's system of record.

Staff Recommendation. Approve as budgeted.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

Issue 21: Caltrans Reimbursement Authority

Governor's Proposal. The Governor's budget requests an increase reimbursement authority of \$288,000 and two position authority funded through an interagency agreement with Caltrans, which was executed 2021 (Contract Number 43A0405). The increase in workload is due to an increased number of transportation projects funded by Road Repair and Accountability Act (SB 1 (Beall), Chapter 5, Statutes of 2017) and the forthcoming federal INVEST in America Act.

The number of positions proposed under the current interagency agreement was based on a conservative workload estimate of an approximate 20 percent permit increase by BY+4. However, Caltrans currently anticipates an actual permit workload of approximately 60 percent over the next year (according to Caltrans 2020 to 2021 data) that will continue to be sustained and will likely increase by the anticipated increase from INVEST in America Act funds, Water Boards and Caltrans, therefore, have jointly identified a need for increased SWRCB staffing. The two requested liaison positions at SWRCB will focus on Caltrans permitting throughout the state and support Regional Board liaisons based on regional workload need and Caltrans priorities at any given time. SWRCB is requesting reimbursement and position authority to support work conducted under the existing interagency agreement.

Background. The number of Caltrans permits processed by the Water Boards has increased substantially in the last five years and is expected to increase further in the future due to SB 1 and the forthcoming federal INVEST in America Act. SWRCB currently has an interagency agreement with Caltrans that provides for one liaison position at SWRCB and one liaison position at each of the Regional Boards that focus on permit development work. These liaison positions help Caltrans deliver programmed projects.

Staff Recommendation. Approve as budgeted.

Issue 22: Lead and Copper Rule Revision and Regulatory Development

Governor's Proposal. The Governor's budget requests \$952,000 and five new positions in 2022-23 from the Safe Drinking Water Account. The five new positions will support the development and implementation of California drinking water regulations placing special emphasis on implementation of the federal revised lead and copper rule (LCRR). The Division of Drinking Water (DDW) needs administrative support for its Technical Operations Section, Regulatory Development Unit to reduce the rulemaking backlog and develop the LCRR and other new regulations, including addressing the 30+ unregulated contaminants with notification levels, and approximately 60 MCLs higher than the corresponding public health goals. This proposal also includes two new IT programmers to create necessary electronic document intake tools to receive data generated by the LCRR.

Staff Recommendation. Approve as budgeted.

Issue 23: Oil and Gas Monitoring Program Supplement for Existing Underground Injection Control (UIC) Project Review

Governor’s Proposal. The Governor’s request ten permanent positions and \$2.04 million from the Oil, Gas, and Geothermal Administrative Fund to work with the California Geologic Energy Management Division (CalGEM) to address US Environmental Protection Agency (US EPA) concerns that California is not in compliance with the Federal Safe Drinking Water Act (SDWA) by:

(1) Prioritizing the review of active Class II Underground Injection Control (UIC) projects with pending aquifer exemption proposals with overlying beneficial use groundwater, to ensure these projects comply with the SDWA and applicable state statutes and regulations in safeguarding groundwater resources.

(2) Addressing a backlog of approximately 779 required UIC project-by-project reviews, which consist of more than 50,000 UIC wells, to ensure the UIC projects are in compliance with the SDWA as well as any applicable state statute or and regulation.

Staff Recommendation. Approve as budgeted.

Issue 24: San Diego County Primacy Delegation Agreement Termination

Governor’s Proposal. The Governor’s budget requests \$911,000 to support four permanent positions (three Water Resource Control Engineers and one Senior Water Resource Control Engineer) in the Safe Drinking Water Account to carry out public small water system (SWS) regulatory program for San Diego County. The County’s Primacy Delegation will be terminated no later than June 30, 2022 per request of the County and oversight of the delegated public water systems is in the process of being transferred to SWRCB.

Approval of this proposal is critical for the state to provide regulatory oversight of public SWSs in San Diego County. The County has a total of 129 public water systems with less than 200 service connections that provide potable water to a permanent population of 5,413 people daily along with an unknown transient population. Providing regulatory oversight is essential to avoid incidents of bacteriological and chemical contamination that could lead to waterborne illness.

Although SWS serve only a small percentage of the state’s residents, they represent a disproportionately high risk to public health. These systems have a greater number of violations and compliance problems than do systems that serve more than 1,000 service connections. Over 90 percent of the violations have been from SWS. There are two principal reasons for this:

- SWS do not have the benefit of economy of scale that large water systems have, therefore the cost of needed facilities and operation/maintenance per customer is much higher for

SWS.

- SWS predominantly serve disadvantaged, rural communities where resources are usually lacking. In particular, these communities often have difficulty demonstrating financial capacity, as required for many funding programs.

Staff Recommendation. Approve as budgeted.

8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE**Issue 25: Industrial Hemp Products (AB 45)**

Governor’s Proposal. The Governor’s budget requests \$150,000 General Fund and one position in 2022-23 and ongoing to provide adequate staffing for the planning and administration of Industrial Hemp (IH) program to administer the activities required by AB 45 (Aguilar-Curry), Chapter 576, Statutes of 2021.

Currently, the IH Program does not have sufficient resources to fully administer program activities pursuant to AB 45, including data review, aggregation, coordination, and reporting activities. The proposed position would allow the IH Program to develop, administer, coordinate, and execute activities required by AB 45.

Background. Industrial hemp is a versatile agricultural crop with thousands of applications and is grown in at least 30 countries throughout the world. The purpose of the California Industrial Hemp Farming Act is to establish a registration program for the cultivation of industrial hemp in accordance with Food and Agriculture Code (FAC) Division 24. Registration for the cultivation of industrial hemp has been available since April 30, 2019. However, AB 45 places additional requirements on CDFA to review, evaluate and summarize additional data reported by hemp grower registrants. Additionally, AB 45 requires CDFA to coordinate and share this information with CDPH. CDFA does not have resources to fully support the review of the data required by AB 45, including coordinating the quality assurance of the data with counties, or to disseminate this information as mandated without reducing existing activities pertaining to FAC Division 24 to support county and industry, or increasing registration fees paid by hemp growers to accommodate this new mandate in the California Health and Safety Code.

Staff Recommendation. Approve as budgeted.

Issue 26: Shipping Point Inspection Food Safety

Governor’s Proposal. The Governor’s budget requests five positions in 2022-23 and ongoing to support the mission-critical enhancement of the Shipping Point Inspection (SPI) Program. The SPI Program is fully funded by continuously appropriated Department of Food and Agriculture Fund, so this request does not require additional Budget CT expenditure authority. The requested positions will develop a more robust food safety auditing program in California and increase the state’s ability to reduce food-borne illness and support a safe food supply, in accordance with CDFA’s Strategic Plan.

Staff Recommendation. Approve as budgeted.

Issue 27: Specialty Crop Block Grant Program

Governor’s Proposal. The Governor’s budget requests a technical adjustment of \$10 million in additional Federal Fund authority in 2022-23 and ongoing to administer the Specialty Crop Block Grant Program (SCBGP) for California. This adjustment is necessary due to California receiving an additional \$31.6 million for the program under the 2018 Federal Farm Bill; California currently receives—and CDFA is budgeted for—\$23 million annually for the SCBGP and up to \$3 million for Specialty Crop Multi-State projects, and CDFA anticipates that these new project funds will be awarded/expended over three fiscal years.

Staff Recommendation. Approve as budgeted.

Issue 28: State Organic Program Outreach and Education

Governor’s Proposal. The Governor’s budget requests \$537,000 Department of Food and Agriculture Fund (Ag Fund) and one permanent position in 2022-23 and \$736,000 in 2023-24 and ongoing for the State Organic Program (SOP) to promulgate regulations and conduct new outreach, education, and technical assistance efforts to SOP constituents as authorized by the California Organic Food and Farming Act and as identified by the California Organic Products Advisory Committee and the Organic Stakeholder Work Group. Education and technical assistance will be achieved partly through a contractual agreement with a University or a Cooperative Extension of a University.

Staff Recommendation. Approve as budgeted.

Issue 29: Sustainable Animal Mortality Management

Governor’s Proposal. The Governor’s budget requests \$287,000 General Fund and one position in 2022-23 and ongoing to enhance climate resiliency by establishing a statewide framework for handling animal mortalities in a manner that mitigates the risks to human and animal health, while enhancing stewardship of the environment and promoting California’s agriculture.

Background. CDFA has regulatory oversight over animal mortality disposal and recycling practices and is responsible for verifying that they are protective of public health, animal health, and the environment, and are suitable for use during normal operating conditions and available during emergencies. The department works closely with the California Environmental Protection Agency (CalEPA) and other state agencies while implementing pertinent laws and regulations.

Staff Recommendation. Approve as budgeted.

Issue 30: Veterinary Medicine: Blood Banks for Animals (AB 1282)

Governor's Proposal. The Governor's budget requests five positions in 2022-23 and ongoing, \$1.127 million in 2023-24 (\$800,000 General Fund and \$327,000 Department of Food and Agriculture Fund (AF)), and \$1.082 million Department of Food and Agriculture Fund in 2024-25 and ongoing to implement AB 1282 (Bloom), Chapter 752, Statutes of 2021.

This proposal will enable CDFA to convene a panel of experts and develop, publish, and maintain best practices for entities collecting canine blood and selling canine blood products in California. These best practices will form the standard of care for both CDFA and the Veterinary Medical Board to use in enforcement actions. CDFA will also: develop a system to validate that out-of-state products meet California standards; promulgate related regulations; collect and analyze sales and other data from within the state, from other states, and from other countries; register products and maintain inspection records; enforce reporting requirements; produce reports; maintain a public website; respond to new public information requests; ensure discriminatory sales are not occurring; and inspect businesses providing registered products that are not managed by a California licensed veterinarian. (The Veterinary Medical Board will provide oversight for veterinarians licensed in California.)

Staff Recommendation. Approve as budgeted.

VOTE-ONLY Part II

Vote-Only Part II consists of issues from the Vote-Only Calendar that was originally slated for Subcommittee 2's hearing on February 2, 2022. It also includes two additional proposals for the California Environmental Protection Agency.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

3900 CALIFORNIA AIR RESOURCES BOARD (CARB)

8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

Issue 31: California Carbon Sequestration and Climate Resiliency Project Registry (SB 27)

Governor's Proposal. The Governor's budget requests the following:

CNRA: \$750,000 one-time and \$285,000 ongoing General Fund to implement SB 27 (Skinner), Chapter 237, Statutes of 2021. Of the funds requested, \$500,000 would be used for the development of the registry, \$250,000 would be used for the development of regulations through the Office of Administrative Law, and the \$300,000 ongoing would be to support two full-time staff (including salary, benefits, and O&E) to conduct registry operation, maintenance, and coordination.

SB 27 requires CNRA to, no later than July 1, 2023, establish and maintain the California Carbon Sequestration and Climate Resiliency Project Registry for the purposes of identifying and listing projects in the state that drive climate action on the state's natural and working lands and are seeking funding from state agencies or private entities. The bill requires CNRA to consider the environmental and public health impacts of any direct air capture project before adding the project to the registry. CNRA will create a process for listing projects on the registry and is required to track and report realized climate benefits through the registry.

CARB: Two permanent positions and \$425,000 Cost of Implementation Account (COIA) in 2022-23, \$1.923 million (including \$1.5 million in one-time contract funds) in 2023-24, and \$423,000 in 2024-25 and ongoing to incorporate the Natural and Working Lands Climate Smart Strategy in the Scoping Plan and implement CARB's responsibilities to support the Natural and Working Lands Registry of Projects as requested by SB 27.

SB 27 requires CARB to establish carbon dioxide removal targets for 2030 and beyond as part of the Scoping Plan process, and to take the Natural and Working Lands Climate Smart Strategy, science-based data, cost-effectiveness, and technological feasibility into consideration when setting these targets.

CDFA: \$125,000 General Fund and one permanent position in 2023-24 and ongoing to implement

the functions required by SB 27. The bill requires CDFA to collaborate with CNRA to develop an application process for applicants whose projects are listed in the Carbon Sequestration and Climate Resiliency Project Registry and support applicants' ongoing participation in the registry.

Staff Recommendation. Approve as budgeted.

**0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
(CALEPA)
3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)
3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY
(CALRECYCLE)**

Issue 32: CalEPA Bond and Technical Adjustments

Governor’s Proposal. The Governor’s budget proposal includes requests for various bond appropriations, reappropriations, and reversions; technical adjustments; reappropriations; and baseline adjustments to continue implementation of previously authorized programs.

Staff Recommendation. Approve as budgeted.

**0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
(CALEPA)****Issue 33: California Environmental Reporting System Project**

Governor’s Proposal. The Governor’s budget requests \$1.967 million Unified Program Account (UPA) and one permanent position in 2022-23 to continue the planning work to update the California Environmental Reporting System (CERS). This also includes an additional year of funding for four permanent positions approved in 2021-22. The project will update the technical platform, improve data quality and the processes supporting data quality, address inefficient input and interactions, and make identified enhancements to CERS.

One-time costs in FY 2022-23 include funding to continue data cleanup and migration preparation, implement an Organizational Change Management (OCM) contract, and support continued Department of Technology oversight costs for the project.

CERS is heavily used by both regulated businesses and regulators and is interconnected to over 60 local government data systems. The platform is based on early 2000s technologies that are outdated and insufficient to support current use. It is critical that CERS be updated to provide a stable platform and meet modern security requirements.

Staff Recommendation. Approve as budgeted.

Issue 34: California Hazardous Material and Oil Emergency Support

Governor’s Proposal. Consistent with the State of California Emergency Plan, the Governor’s budget requests \$474,000 General Fund and three positions in 2022-23 and ongoing to support CalEPA’s role as the lead Agency for the California Hazardous Material and Oil Emergency Support Function (CA ESF-10). These additional resources will allow CalEPA to support ongoing disaster planning, response, and recovery efforts without diverting staff away from other aspects of the Agency’s mission.

Background. Due to the overwhelming increase and nature of disasters since February of 2020, CalEPA emergency response staff have been activated to the State Operations Center (SOC) providing almost continuous support for COVID, extreme heat, drought, and wildfires. This often entails:

- Participating in SOC calls spaced every 12hrs, including on weekends and holidays.
- Providing updated reports to the SOC by 6:00am and 3:00pm each day.
- Maintaining close coordination between the California Office of Emergency Services (Cal OES) and supporting agencies. This coordination includes supporting mission assignments for CalEPA and its boards, departments, and offices (BDOs), tracking reimbursements and reporting requirements from mission tasks, and helping with identifying personnel to

support mission assignments.

- Coordinating the responses of CalEPA BDOs to requests for environmental regulation and permitting requirements to meet emergency needs.
- Generating daily briefings for CalEPA leadership.
- Providing leadership, ongoing communication, coordination, and oversight for the CA ESF-10 throughout all phases of emergency management.
- Lead the multi-agency coordination effort and decision-making process regarding the sharing and use of resources, data, and personnel under CA ESF-10.
- Ongoing coordination with other stakeholders, such as local governments, special districts federal agencies, tribal governments, and community organizations.

The California State Emergency Plan provides a statewide framework for mitigating, preparing for, responding to, and recovering from the effects of disasters and emergency events. In addition to assigning CalEPA as the lead agency for CA ESF-10, the Plan assigns CalEPA and its BDOs to support roles and responsibilities in nine additional California Emergency Support Function Areas:

- CA ESF- 3 Construction and Engineering
- CA ESF-4 Fire and Rescue
- CA ESF- 5 Management
- CA ESF- 7 Resources
- CA ESF-8 Public Health & Medical
- CA ESF-11 Food & Agriculture
- CA ESF-12 Utilities
- CA ESF-13 Law Enforcement
- CA ESF-15 Public Information

Cal OES has also assigned CalEPA as a supporting agency for five out of the six newly adopted Recovery Support Functions (CA RSF), created to provide California with comprehensive short-, intermediate-, and long-term recovery support to local and tribal communities impacted by a disaster.

Staff Recommendation. Approve as proposed.

3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)**Issue 35: Alternative Fuels Quality and Regulatory Oversight**

Governor’s Proposal. The Governor’s budget requests \$1.451 million COIA in 2022-23 and \$1.363 million COIA ongoing thereafter to: (1) expand CDFA’s Alternative Fuels Quality and Regulatory Oversight Program (CDFA Program); (2) support the growth of alternative transportation fuels and associated fuel dispensing systems; (3) continue research in zero-emission fuel standards and standard method development; and (4) implement the zero-emission vehicle (ZEV) program as identified in the Scoping Plan and directed by Executive Orders B-48-18 and N-79-20.

Of the total, CDFA requests \$681,000 in 2022-23 and \$593,000 in 2023-24 and ongoing to support 3.3 existing permanent positions. CARB requests \$771,000 in 2022-23 and ongoing to support three new permanent positions, equipment, and operating expenses associated with testing new fuel dispensing systems.

These resources are intended to meet workload demands resulting from the rapidly growing infrastructure of retail hydrogen fueling stations and exponential growth in commercial electric vehicle charging stations. The Hydrogen Fueling Station Performance Testing (HyStEP) Program (CARB Program) will verify that retail hydrogen fueling stations are designed to meet established fueling protocols and provide fast, safe, and consistent fueling for customers across the growing network.

Staff Recommendation. Approve as budgeted.

3900 CALIFORNIA AIR RESOURCES BOARD (CARB)**Issue 36: Cement Sector Greenhouse Gas Reductions: Net-Zero Emissions Strategy (SB 596)**

Governor's Proposal. The Governor's budget requests \$725,000 COIA and two permanent positions in 2022-23 and \$423,000 COIA in 2023-24 and ongoing to develop and implement a comprehensive strategy to achieve net-zero emissions of greenhouse gas (GHG) emissions associated with cement use within the state by 2045 as required by SB 596 (Becker), Chapter 246, Statutes of 2021.

Staff Recommendation. Approve as budgeted.

Issue 37: Heavy-Duty Vehicle Inspection and Maintenance Program (SB 210)

Governor's Proposal. The Governor's budget requests \$7.624 million Air Pollution Control Fund (APCF) and 10 permanent positions in 2022-23 in order to implement and enforce the Heavy-Duty Vehicle Inspection Maintenance program to meet the statutory requirements of SB 210 (Leyva), Chapter 298, Statutes of 2019. This includes \$6 million in contract funding to support initial implementation needs.

Staff Recommendation. Approve as budgeted.

Issue 38: Labor Standards for Short-Haul and Drayage Trucking Fleets (AB 794)

Governor's Proposal. The Governor's budget requests \$1.154 million General Fund and six permanent positions in 2022-23 and \$2.3 million General Fund and six additional (12 total) permanent positions in FY 2023-24 and ongoing to implement AB 794 (Carrillo), Chapter 748, Statutes of 2021, which requires CARB to implement labor standards for short-haul and drayage trucking fleets participating in applicable incentive programs, as specified. This request is intended to provide CARB with the resources to develop and implement new processes for applicable program eligibility, develop expertise in applicable labor laws, investigate third party reporting of labor standard violations, and carry out enforcement.

Staff Recommendation. Approve as budgeted.

Issue 39: Medium- and Heavy-Duty Zero-Emission Vehicle Fleet Purchasing Assistance Program (SB 372)

Governor’s Proposal. The Governor’s budget requests \$211,000 Air Quality Improvement Fund (AQIF) and one permanent position to implement the Medium- and Heavy-Duty Zero-Emission Vehicle Fleet Purchasing Assistance Program, pursuant to SB 372 (Leyva), Chapter 639, Statutes of 2021.

SB 372 directs CARB to develop and administer a program with the California Pollution Control Financing Authority to make financing tools and non-financial supports available to the operators of medium- and heavy-duty vehicle fleets in order to fully enable those operators to transition their fleets to zero-emission vehicles.

Staff Recommendation. Approve as budgeted.

Issue 40: Utilizing Methane Satellite Data

Governor’s Proposal. The Governor’s budget requests \$666,000 COIA and two permanent positions in 2022-23, and \$516,000 in 2023-24 and ongoing to operationalize the use of remote sensing data from two satellites that California will launch jointly with Planet Inc, JPL, and several philanthropic donors.

This Carbon Mapper program utilizes satellites that will pinpoint individual leaks of methane from space. CARB needs to develop the capacity and internal infrastructure to host a public data portal, conduct the needed data analysis, and evaluate mitigation options using the satellite data that will be available after the satellites are launched in 2023.

Staff Recommendation. Approve as budgeted.

Issue 41: New Clean Air Reporting Log Application Development

Governor’s Proposal. The Governor’s budget requests two permanent positions to support the implementation and maintenance of the Clean Air Reporting Log (CARL) application. Costs for the CARL application and associated staffing are funded through an existing Carl Moyer Local Assistance program appropriation. CARB is authorized to allocate up to five percent of Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program) funding to program support and outreach efforts.

Staff Recommendation. Approve as budgeted.

Issue 42: Statewide Assessment for Fuel Cell Electric Vehicle Fueling Infrastructure and Fuel Production (SB 643)

Governor’s Proposal. The Governor’s budget requests \$211,000 Greenhouse Gas Reduction Fund (GGRF) and one permanent position to implement SB 643 (Archuleta), Chapter 646, Statutes of 2021. The requested position would perform the new duties associated with the required assessment in SB 643 that enlist CARB’s experience and expertise with medium- and heavy-duty (MHD) vehicles and fleet regulations.

Background. *SB 643 (Archuleta), Chapter 646, Statutes of 2021.* SB 643 requires the California Energy Commission, in consultation with CARB and the California Public Utilities Commission, perform a statewide assessment of the fuel cell electric vehicle fueling infrastructure and fuel production needed to support the adoption of zero-emission trucks, buses, and off-road vehicles at levels necessary for the state to meet the goals and requirements of Executive Order N-79-20. This includes CARB regularity action that requires or allows zero-emission vehicles in the MHD vehicle or off-road sectors.

Staff Comment. There are other suitable funding options available to implement this proposal. CARB states that it is possible that COIA may also be appropriate funding for this work.

Staff Recommendation. **Approve as budgeted except in lieu of GGRF, appropriate \$211,000 from the Cost of Implementation Account.**

Issue 43: Implementation of GGRF: California Jobs Plan Act (AB 680)

Governor’s Proposal. The Governor’s budget requests \$399,000 GGRF and two permanent positions in 2022-23 and ongoing to meet the statutory requirements of AB 680 (Burke), Chapter 746, Statutes of 2021.

AB 680 requires CARB to work with the Labor and Workforce Development Agency to update its California Climate Investments Funding Guidelines (Funding Guidelines) by July 1, 2025 to include several workforce standards for certain programs that receive continuous appropriations from GGRF.

In addition to helping GGRF-funded programs implement these guidelines and assisting applicants with meeting these standards, these positions will develop and support administering agencies’ use of tools and processes that will allow these programs to report the benefits produced by these new workforce standards.

Staff Recommendation. **Approve as budgeted.**

Issue 44: Southern California Headquarters (HQ) Building Management and Laboratory Support

Governor’s Proposal. The Governor’s budget requests \$3.313 million Air Pollution Control Fund (APCF) in 2022-23, \$3.333 million in 2023-24, \$3.434 million in 2024-25, \$1.145 million in 2025-26, and \$685,000 and five permanent positions in 2026-27 and ongoing to address increased workload at the new Southern Headquarters. This includes a total of \$8.48 million in contract funding over several years to renew the current Southern HQ building management contract through 2025-26. The five permanent positions will be located at the Northern and Southern HQ locations to assist the Business Management Branch team with daily duties.

Background. The new HQ facility in Riverside began construction in 2018 and CARB took occupancy December 3, 2021. The facility is approximately 402,604 square feet on an 18.5-acre site and is designed to support 460 employees. The new facility allowed CARB to consolidated six Southern California locations into a single location. The state-of-the-art facility includes an extended range of dedicated test cells for testing light-duty and heavy-duty vehicles, an advanced chemistry laboratory, workspace for accommodating new test methods for future generations of vehicles, space for developing enhanced onboard diagnostics and portable emissions measurement systems, visitor reception and education areas, a media center, flexible conference areas, and a large public auditorium.

Under standard state operations, Department of General Services (DGS) Facility Management Division would normally assume responsibility for building management. However, due to the difficulty of staffing state-owned buildings in Southern California, in November 2019, DGS notified CARB that DGS would be unable to manage the facility. In order to adequately manage the facility and maintain sustainability measures, CARB awarded a contract that covers building management, maintenance, custodial, security and landscaping services for the facility. The contract was funded for the first 18 months and written with three 12-month renewal options, executable upon approval of additional funding.

Staff Recommendation. Approve as budgeted.

3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)**Issue 45: California Pesticide Electronic Submission Tracking (CalPEST) Project**

Governor’s Proposal. The Governor’s budget requests \$4.434 million DPR Fund and two permanent positions in 2022-23; and \$310,000 DPR Fund in 2023-24 and ongoing to support the second year of design, development, and implementation of the California Pesticide Electronic Submission Tracking (CalPEST) system and ongoing maintenance and operations tasks in support of the CalPEST system. The CalPEST system is a fully integrated information and document management system to substantially improve the current pesticide product registration process for pesticide product and device companies.

Staff Recommendation. Approve as budgeted.

Issue 46: Licensing and Certification Program Enhancements

Governor’s Proposal. The Governor’s budget requests three permanent positions and \$1.608 million General Fund in 2022-23 and 2023-24, \$1.558 million DPR Fund in 2024- 25, and \$1.258 million DPR Fund in 2025-26 and ongoing. To provide ongoing fiscal support, DPR will develop a regulation package for licensing and certification fee changes, which will be implemented in FY 2024-25. These funds will be used to address and implement necessary Licensing and Certification (L&C) responsibilities, required by new unfunded federal mandates issued in 2017, and to modernize elements of the licensing system.

Staff Recommendation. Approve as budgeted.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)**Issue 47: Exide Proposals**

Governor’s Proposal. The Governor’s budget requests the following:

Budget Change Proposal (BCP): 2014 Enforcement Order Program Oversight. \$706,000 Lead-Acid Battery Cleanup Fund (LABCF) in 2022-23 through 2025-26 for three temporary help positions to continue supporting activities to oversee and implement the remaining closure activities needed for the Exide 2014 Stipulation and Order (as amended in 2015) and the ongoing Resource Conservation and Recovery Act (RCRA) corrective action work associated with the February 2002 Corrective Action Consent Order (collectively referred to herein as “Orders”) against Exide Technologies, LLC (Exide).

BCP: Closure and Corrective Action: Third-Party Quality Assurance Oversight. \$600,000 annually from 2022-23 through 2025-26 from LABCF for a contractor to continue to provide Third-Party Quality Assurance (QA) as mandated by the December 8, 2016 Exide Closure Plan to oversee Phase 2 closure activities and the remaining activities needed to fulfill the Exide 2014 Stipulation and Order (as amended in 2015). The contractor will also oversee the ongoing Resource Conservation and Recovery Act (RCRA) corrective action work associated with the February 2002 Corrective Action Consent Order (collectively referred to herein as “Orders”) at the former battery recycling facility in Vernon, California (formerly owned by Exide).

Staff Recommendation. Approve as budgeted.

Issue 48: National Priorities List and State Orphan Sites

Governor’s Proposal. The Governor’s budget requests a revenue transfer of \$13.93 million from the Toxic Substances Control Account (TSCA) to the Site Remediation Account (SRA), and corresponding SRA appropriation of \$13.93 million, in 2022-23 to fund the state's National Priorities List (NPL) obligations and state orphan sites with Priorities 1A, 1B, 2, and statewide service contracts.

Health and Safety Code Section 25173.7 states the Legislature’s intent that the annual Budget Act appropriate an amount sufficient to pay for the estimated direct site remediation costs identified in the department’s annual SRA Report. The transfer and appropriation will fund the 2022-23 SRA estimated costs of \$13.93 million for the state's NPL obligations and state orphan sites with Priorities 1A, 1B, 2, and statewide service contracts.

Staff Recommendation. Approve as budgeted.

Issue 49: Resources Conservation and Recovery Act (RCRA) Grant Support

Governor’s Proposal. The Governor’s budget requests one permanent position in 2022-23 and ongoing to implement the Corrective Action Program tasks required by the US Environmental Protection Agency (US EPA) in the RCRA Grant Work Plan for the 2020-2023 three-year grant cycle, as well as subsequent grant cycles.

This resource is necessary to accomplish the Corrective Action Program commitments in the 2020-2023 RCRA Grant Work Plan, which includes the following: (1) meeting annual environmental performance goals for Corrective Action sites; (2) screening Corrective Action sites for possible inclusion in the Government Performance and Results Act Corrective Action Baseline Site automated management system for monitoring and tracking the progress toward completing cleanup of Corrective Action Sites in California; (3) meeting with Corrective Action project managers to troubleshoot roadblocks delaying site cleanups; (4) ensuring adequate financial assurance for Corrective Action sites; (5) reporting on the progress toward environmental cleanup with a focus on impacted communities; and (6) achieving other annual environmental performance goals as required by the US EPA.

Staff Recommendation. Approve as budgeted.

Issue 50: Strengthen Emergency Response Capacity

Governor’s Proposal. The Governor’s budget requests six permanent positions and \$1.7 million General Fund in 2022-23, and \$1.2 million annually thereafter to support the Emergency Response (ER) Program. The requested resources will support ER when mission-tasked by the California Governor’s Office of Emergency Services (Cal OES) to respond to natural and/or man-made disasters (wildfires, floods, earthquakes, etc.) and enforcement-related activities.

Included in this request is a shift of \$1 million General Fund to the Toxic Substance Control Account (TSCA) annually for an emergency reserve account to readily respond to emergencies per Health and Safety Code Section 25354. Also included in the request is a one-time augmentation of \$230,000 in 2022-23 for equipment purchases, and \$50,000 in 2023-24 and annually thereafter for a four-week (160 hours) Hazardous Material Technician Class and for the annual Hazardous Materials Technician/Specialist Refresher class (3 days – 24 hours) for DTSC staff assisting with hazardous waste mitigation activities related to natural or man-made disasters such as wildfires, floods, and earthquakes; and \$75,000 in 2023- 24 and ongoing for necessary equipment maintenance, calibration, and replacement costs. The \$125,000 ongoing funding will be dedicated to funding for annual calibration and maintenance contract services for equipment utilized for disaster response-related activities, emergency response actions, and enforcement-related activities as well as for additional training.

Background. The Enforcement and Emergency Response Division (EERD), within DTSC’s Hazardous Waste Management Program (HWMP), has two primary responsibilities – enforcing hazardous waste laws and regulations, and responding to emergencies involving hazardous substances. The effective implementation of these functions protects California’s residents from

hazardous wastes that may pose a threat to public health and the environment. In the past five years, EERD's emergency response activities related to California's increasing devastating wildfires has been pivotal to communities' ability to recover.

The ER Program is comprised of four Senior Environmental Scientists and one Supervising Environmental Scientist responsible for day-to-day DTSC ER operations, interagency coordination, disaster recovery planning, and contract management. The unit provides a wide array of technical assistance to law enforcement and other agencies responding to hazardous substance spills and drug lab abandonments. Examples of the technical assistance provided include training in rail derailments, proper management of illegal butane honey oil labs, and management and disposition of lab wastes.

ER staff coordinate closely and routinely with the US EPA's ER Program, participate in Local Emergency Planning Committee meetings with state and local emergency response-related agencies, and serve as active participants on the Emergency Response Management Committee (ERMaC). The ERMaC is comprised of representatives from the emergency response programs of the Boards, Departments, and Office (BDOs) within the California Environmental Protection Agency (CalEPA). Participation on the ERMaC facilitates collaboration and coordination amongst the CalEPA BDOs.

ER is also responsible for answering a 24-hour hotline where requests for DTSC assistance are received from law enforcement, local agencies, and CalOES. During 2020-21, ER received requests from law enforcement and local health agencies to provide support for over 150 drug labs and off-highway responses. Total expenditures associated with these requests were approximately \$1 million.

Disaster removal operations require a high degree of care, oversight, timeliness, and attention to detail. These operations require critical field decision-making based on experience and expertise. Work cycles for these response actions is typically Monday through Saturday working up to 12-14 hours per day. Since early September 2020, DTSC staff have been in the field overseeing HazMat Crews, removing household hazardous waste from destroyed residential, commercial, and public properties. After completing the initial wildfire response action, the ER unit continues to provide support to CalRecycle for additional hazardous waste discovered during debris removal operations. Additionally, upon CalRecycle's confirmation of soil samples detecting the presence of elevated metal concentrations above the residential cleanup numbers, DTSC returns to the location to characterize and remove the contaminants-of-concern, in most cases, mercury and/or lead, in the soil.

As the number and intensity of wildfires increases in California due to weather-related incidents, utility and power line failures, and man-made causes, the length of wildfire season has increased from being seasonal to year-round. As a result, DTSC ER staff are continuously in the field for months at a time in remote locations overseeing the removal of household hazardous waste and bulk asbestos from destroyed structures. This level of effort is solely supported by four ER staff, including the ER Supervisor, which is unsustainable.

Staff Recommendation. Approve as budgeted.

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

Issue 51: BKK Class III Landfill Administrative Costs and Gas Monitoring System Evaluation

Governor's Proposal. The Governor's budget requests \$182,000 from the Integrated Waste Management Account (IWMA) annually to fund an ongoing shortfall in BKK Corporation's (BKK) administrative expenses for operating the BKK Class III Landfill (landfill) for the next 17 years. CalRecycle entered into a judicially enforceable Settlement Agreement (Agreement) with BKK to ensure that the landfill is not abandoned by BKK and does not become a ward of the state. In exchange for a commitment from BKK to fulfill their responsibilities as the landfill operator, CalRecycle has undertaken a contractual and mandatory obligation to fund this shortfall.

CalRecycle also requests one-time expenditure authority for \$300,000 IWMA to fund the evaluation of the landfill gas monitoring system and replace critical gas wells to protect public health, safety, and the environment.

This request covers a total of \$482,000 IWMA in 2022-23 and \$182,000 ongoing for the next 17 years.

Staff Recommendation. Approve as budgeted.

Issue 52: Environmental Advertising Implementation

Governor's Proposal. The Governor's budget requests 1.25 permanent, full-time positions, and \$965,000 in fiscal year 2022-2023 and \$163,000 ongoing IWMA. The newly requested positions will focus on the initial rulemaking and material characterization study execution, as well as subsequent reporting changes necessary to implement environmental advertising under SB 343 (Allen), Chapter 507, Statutes of 2021. Of the total, \$800,000 is the estimated cost to perform a material characterization study required by Public Resources Code Section 42355.51(d)(1)(B)(i).

Background. Existing California law requires that environmental marketing claims should be substantiated by competent and reliable evidence to prevent deceiving or misleading consumers. SB 343 establishes measurable criteria that products and packaging sold in California must meet, to use the chasing arrow recyclable symbol or otherwise direct a consumer to recycle that product or packaging in its labeling.

SB 343 requires CalRecycle to provide sufficient information to the public to evaluate whether a product or packaging is recyclable in the state and is of a material type and form that routinely becomes feedstock used in the production of new products and packaging. In order to meet those requirements, CalRecycle is tasked with updating regulations to require additional reporting from operations and facilities that recover and recycle materials. This additional reporting will provide

information to the department regarding how the material was collected, and what material types and forms are actively recovered and not considered contaminants by the operation or facility.

The bill also requires CalRecycle to conduct, publish on its internet website, and update periodically, a characterization study of material types and forms that are collected, sorted, sold, or transferred by solid waste facilities identified by the department for inclusion in the study.

SB 343 requires, by January 1, 2024, an initial material characterization study be performed by CalRecycle. CalRecycle is also required to update this material characterization study by January 1, 2027, and no less than every five years thereafter. For each material characterization study conducted pursuant to SB 343, CalRecycle is required to publish on its internet website the preliminary findings of the study and conduct a public meeting to present the preliminary findings and receive public comments.

Staff Recommendation. Approve as budgeted.

Issue 53: Materials Management and Local Assistance Division Permanent Staffing

Governor’s Proposal. The Governor’s budget requests nine permanent, full-time positions and \$110,000 from the Electronic Waste Recycling and Recovery Account (E- Waste) to fulfill fiduciary and enforcement obligations related to grant and payment programs, and the Covered Electronic Waste (CEW) Recycling Program.

CalRecycle intends to repurpose funds previously used for temporary help positions to offset the costs of the newly requested positions, hence the request for \$110,000 from E-Waste.

Background. CalRecycle’s Materials Management and Local Assistance Division (MMLA) is responsible for promoting a sustainable future through reducing the amount of waste generated; encouraging recycling and composting to create new materials and products; and properly managing universal and hazardous wastes that cannot be landfilled. MMLA can achieve this through a variety of mandated grant and payment programs. The Financial Resources Management Branch (FiRM) is responsible for administering and managing grants and payments including but not limited to the Beverage Container Recycling Program, Used Oil Certified Collection Center (CCC), and Greenhouse Gas Reduction Program. The E-Waste Branch is responsible for administering the Covered Electronic Waste (CEW) Recycling Program under the Electronic Waste Recycling Act of 2003 (Public Resources Code (PRC) 42460 et seq.).

Over the past four years, FiRM’s grant and repayment programs have increased from 16 to 20. These programs often require a variety of administrative tasks to achieve compliance with respective laws and regulations. These administrative tasks have often been completed by temporary help. While other FiRM staff have attempted to absorb this additional workload, there continues to be a backlog/delay in several areas.

The E-Waste Branch is responsible for administering the CEW Recycling Program. Under this

program, recyclers receive CEW from approved collectors and thereafter, file a claim for payment. CalREcycle must review and verify these claims for within 90 days and may impose administrative civil penalties for false claims or failure to comply. While claim review must be performed by analysts, validation of compliance is often completed by temporary staff. Given the nature of temporary help positions, the number of validations performed has decreased, resulting in reduced compliance verification and reduced evidence of enforcement cases.

Staff Recommendation. Approve as budgeted.

Issue 54: CalRecycle Integrated Information System (CRIIS)

Governor’s Proposal. The Governor’s budget requests \$1.606 million in 2022-23 from the Beverage Container Recycling Fund (BCRF) to support efforts for stages 2-4 of California Department of Technology (CDT)’s Project Approval Lifecycle (PAL) process for the CalRecycle Integrated Information System (CRIIS) project. As part of CDT’s PALprocess, the CRIIS project has completed and received approval for the Stage 1 Business Analysis (S1BA).

Background. CalRecycle’s Division of Recycling Integrated Information System (DORIIS) is the primary automated system used by beverage container manufacturers, recyclers, processors, and internal staff associated with the Beverage Container Recycling Program (BCRP). The DORIIS automated system was completed in July 2010 at a cost of approximately \$21 million. In the merger that created CalRecycle in 2010, no permanent staffing was provided for the support of DORIIS. DORIIS was developed and operates within an Oracle ERP E-Business Suite technical environment, which is specialized and not broadly supported by the vendor community. In comparison, CalRecycle’s other automated systems use the Microsoft development environment (C#, .NET 3.0). Therefore, there remains limited internal technical knowledge and experience supporting DORIIS.

CalRecycle currently has a separate contract in place through May 2023 at an annual cost of approximately \$1.5 million for the ongoing maintenance and support of DORIIS. The consulting contract utilizes six dedicated consulting staff to directly support DORIIS. Additional contractor staff are engaged, as needed, to perform specific technical functions. Due to reliance on a contracted vendor for maintenance and support, as well as the system being over 12 years old, DORIIS is considered to be high risk. The aging system is at risk of not receiving continued maintenance and support upon expiration of the contract. If this current system were to fail, CalRecycle is at risk of losing millions of dollars, daily, and failing to meet state-mandated requirements.

Staff Recommendation. Approve as budgeted.

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT**Issue 55: Proposition 65 Fund Shift**

Governor’s Proposal. The Governor’s budget requests a fund shift of \$1.8 million from the Safe Drinking Water and Toxic Enforcement Fund (SDWTEF) to the General Fund 2022-23 and ongoing. This fund shift is necessary to continue funding the voter-approved Proposition 65 program.

Background. Since its approval by voters in 1986 and until 2009, the state’s Proposition 65 program was funded primarily by the General Fund. Due to a General Fund shortfall, the Budget Act of 2009 shifted \$2.273 million in Proposition 65 funding from the General Fund to SDWTEF. The 2009-10 Budget included \$4.125 million for the Proposition 65 program, \$1.852 million SDWTEF and \$2.273 million General Fund. At the time, revenues to SDWTEF outpaced expenditures, but it was acknowledged that this was not a long-term funding solution. Reserves from SDWTEF have been able to support the program until now, but current expenditures are much higher than the revenues needed to support the program.

SDWTEF receives its revenues from Proposition 65 penalties paid by businesses in enforcement cases pursuant to Health and Safety Code Section 25249.7. SDWTEF was intended to augment funding for the Proposition 65 program, since penalties are insufficient to fund the program and the revenues going into the fund are unpredictable. In the past two fiscal years, revenues averaged \$3.3 million, while the portion of the program funded through SDWTEF has approximately \$4.2 million in costs, leading to a structural deficit.

OEHHA is the lead entity for implementation of Proposition 65, and is projected to expend \$4.21 million SDWTEF in the current fiscal year. Based on the current fund condition, SDWTEF will only sustain the Proposition 65 program through 2024-2025. Unless funds from another source are appropriated for Proposition 65 activities, SDWTEF will be exhausted in 2025-26. This will leave the voter-mandated Proposition 65 program without adequate funding.

Staff Recommendation. Approve as budgeted.

Issue 56: Strengthening CalEnviroScreen

Governor’s Proposal. The Governor’s budget requests \$370,000 Reimbursement Authority and two permanent positions in 2022-23 and ongoing to use the data developed for the CalEnviroScreen mapping tool to track changes over time in community pollution burdens and conditions.

These two positions are requested to develop methods and perform analyses to examine trends, track changes, and measure progress using CalEnviroScreen data. The tool is not currently designed to evaluate changes over time and current staffing and resources are not sufficient to undertake this work. The new positions will support work to develop methods to use

CalEnviroScreen data to examine trends and changes in environmental conditions and conduct analyses to measure progress in pollution reduction.

Staff Recommendation. Approve as budgeted.

DISCUSSION

3480 DEPARTMENT OF CONSERVATION (DOC)

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)

3860 DEPARTMENT OF WATER RESOURCES (DWR)

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

Issue 57: Drought Resilience and Response Package

Governor’s Proposal. The Governor’s budget requests \$500 million one-time General Fund to support drought resilience and response, including water conservation, groundwater recharge, and assistance for small farmers whose needs have grown more acute with extended dry conditions. Funding is requested as follows:

- \$25 million for the State Water Efficiency and Enhancement Program (SWEEP) and drought relief through CDFA;
- \$335 million for water conservation programs, groundwater recharge, technical assistance for agriculture water suppliers, and urban and small community drought relief through the Department of Water Resources;
- \$75 million to mitigate immediate drought damage to fish and wildlife resources and build resilience of natural systems through the Department of Fish and Wildlife;
- \$40 million to continue the Multi-Benefit Land Repurposing Program through the Department of Conservation, and
- \$25 million for regional and county-based drought emergency response through the State Water Resources Control Board.

A further breakdown of the proposed drought package is as follows:

California Department of Food and Agriculture

Drought Relief for Small Farmers (\$5 million). This funding will provide mobile irrigation labs, land-use mapping and imagery, irrigation education, and direct assistance to small farmers and ranchers who have experienced water cost increases of more than 50 percent.

This program will provide critical technical assistance to small-scale farmers and ranchers to mitigate ongoing drought issues. The program will also provide direct economic/drought relief grants to small-scale farmers and ranchers who have experienced water cost increases of more than 50 percent. Funding will be used to administer grants to Resource Conservation Districts (RCDs),

universities, nonprofits, and tribes to provide technical assistance for on-farm water use efficiency, including, but not limited to irrigation and nutrient management training, Mobile Irrigation Labs to perform on-site pump and irrigation efficiency tests, and training. Local, experienced RCD technical assistance providers partner with growers to identify and implement efficiency improvements in existing irrigation systems.

State Water Efficiency and Enhancement Program (\$20 million). SWEEP was established in 2014 as part of a larger effort to address the drought in California. The purpose of SWEEP is to provide financial incentives to agricultural operations to invest in water irrigation treatment and distribution systems that will reduce greenhouse gas emissions, as well as reduce water and energy use, augment water supply, and increase water and energy efficiency in agricultural applications. Eligible technologies include (among others) soil moisture monitoring, drip irrigation systems, low pressure irrigation systems, pump retrofits, variable frequency drives, and installation of renewable energy to reduce on-farm water use and energy. The program also addresses other high priority environmental issues, such as groundwater sustainability and water quality protection. SWEEP prioritizes funding to socially disadvantaged farmers and ranchers and farms in priority populations. Since 2014, SWEEP has funded 828 projects with \$80.5 million, which has allowed efficient irrigation systems and water distribution technologies to be implemented on almost 134,000 agriculture acres. These projects have an estimated water savings of 1.15 million acre-feet and GHG emission reductions of 800,773 MTCO₂e over 10 years. The program is oversubscribed on average by 279 percent, which means that many eligible farmers do not receive funding due to a lack of funds available for the program. As part of the 2021 Budget, SWEEP received \$75 million in 2021-22 and \$85 million in 2022-23. However, CDFA expects to fully encumber those funds and requests an additional \$20 million for SWEEP as part of this proposal.

California Department of Water Resources

Water Conservation Programs (\$180 million). This proposal provides \$100 million to the Department of Water Resources for grants and technical assistance for Water Conservation Planning and Projects by urban and small water suppliers. Over the last several decades, major advances in water conservation and efficiency have been made in many California urban communities. However, impacts of climate change necessitate further advances in water use efficiency for drought resiliency, as well as more structured water shortage contingency planning. Of the proposed funds, \$75 million will be made available in grants and technical assistance for urban suppliers' implementation of new water use efficiency requirements, improved drought resiliency, and other related advances. Funding will support urban water use efficiency projects that result in water savings, water quality improvement, and energy efficiency. Example projects include water loss audits, leak detection and repair, and system distribution performance improvement projects. Another \$25 million will support grants, directed expenditures, and technical assistance to address the conservation and water efficiency needs of small and rural communities.

An additional \$5 million will be used by DWR to map and measure commercial and industrial landscapes as required by AB 1668 (2018) and simplify the Model Water Efficient Landscape Ordinance as required by CWC section 65596.5., provide training to small water systems and counties to use the drought vulnerability tool, and provide other data and assistance as needed to

reduce local drought vulnerability.

This proposal includes \$75 million for turf replacement. Many water suppliers across California encourage and support turf replacement as an effective action to make water conservation a way of life. The current drought gives the state, local agencies, and the public an opportunity to eliminate ornamental turf grass, a glaring example of inefficient water use. DWR will grant these funds to local agencies or contract directly with other state entities, increasing the availability of incentives for homeowners, businesses, and municipalities to replace ornamental turf with more climate-resilient and community enhancing alternatives. The \$75 million will support grants to water suppliers and other interested parties and potentially direct contracts with other state entities including the California Conservation Corps to continue or initiate new turf replacement programs and facilitate direct installation of resilient and regionally appropriate landscapes.

Urban and Small Community Drought Relief (\$120 million).

- \$60M Urban Community Drought Relief. There has been extremely high demand for funding under DWR's 2021 Urban and Multi-benefit Drought Relief Program. Grant applications received in the first two months of the program totaled \$1.1 billion in requests (for the \$300 million available from the FY 21-22 Budget appropriation) for over 200 projects. The proposed \$60 million will augment the existing local assistance grant program. Priority will be given to applications that address emergencies and Human Right to Water related needs. Eligible projects will improve overall local and regional water management efficiency and resilience and help meet urban community water use objectives. Example projects include infrastructure rehabilitation, interties, intake structures, leak detection, water loss audits, recycled water systems, water demand reduction incentives, advanced/smart metering systems, landscape irrigation efficiency improvements, stormwater capture/retention, groundwater recharge, groundwater treatment, groundwater supply and wells, drinking water system consolidation, and water supply forecasting.
- \$60M Small Water Suppliers Drought Relief. The Small Communities Drought Relief Program has received requests that far exceed the FY 21-22 Budget appropriation. The program was allocated \$200 million in July 2021 and has received nearly 120 applications for more than \$310 million. As of late December, DWR has funded 48 of those applications for a total of \$90+ million, the majority in direct support of underrepresented communities. DWR continues to evaluate existing applications and assist tribes with their unique drought-related needs. Funded projects have included support for emergency water supplies, new wells and well rehabilitation, leaky water line replacement, system interties, enhancements, and consolidations, water treatment and new water source development. With this request, DWR will continue the program and address many existing drought needs that otherwise would go unmet.

Technical Assistance for Agricultural Water Suppliers (\$5 million). Agriculture accounts for approximately 80 percent of all the water used in California, and even small improvements in farm and ranch water use efficiency can be significant. Funding will enable DWR to work with the agricultural community and other stakeholders to provide technical assistance to improve

agricultural water use efficiency and management through mobile irrigation labs to assess on-farm irrigation efficiency and identify improvements; land use mapping and imagery to accurately estimate water demand and water use; and irrigation education to encourage efficient irrigation system operation.

Groundwater Recharge (\$30 million). This proposal requests grant funding to local public agencies to support planning, engineering, water-availability analyses, and construction for groundwater recharge projects that support the implementation of the Sustainable Groundwater Management Act (SGMA). SGMA requires groundwater sustainability agencies (GSAs) to prepare groundwater sustainability Plans (GSPs) that meet their groundwater basin sustainability goals within 20 years of GSP adoption. All GSPs must identify projects and management actions that will support plan implementation. Preliminary cost estimates for implementing these project and management actions total billions of dollars, with groundwater recharge projects making up a large percentage of project type. Recharge projects divert surface water to nearby farmland/open space. For example, during times of high river flows and heightened flood risk, diverted flows are contained and allowed to recharge back into the groundwater basins. DWR has long recognized the significance that recharge projects can have in meeting the State's groundwater sustainability goals and, as part of its technical assistance role under SGMA, has invested millions of dollars in Proposition 68 funds to conduct Airborne Electromagnetic (AEM) Surveys designed to map out the best recharge areas. The first phase of DWR's surveys is complete, which puts the State in an ideal position of being able to identify the most effective locations to construct recharge projects with the requested budget.

Department Fish and Wildlife

Mitigating immediate drought impacts to fish and wildlife resources and building the resilience of natural systems (\$46.8 million)

- Terrestrial and Aquatic Wildlife. Continued drought conditions will impact aquatic amphibians, reptiles, vernal pool invertebrates, and wetland-dependent birds and mammals in arid environments. Interventions such as translocations, temporary captivity, and water augmentation will be increasingly needed under continued drought conditions. The ability of DFW to rehabilitate and hold animals at risk of dying due to lack of suitable habitat or access to water, malnutrition, exposure to disease outbreak, or a combination thereof until conditions in the wild return to a more favorable status is limited by facilities and specific species needs. The funding in this proposal will allow DFW to partner with wildlife care facilities, universities, zoos, and other similar partners to find appropriate relief measures or temporary housing.

This funding will also allow DFW to conduct vulnerability assessments for drought-sensitive species and identify where interventions are likely to be needed in the coming year. These interventions include strategies like expanding wildlife drinkers to increase capacity for survival of upland species. . Contingencies for translocation and captive rescue are expected for Sierra Nevada yellow-legged frogs, foothill yellow-legged frogs, California red-legged frogs, Santa Cruz long-toed salamander, California tiger salamander, blunt-nosed leopard lizards, western pond turtle, and Amargosa vole. This funding will

also support DFW's ability to improve response for these vulnerable species through development and refinement of internal policies for wildlife translocation and captive rescue.

- Voluntary Drought Efforts. DFW continues to engage with the State Water Board, the Department of Water Resources, federal agencies, local landowners, and water districts to encourage voluntary efforts to address and minimize drought impacts to fish and wildlife. This includes working on requests for temporary modifications to existing permits and licenses, curtailments, emergency regulations, water transfers, and variance requests to the State Water Board. CDFW anticipates that emergency regulations for fisheries flows may continue to be needed in 2022 in the Russian, Mill, Deer, Scott, Shasta, and Butte watersheds. This funding will allow CDFW to continue participation in these efforts, including the implementation of the Voluntary Drought Initiative that provides landowner incentives to reduce or adjust water diversions to protect instream flows.
- Habitat. A key component to building resiliency for imperiled species is to continue efforts to provide and restore habitat. Specifically, for salmon, recovery will depend upon access to historical cold-water habitat upstream of dams in areas where rivers are free flowing and provide cold water from snow melt runoff. To create new populations and provide access to this historical habitat, salmon and steelhead must be moved around a series of dams on the Sacramento, McCloud, Feather, and Yuba rivers through various methods.

In 2021, DFW allocated funding to restoration partners for 24 projects that supported increased habitat for shorebirds, waterfowl, and threatened and endangered species across California. This funding will support investment in fish and wildlife passage projects, increased habitat for fish and wildlife, and the development and assessment of planning documents to guide restoration.

- Human Wildlife Conflict. California, with a population of nearly 40 million people, has more than 6,500 wildlife interactions each year, sometimes with unfortunate outcomes. Wildlife interactions with humans increase during drought as natural food supplies and water sources diminish. Wildfire, which is exacerbated by drought, compounds the problem, forcing wildlife to seek safety and food in populated areas.

DFW is investing in equipment, technology, facilities, personnel, and process improvements to mitigate the effects of drought, respond to human-wildlife conflict, and support long-term biodiversity resilience. Funding will allow CDFW to advance its response in several key areas, including: 1) strategic allocation of equipment and staffing across the state, including partnering with veterinarians and rehabilitation facilities; 2) targeted monitoring efforts for human-wildlife conflict to trap, tag, or haze nuisance animals that have or may create conflict; 3) and increased capacity for wildlife disease surveillance.

Improve Drought Resiliency on State-owned and Partnership Lands (\$15.4 million)

- State-Owned Lands. Many of DFW's wildlife areas have water conveyance infrastructure

that has completely failed or is operating at extremely inefficient levels. In 2021, DFW prioritized many of these needs and entered into agreements to complete over \$10 million in water conveyance and habitat projects on CDFW lands that are designed to modernize existing infrastructure and improve long-term drought resilience. These projects directly increase DFW's ability to move water on and off Wildlife Areas and lower long-term operating costs by improving the efficiency of pumps and other water conveyance infrastructure. Additional funding will support projects that further improve DFW's drought resiliency and reduce costs associated with ongoing wetland management. In addition to these major wetland areas, DFW can increase carrying capacity and habitat connectivity on DFW lands with spring and summer irrigations, weed control efforts, and successional setback using heavy equipment. These efforts are needed to mimic the natural hydrologic and disturbance events that happened in the Central Valley before modern flood control infrastructure eliminated these large-scale fluctuations.

- **Partnership Lands.** Partnerships are critical to achieving the DFW's large-scale conservation objectives that provide for the needs of birds using the Pacific Flyway, particularly in the Central Valley, where approximately 95 percent of the land is privately-owned. In 2021, DFW entered into agreements with conservation partners and local water districts to immediately provide habitat on private lands and improve the long-term drought resiliency of State, federal, and private lands. Additional funding will allow DFW to continue to partner on projects that incentivize wildlife habitat on private lands and enhance long-term resilience. This includes supporting programs such as the California Winter Rice Habitat Incentive Program, the BirdReturns program, and enhancing the long-term resiliency of the nation's first waterfowl refuge (Lower Klamath NWR) and managed wetlands in the Grasslands Ecological Area.

Hatchery Improvements and Fish Planting (\$12.8 million). The Budget Act of 2021 provided CDFW funding to supporting 34 projects at 14 hatcheries that will replace older, low-efficiency water recirculation/aeration pumps and high carbon footprint backup power generators; install temporary raceway recirculation systems, oxygen blower systems to support limited fish rearing and improve efficiency and fish health; address leaking underground water supply lines; allow water intake at reduced stream flows; deter predators; modernize hatchery buildings; and refurbishing coded wire tag trailers to support tagging of increase fish production; and modernize hatchery fleet assets, fish feeders, and other fish pumps, counters, and crowders.

Additional funding will result in increasing the types of deliverables described above at several remaining hatcheries. Additionally, these funds will support contingency planning efforts at hatcheries to coordinate and consult with other State, local, and federal partners about emergency use of hatcheries and control structures to manage fish health and survival, increase fish production, increase fish trucking and release locations, transfer fish and eggs between hatcheries, and secure backup holding locations in the event of needed emergency evacuations from existing facilities.

California Department of Conservation

Irrigated Land Repurposing (\$40 million). This proposal would continue funding for the Department of Conservation's Multi-Benefit Land Repurposing Program. The Program increases

regional capacity to repurpose agricultural land that can no longer be irrigated sustainably to reduce reliance on groundwater while providing community health, economic wellbeing, water supply, habitat, renewable energy, and climate benefits.

The Program provides block grants to regional or basin-scale organizations to work with broad coalitions of local organizations, farmers and ranchers, tribes, and agencies to provide five primary deliverables: multi-benefit land repurposing plans; project development and permitting; project implementation; outreach, education and training; and monitoring.

DOC implements the Program in close partnership with multiple state and federal agencies to leverage program resources and verify that policy objectives are in alignment with regional efforts. An Agency Advisory Group comprised of the following representatives from State and federal agencies has been formed to guide the program: DWR, CDFA, DFW, Wildlife Conservation Board, Governor's Office of Business Development, Strategic Growth Council, US Natural Resources Conservation Service, and the US Fish and Wildlife Service.

The program was initially funded by a \$50 million appropriation in the Budget Act of 2021. Currently guidelines for the first grant solicitation are in public review. They propose funding block grants of up to \$10 million in critically overdrafted groundwater basins and in high and medium priority basins where a state emergency drought declaration has been declared. Additionally, the program proposes to allocate \$2 million for a statewide support block grant and has a \$5 million set-aside for tribal governments or organizations.

This proposal would enable the program to offer one or more additional solicitations for grants based on the current draft guidelines, expanding its reach to regions or basins not funded through the first appropriation. From the onset of this program, landowners, farmers and ranchers, groundwater management agencies and multiple stakeholders and communities impacted by land fallowing statewide have demonstrated strong interest in and need for this program. This additional funding will help those most impacted by a reduction in groundwater pumping manage lands to avoid public harm and provide lasting benefits to ecosystems, economies, and communities.

State Water Resources Control Board

Emergency Drought Response (\$25 million). Requested funds would be used to expand regional and county-based drought emergency programs to support interim and permanent solutions for drinking water drought and water outage emergencies. Funded programs could support community water systems, small water systems, and domestic well communities. The non-profit Self-Help Enterprises has an existing robust regional drought emergency program in place covering eight counties in the San Joaquin Valley. Services provided to drought-impacted households include interim bottled water, hauled water and storage tanks, vending machines, permanent connection to adjacent water systems where feasible, or well and equipment repairs/replacements, and point-of-use or point-of-entry treatment where necessary. To be able to provide similar services statewide, the State Water Board has been working in coordination with DWR to reach counties and encourage applications for new county-wide or regional drought emergency programs. Applications can be submitted by counties or non-governmental organizations on their behalf. Regional approaches addressing multiple counties are encouraged where feasible. A handful of

new county programs have been funded during FY 2021-22, but broader geographical coverage is needed to proactively respond to drought emergency needs on a statewide basis, as drinking water outages have been reported in many counties outside the San Joaquin Valley. These funds would support additional county or regional programs to help fill the gaps.

According to LAO, the Governor's budget does the following:

Provides \$880 Million Consistent With Legislative Agreement. In alignment with what was agreed upon as part of the 2021-22 budget package, the Governor's proposal includes \$880 million from the General Fund for several water-related efforts. As shown in Figure 1, this includes \$420 million for water supply reliability and flood activities and \$460 million for water quality and ecosystem restoration efforts. All 11 of the funded activities are continuations of programs that were also funded in the current year.

Figure 1

Recently Approved Drought and Water Resilience Package

(In Millions)^a

Activity	Department	2021-22	2022-23	2023-24	Totals
Water Supply and Reliability, Drinking Water, and Flood		\$2,676	\$420	\$220	\$3,316
Drinking water and wastewater projects	SWRCB	\$1,300	—	—	\$1,300
Multibenefit water projects	DWR	200	—	—	200
Small community water projects	DWR	200	—	—	200
SGMA implementation	DWR	180	\$60	\$60	300
Groundwater cleanup and water recycling projects	SWRCB	150	100	100	350
Flood management	DWR	130	110	60	300
Urban water projects	DWR	100	—	—	100
Water conveyance repairs	DWR	100	100	—	200
Data, research, and communications	DWR	91	—	—	91
SWEEP	CDFA	50	50	—	100
San Diego Pure Water project	SWRCB	50	—	—	50
Multibenefit land repurposing program	DOC	50	—	—	50
Water rights modernization	SWRCB	30	—	—	30
Watershed climate studies	DWR	25	—	—	25
Aqueduct solar panel pilot study	DWR	20	—	—	20

Water Quality and Ecosystem Restoration		\$456	\$460	\$280	\$1,196
Water resilience projects	CNRA	\$165 ^a	\$100	\$180	\$445
Streamflow for the environment	WCB	100	150	—	250
Resilience projects for fish and wildlife	WCB	65	40	—	105
Salton Sea	DWR	40	100	80	220
Funding to address PFAs contamination	SWRCB	30	50	20	100
Urban rivers and streams	Various	30	20	—	50
Water quality improvements for border rivers	SWRCB	20	—	—	20
Clear Lake rehabilitation	CNRA	6	—	—	6
Immediate Drought Response		\$137	—	—	\$137
Drought support for fish and wildlife	CDFW	\$33	—	—	\$33
Drought emergency response	Various	25	—	—	25
Drought permitting compliance and enforcement	SWRCB	18 ^c	—	—	18
Drought permitting compliance and enforcement	CDFW	8	—	—	18
Drinking water emergencies	SWRCB	12	—	—	12
Drought technical assistance	DWR	10 ^d	—	—	10
Salinity barrier	DWR	10	—	—	10
Data, research, and communications	Various	6	—	—	6
Agriculture technical assistance	CDFA	5	—	—	5
Totals		\$3,269	\$880	\$500	\$4,649

^aAll from the General Fund unless otherwise noted. Does not include funding approved by the Legislature for water-related activities outside of the Drought and Water Resilience packages approved in July and September 2021.

^bIncludes \$125 million from Proposition 68.

^cIncludes \$2 million from the Safe Drinking Water Account.

^dIncludes \$7 million from Proposition 1.

SWRCB = State Water Resources Control Board; DWR = Department of Water Resources; SGMA = Sustainable Groundwater Management Act; SWEEP = State Water Efficiency and Enhancement Program; DOC = Department of Conservation; CNRA = California Natural Resources Agency; WCB = Wildlife Conservation Board; PFAs = per- and polyfluoroalkyl substances; CDFW = California Department of Fish and Wildlife; and CDFA = California Department of Food and Agriculture.

Provides Additional \$500 Million for Drought Response Activities, Sets Aside Additional \$250 Million for Potential Needs. In addition to the \$880 million, the Governor proposes providing \$750 million from the General Fund for what he characterizes as drought response activities. LAO displays the proposed activities in Figure 2. As shown, the funded activities would span four categories, with the Governor not yet specifying the uses for a portion of the proposed funding.

The activities include:

- \$200 million for water conservation efforts such as grants to local agencies, grants for replacing turf with more drought-tolerant plants, and the State Water Efficiency and Enhancement Program (SWEEP), which provides grants to farming operations to replace irrigation systems with more water- and energy-efficient equipment.
- \$150 million for water storage and reliability efforts, including for urban and small community water agencies to upgrade their infrastructure, and for groundwater recharge projects related to implementing the requirements of the 2014 Sustainable Groundwater Management Act (SGMA).
- \$85 million for improving lands management and fish and wildlife habitat, including DOC's new program initiated in the 2021-22 budget to repurpose agricultural land to reduce reliance on groundwater.
- \$65 million for activities that would address immediate drought conditions, such as assisting fish and wildlife and for drinking water shortages.
- \$250 million for which the Governor has not yet specified uses. The administration plans to come back to the Legislature with a more detailed proposal for these funds later in the spring budget process after the hydrologic conditions for the coming year become more clear.

Figure 2

Governor's Proposed Drought Response Activities

2022-23, General Fund (In Millions)

Activity	Department	Proposal
Water Conservation		\$200
Urban grants and projects	DWR	\$75
Turf replacement grants	DWR	75
Small community grants and projects	DWR	25
SWEEP	CDFA	20
Data collection and technical assistance	DWR	5
Water Storage and Reliability		\$150
Small community water projects	DWR	\$60
Urban community water projects	DWR	60
SGMA groundwater recharge projects	DWR	30
Lands Management and Habitat Enhancement		\$85
Multibenefit land repurposing program	DOC	\$40
Projects to enhance habitat	CDFW	30
Enhance habitat on state and partner lands	CDFW	15
Immediate Drought Response		\$65
Drinking water emergencies	SWRCB	\$25
Drought support for fish and wildlife	CDFW	17
Fish hatchery upgrades	CDFW	13
Drought technical assistance	DWR	5
Relief for small farmers	CDFA	5
Unallocated Drought Funding		\$250
Total		\$750

DWR = Department of Water Resources; SWEEP = State Water Efficiency and Enhancement Program; CDFA = California Department of Food and Agriculture; SGMA = Sustainable Groundwater Management Act; DOC = Department of Conservation; CDFW = California Department of Fish and Wildlife; and SWRCB = State Water Resources Control Board.

Federal Funds Anticipated for 2022, but Will Not Flow Through State Budget. While the state expects to receive some Infrastructure Investment and Jobs Act (IIJA) funds for the aforementioned water and wastewater activities in the budget year, these funds are not included in the Governor’s 2022-23 budget proposal because the State Revolving Fund (SRF) funds are continuously appropriated. SWRCB indicates it has sufficient appropriated funds—such as General Fund and bond funds—available to use for the required state match in the budget year. SWRCB estimates California will begin to receive its 2022 allotments of roughly \$650 million from the federal government in early fall.

Background. According to LAO:

Climate Change Already Affecting California’s Hydrology and Infrastructure. Scientists have found that the state will experience increasingly variable precipitation under a changing climate, leading to more frequent and intense droughts and floods. Along with higher temperatures and interspersed among longer lasting dry periods, climate change is also bringing more episodic, intense, warmer atmospheric river storms to the state. These types of storms can result in significant amounts of precipitation falling in short periods of time, and as rain rather than snow. Compared to historical precipitation patterns—which traditionally built up a snowpack that gradually melted into the state’s reservoirs and rivers over the course of months—these “flashy” wet storms can challenge the capacity of both existing flood control systems and water storage infrastructure by sending significant amounts of water through the state’s streets, streams, and rivers all at once.

State Has Been Experiencing Severe Drought Conditions. Last year was notable in terms of both its lack of precipitation and its high temperatures. Specifically, 2021 was the third driest year on record in terms of precipitation, and had the second lowest measured annual runoff (the amount of water that melted from snowpack and flowed into the state’s rivers and reservoirs). Moreover, average summer temperatures in California were the hottest on record in 2021, breaking the previous June-through-August record set in 2017. These factors, combined with the preceding dry and warm year, led to very severe drought conditions in the summer and fall of 2021. Impacts included domestic wells going dry, reductions in available water for agriculture and certain highly affected communities, high levels of groundwater pumping that exacerbated both deficits in underground basins and land subsidence, and impaired conditions and higher mortality for fish and wildlife. The Governor issued drought-related emergency proclamations that cover every county in the state—and still are in effect as of this writing—and called on Californians to voluntarily reduce their water use by 15 percent.

2021-22 Budget Package Included Agreement for \$4.6 Billion Across Three Years for Water Activities. In response to these trends and conditions, the state provided a significant investment in water-related activities in the current-year budget. As displayed in Figure 1, the budget included \$3.3 billion for water- and drought-related activities in 2021-22, primarily from the General Fund, spread across numerous departments and activities. (The totals shown in the figure do not include funding approved by the Legislature for water-related activities outside of the Drought and Water Resilience packages approved in July and September 2021.) As shown, a total of \$137 million was for activities intended to respond to emergency drought conditions over the coming year, such as

for SWRCB and DFW to oversee and enforce regulatory restrictions on water diversions and fishing in certain streams. In contrast, some of the activities—such as grants for water supply and ecosystem restoration projects—are intended to increase the state’s resilience to unpredictable changes to water availability in the future, and likely will take multiple years to complete. Administering departments are still in the process of allocating this funding. As shown in the figure, the budget agreement between the Legislature and Governor also intends to provide an additional \$1.4 billion—\$880 million in 2022-23 and \$500 million in 2023-24—to continue some activities over the coming years.

Most of the programs included as part of this package represent activities that the state has funded and undertaken in previous years, primarily using voter-approved bonds. The significant exceptions—which represent substantively new programs initiated in 2021-22—include DOC’s multibenefit land repurposing program, SWRCB’s funding to address per- and polyfluoroalkyl substances, and the California Natural Resources Agency’s funding for water resilience projects.

2020-21 Budget Package Also Included Additional Funding to Improve Conditions for Fish and Wildlife. In addition to the funding shown in the Figure 1, a separate Climate Resilience funding package adopted as part of the 2021-22 budget agreement also contained funding for some water- and ecosystem-related activities. This includes \$15 million in 2021-22 and \$35 million in 2022-23 for DFW to address climate change impacts on wildlife, such as by implementing projects that address degrading water and habitat conditions. That package also includes \$353 million over three years for the Wildlife Conservation Board to allocate grants for projects that protect fish and wildlife from changing conditions.

State Will Also Receive New Federal Funding for Water-Related Activities. In addition to the \$1.3 billion from the General Fund the state provided in the 2021-22 budget for drinking water and wastewater projects as part of the package shown in Figure 1, California expects to receive about \$3.8 billion over five years from the federal IJA to improve local water infrastructure. About \$1.9 billion of these funds will be administered by SWRCB through its existing SRF programs for drinking water and wastewater systems, which provide loans and non-repayable financing to local governments, water agencies, and tribal governments for planning, design, and construction of capital projects. An additional \$1.8 billion over five years will also be available through the SRF programs for specific water quality efforts to address emerging contaminants and replace lead service lines. In recent years, the SRF programs have received roughly \$210 million in federal funds annually, so the IJA funding represents a significant increase. The US government requires that states provide funding to “match” the federal funds, typically 20 cents to each dollar received. Historically, California has used water bond funds or contributions from SRF recipients to meet this match requirement for federal SRF funds.

Despite Receiving Some Large Storms, State Still Experiencing Drought Conditions. Fortunately, the state received some significant storms in late 2021 which helped begin to remediate extremely low levels in reservoirs across the state, build snowpack for potential spring runoff, and improve conditions for fish and wildlife. Given the significant deficits that accumulated in 2020 and 2021, however, as of this writing, most of the state is still experiencing moderate to severe drought conditions. Moreover, this past January was exceptionally dry, particularly in the southern half of the state. Nearly all of the state’s large reservoirs remain below their historical average levels of water in storage for this time of year.

LAO Comments. *State and Local Agencies Busy Implementing Significant 2021-22 Investments.* As noted earlier, the 2021-22 water and climate budget packages included significant levels of funding for water-related activities in the current year, along with additional funding committed for 2022-23 and 2023-24. State and local agencies likely will be busy administering and implementing recently funded activities both in the budget year as well as in the coming years. As such, the Legislature will want to be mindful that state and local agencies likely will have limitations on their capacity to oversee and expend significant amounts of new funding in the budget year. Providing additional funding for a few targeted efforts—similar in scope to what the Governor proposes—likely could be accommodated, but agencies probably would not be able to implement major new or expanded programs promptly.

Possible That Drought Conditions Will Abate in Coming Year, Reducing Need for \$250 Million. It remains too early to know whether the state will again experience severe drought conditions this summer and fall. The need for new spending on urgent drought response activities in 2022-23 largely will depend on the amount of precipitation the state receives in February, March, and April, as well as the degree to which temperatures this spring and summer impact snowpack runoff. By the May Revision, the Legislature should know more about potential drought conditions and what additional near-term activities might be needed. The Governor’s proposed \$250 million “contingency” funding could be appropriate to address urgent needs, but a lesser or greater amount may end up being warranted instead. Similarly, the proposed \$65 million for immediate drought response activities could be justified, insufficient, or excessive, depending on how conditions develop.

Most Proposed Activities Address Longer-Term Resilience to Drought, Not Near-Term Conditions. While the Governor has presented his \$750 million package as being for drought response, most of the proposed activities would not address conditions this summer and fall. This is because the majority of the activities would not result in an immediate increase in water supply or reduction in water use, or respond to emergency needs. Of the \$500 million in proposed expenditures, \$65 million is clearly focused on remediating urgent needs. This would include activities such as providing emergency drinking water for households with dry domestic wells, rescuing stranded fish and wildlife, and providing financial assistance to highly impacted small farmers. In contrast, the majority of the proposed activities would focus on longer-term efforts that might improve the state’s and local communities’ abilities to respond to *future* droughts. Specifically, both the infrastructure projects that would be funded in urban and small communities, as well as many of the water conservation initiatives and habitat improvement projects, likely would take at least a year and perhaps multiple years to implement. This is particularly true in cases where grant application processes, environmental permitting, and/or construction are required.

Addressing State’s Longer-Term Ability to Respond to Droughts Has Merit... Even if most of his proposals would not provide immediate drought relief, the Governor’s focus on longer-term drought resilience is not without value. California has received lower-than-average precipitation levels in 10 of the last 15 years, and the changing climate will bring increasingly frequent and severe droughts. The best time to address water shortages is *before* they occur, as the most effective water supply, infrastructure upgrade, and habitat enhancement projects generally take

significant time to plan and implement. Taking steps to increase the state's level of preparation for droughts is a worthwhile priority for the state.

...But Legislature Recently Made Significant Investments in Building Water Resilience. While building drought resilience is an important statewide priority, given its recent investments, the Legislature does not need to approve the Governor's proposals in order to make progress towards this goal. With its recent budget decisions, the Legislature has already ensured that the state has a significantly expanded focus on enhancing water supply, addressing fish and wildlife needs, responding to drinking water shortages and contamination, and managing lands for multiple benefits. As discussed above, the current-year budget package committed \$3.3 billion for such activities in 2021-22, as well as an additional \$880 million in 2022-23 (as reflected in the Governor's proposed budget). This is in addition to even more funding from the Climate Resilience funding package, which includes 2022-23 funding for DFW to undertake similar activities as those proposed in the Governor's new proposal. The LAO also notes that local agencies have rate-payer funds available to use for local projects such as infrastructure repair or water conservation initiatives should they have projects ready to implement.

Water Storage Component of Proposal Is Relatively Modest. As shown in Figure 2, the Governor dedicates only \$30 million from his new proposal for water storage projects. These funds would be used for groundwater recharge projects related to implementing local groundwater management plans in accordance with SGMA. In the context of the changing hydrology described above, this is not a particularly large level of spending. As warmer temperatures contribute to a lower snowpack and more prolonged dry stretches, in the coming years the state likely will want to increase its ability to capture and store water that falls from episodic wet storms when they do occur. Managed aquifer recharge projects are among the most promising emerging strategies to achieve these goals. This approach involves developing both built and natural infrastructure such as canals, flood bypasses, and designated recharge basins—including farm fields—to direct runoff and floodwaters onto land where it can percolate into the ground to be used later. In addition to potentially restoring some existing groundwater deficits (and mitigating associated negative impacts) and increasing the water supply upon which farmers and residents can draw during dry periods, such projects often have the co-benefit of reducing flood risk. As such, increasing available groundwater storage and opportunities to capture water runoff in managed aquifer recharge projects might merit additional investments beyond what the Governor proposes.

Questionable Whether Water Conservation Is Most Effective Use of State Funding. The focus on water conservation is the most notable distinction between the Governor's proposed 2022-23 drought response package and the 2021-22 three-year Drought and Water Resilience Package, which did not fund such activities. However, this does not necessarily indicate that water conservation represents a high-priority unmet need for state funding, for several reasons.

First, California already has significantly reduced urban water use across the state within the past decade, with statewide average residential water use dropping by 14 percent from 108 gallons per capita per day (GPCD) in 2014 to 93 gallons GPCD in 2021. (Over the longer term, average statewide residential GPCD water use decreased by 34 percent between 1994 and 2019.) This raises questions about how much more reduction in use might be reasonable—and cost-effective—to expect.

Second, urban water use represents a relatively small share of overall applied water use in the state—only around 20 percent, compared to 80 percent used in the agricultural sector. As such,

the state might achieve more impact on its overall state water supply—in terms of demand reduction or increased supply—by targeting its efforts on the agricultural sector. Of the Governor’s proposed \$200 million for water conservation activities, only \$20 million is focused on improving agricultural water efficiency (the SWEEP program).

Third, the Legislature has adopted policies to help improve water conservation and better position local water agencies to withstand future dry periods, which the state is still in the process of implementing. Specifically, SB 606 (Hertzberg), Chapter 14 and AB 1668 (Friedman), Chapter 15, Statutes of 2018 included requirements that urban water agencies develop and meet new water use efficiency objectives based on their local conditions, and added new components to urban and agricultural water management planning activities. The legislation requires local agencies to meet their new water use objectives by 2027. These policy changes—combined with the local ratepayer-supported funding that local agencies have to implement them—have established incentives for urban communities to continue increasing their water conservation efforts in the coming years, even without additional state funding.

Providing Additional Funding for Land Repurposing Program May Be Premature. As shown in Figure 2, the Governor proposes providing an additional \$40 million for the land repurposing program that DOC initiated with \$50 million in the current year. The goals of this program—to implement projects that reduce groundwater use, repurpose irrigated agricultural land to less water-intensive uses, and provide wildlife habitat—represent important state priorities in the context of groundwater overuse and water limitations. However, DOC still is in the process of designing this new program. The department plans to solicit grant applications in April 2022 and make grant awards in May. As such, key information about existing demand for funding, the types of projects seeking funding, and the outcomes of those projects is still unknown. While some of this information—such as about project applicants—will be available before the Legislature must make its final budget decisions, the timing still will be premature for assessing the effectiveness of the program at meeting its stated objectives. This makes it difficult for the Legislature to be able to evaluate whether providing an additional \$40 million is a worthwhile and high-priority investment for 2022-23.

More Than Half of the Governor’s Proposed Activities Are Excluded From State Appropriations Limit (SAL). The California Constitution imposes a limit on the amount of revenue the state can appropriate each year. The state can exclude certain spending—such as on capital outlay projects, as well as for certain kinds of emergency spending (such as to respond to a declared emergency)—from the SAL calculation. The Department of Finance estimates that of the \$500 million in the Governor’s specified drought response proposals, \$310 million—about 60 percent—is for activities that are excludable from the SAL. This includes \$120 million for water projects in small and urban communities, \$100 million for water conservation grants and projects in small and urban communities, and \$40 million for DOC’s land repurposing program.

Oversight of Current-Year Funding Implementation Will Be Important. The 2021-22 budget package represents an exceptional level of one-time General Fund spending on a wide variety of water-related activities. While the state has provided funding for many of the included activities before, it largely has done so using voter-approved general obligation bonds. Such bonds generally include a significant level of statutorily required accountability measures, such as public reporting on when and how bond funds are spent, specific projects that are funded, and outcomes from those projects. Comparable reporting requirements were not included in the budget appropriations for

the General Fund-supported Drought and Water Resilience Package. Moreover, the Administration has significant discretion over how to design and administer the new state programs funded for the first time in 2021-22, such as the water resilience projects and land repurposing program. Given both the important state goal of increasing water resilience and the magnitude of these recent investments, taking steps to ensure the Legislature can conduct sufficient oversight of how the \$4.6 billion is spent will be important to ensure funds are being implemented in a way that effectively meets legislative goals. Such information could also inform how the Legislature may want to prioritize and shape future efforts—including in 2022-23. For instance, if departments face challenges with administrative capacity, the Legislature could consider whether additional staffing is warranted. If programs are oversubscribed, the Legislature could consider providing additional funding in the budget year or a subsequent year. Alternatively, if programs remain in the early stages of implementation, are undersubscribed, or show other signs that program modifications might be needed, then the Legislature could take steps to address those issues.

LAO Recommendations. LAO’s overarching recommendation regarding the Governor’s \$750 million drought response package is that the Legislature’s funding approach should be guided by what it believes are the highest-priority, most cost-effective efforts that do not currently have sufficient funding from the state’s recent water investments.

Revisit Need for Additional Funding for Immediate Drought Response Later in Spring Budget Process. Given the uncertainty about how the state’s hydrology and conditions will evolve, LAO recommends the Legislature wait until the May Revision to determine how much funding to allocate for urgent drought response activities. This will allow the Legislature to better estimate how much funding truly is needed and which activities to target. Ultimately, the appropriate amount could be more or less than the \$65 million proposed for specific immediate drought response activities and the \$250 million set aside by the Governor.

Consider Importance of Funding Additional Water Resilience Activities This Year, Given Large Recent Investments. While improving longer-term statewide drought resilience has merit, LAO recommends the Legislature weigh this goal against its other 2022-23 budget priorities. Given that state and local agencies are busy implementing activities supported by substantial funding provided in the current year *and* already will receive additional General Fund for water-related activities from the Drought and Water Resilience and Climate Resilience packages in 2022-23 (as well as new federal funds), the need for additional funding may be less pressing compared to addressing other state priorities in the budget year. LAO does not refute the importance of funding additional longer-term water supply, storage, and ecosystem resilience projects to improve the state’s ability to weather future droughts. Rather, LAO suggests the Legislature carefully consider whether making added investments is essential *this* year.

Modify Package to Reflect Legislature’s Highest Priorities. To the extent allocating additional funding for improving water and drought resilience is a priority for the Legislature in 2022-23, LAO recommends it modify the Governor’s proposals to ensure it funds the mix of programs it deems to be the highest priority and most cost-effective for achieving its goals. For example, this could include less emphasis on funding for water conservation—given prior successful efforts to reduce use, the comparatively small share that urban and small communities represent of overall statewide water use, and existing statutory requirements in place to make urban water use more

efficient. The Legislature could also consider a package that provides comparatively more funding for groundwater recharge and storage projects, given their potential to help increase water supply, address groundwater deficiencies, and improve flood control. The Legislature could also consider waiting to provide additional funding for DOC's land repurposing program until it has at least another year of information about program demand and outcomes.

Consider SAL Implications. In constructing its final drought response package, LAO recommends the Legislature be mindful of SAL considerations. For example, if the Legislature were to reject or approve a lower amount of spending on the proposed water-related activities that the Administration excludes from SAL, it would generally need to repurpose the associated funding for other SAL-related purposes, such as tax reductions or an alternative excluded expenditure. If the statewide drought emergency proclamation is still in effect in 2022-23, certain response activities could be exempt from the spending limit, although associated appropriations would need to be approved with a two-thirds vote of the Legislature in order to be considered SAL-excludable.

Monitor Implementation of Water Funding. LAO recommends the Legislature conduct both near-term and ongoing oversight of how the Administration is implementing—and local grantees are utilizing—funding from the Drought and Water Resilience Package. In particular, LAO recommends the Legislature track: (1) how the Administration is prioritizing funding within newly designed programs, (2) the time lines for making funding allocations and completing projects, (3) the levels of demand and over- or under-subscription for specific programs, (4) any barriers to implementation that departments or grantees encounter, and (5) the impacts and outcomes of funded projects. The Legislature has a number of different options for conducting such oversight, all of which could be helpful to employ given that they would provide differing levels of detail. These include requesting that the Administration report at spring budget hearings, requesting reports through supplemental reporting language, and adopting statutory reporting requirements (such as those typically included for general obligation bonds).

Staff Recommendation. Hold open.

8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE**Issue 58: Farm to School Program**

Governor’s Proposal. The Governor’s budget requests \$32.855 million General Fund and 16 permanent positions in 2022-23, \$2.881 million in 2023-24, and \$2.876 million in 2024-25 and ongoing to expand the California Farm to School Incubator Grant Program and to establish regional California Farm to School Network support within the Office of Farm to Fork (Office). Specifically, this request seeks to: (1) Improve the effectiveness of the California Farm to School Network by providing regional support staff; and (2) Expand the California Farm to School Incubator Grant Program.

Background. According to LAO:

Additional \$30 Million for Farm to School Incubator Grant Program. The Governor’s budget proposes an additional \$30 million in non-Proposition 98 General Fund resources in 2022-23 for the Farm to School Incubator Grant Program. Combined with the \$30 million for the budget year that was agreed upon as part of the 2021-22 budget package, this would provide a total of \$60 million for the program in 2022-23.

Funding to Hire Regional Staff for the Farm to School Program. The Governor’s budget also includes \$2.9 million in non-Proposition 98 General Fund resources in 2022-23 and ongoing to support 16 new positions for the Farm to School Program. The staff would be responsible for advancing farm to school practices statewide. The proposal includes eight network coordinators who would support local farm to school planning and implementation, and eight marketplace specialists who would establish connections between schools and local producers. The department indicates that each position would be responsible for supporting these activities in a particular region of the state. While these staff would support activities funded by the school incubator grants, their work would also extend to other schools and producers that are not grantees.

LAO Comments. *Unclear Whether Demand for Grants Matches Proposed Funding Levels.* The Farm to School Incubator Grant Program is a relatively new program and, as a result, limited data are available on the demand for grants. In 2020-21, the first year of the program, the department received \$12.5 million in total requests for \$8.5 million in available funding—not a significant level of oversubscription. Because the department will not begin receiving applications until this February for the \$30 million it has available for 2021-22 grants, the level of existing demand for this program remains unknown. This lack of justification is particularly concerning given the magnitude of the expansion the Governor is proposing for this program—an increase of over 600 percent in two years (from \$8.5 million to \$60 million).

Proposal Requests Additional Funding for Grants Before Program Outcome Information Is Available. The 2021-22 budget package included a requirement that the department report on key programmatic outcomes for the Farm to School Incubator Grant Program by January 1, 2024. The reported outcomes were intended to provide the Legislature with information on how effectively the program met its intended goals, which could then be used to guide future funding decisions.

The Governor's proposal requests additional funding before such information is available, making it difficult for the Legislature to assess the merits of expanding the program.

Providing Regional Staff Could Further Promote Adoption of Farm to School Practices. LAO finds that adding regional staff to support the Farm to School Program likely would contribute to an increase in statewide adoption of farm to school practices, such as by helping to incorporate healthy food options into school meals and increasing opportunities for nutrition education. Staff that specialize in a particular region could better tailor support to schools that have common regional barriers in implementing these practices. Additionally, regional staff could help in developing relationships and purchasing agreements that better connect schools to local producers.

LAO Recommendation. Reject Additional Funding for the Farm to School Incubator Grant Program Until More Data on Outcomes and Demand Are Available. LAO recommends the Legislature reject the Governor's proposal to provide an additional \$30 million for the Farm to School Incubator Grant Program. As mentioned above, the program already will receive \$30 million to provide new grants in the budget year. Expanding the program to \$60 million before data on the demand for grants and programmatic outcomes are available is premature. As noted, CDFA is required to provide a report to the Legislature in January 2024, in time to inform the 2024-25 budget package. Should the Legislature wish to consider providing additional funding for the program in 2023-24, it could request a status update from the department on program demand and outcomes next year.

Approve Regional Staff Funding for the Farm to School Program. LAO recommends the Legislature approve the \$2.9 million in ongoing General Fund to support 16 regional staff. LAO finds that these positions could increase the adoption of farm to school practices statewide by better tailoring support to schools that have common regional implementation barriers.

Staff Recommendation. Hold open.

3600 DEPARTMENT OF FISH AND WILDLIFE

Issue 59: Whale and Sea Turtle Safe Fisheries Initiative

Governor’s Proposal. The Governor’s budget requests \$856,000 ELPF in 2022-23, \$856,000 in 2023-24, and \$721,000 in 2024-25 to implement the Habitat Conservation Plan (HCP) for the Dungeness Crab Fishery (DCF). This funding will provide capacity to implement the HCP for the protection of whales and sea turtles in the commercial DCF pursuant to the pending issuance of a federal Endangered Species Act (ESA) Incidental Take Permit (ITP) and as required by settlement obligations.

Background. Confirmed large whale and sea turtle entanglements off the US West Coast have increased in recent years, including in California waters due to commercial and recreational fisheries. The National Marine Fisheries Service has confirmed 517 entanglements of large whales in fishing gear of various types between 1982 and 2020 and 62 sea turtle fishery interactions between 1981 and 2020. This increase in entanglements was the basis of litigation against DFW in 2017 (Center for Biological Diversity, Inc., v. Bonham), arguing that DFW was vicariously liable under Section 9 of the federal ESA for the take of listed whales and turtles resulting from the authorization of the commercial DCF.

Over the past several years, DFW has taken several steps to mitigate marine life entanglements in the California DCF. This proposal is for the resources needed to implement a 21-year HCP to address entanglement in the commercial DCF and to obtain a federal ITP required under litigation settlement.

Currently, DFW has two full-time positions dedicated to its whale safe fisheries program. The addition of the HCP and issuance of the ITP will significantly increase commitments by DFW as a condition of the federal permit. To meet the requirements of the settlement, the department is requesting resources to fund contracts for air services and vessel operation (\$35K), support the development of alternative gear (\$100K), and fund limited term staff for three years. This will allow DFW to focus on specific fishery management challenges within each region and to augment existing HCP commitments.

Questions for Consideration.

- Why is the Administration proposing to use ELPF for this activity instead of fees, given that the fishing industry is largely responsible for creating the entanglement hazards this initiative is intended to remediate?
- What is unique about the approach the Administration is proposing here? What might the state learn from this new approach?
- Is the state still at legal risk from this lawsuit, or will funding this BCP and undertaking the new proposed activities address the state’s current liability?

Staff Recommendation. Approve as budgeted.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

Issue 60: Bay Delta Program Funding Conversion and Position Authority

Governor’s Proposal. The Governor’s budget requests additional position authority and establish five permanent positions within SWRCB’s Division of Water Rights. SWRCB proposes to convert \$1.411 million in existing contract funding to personnel services.

The Division receives a continuing contract appropriation of \$5 million each year from the General Fund to support Bay-Delta water quality control planning and implementation. Contract funds are being used to support development of California Environmental Quality Act (CEQA) documentation and related tasks for which consultant resources are well suited. However, additional staffing resources are needed to support the associated regulatory activities for Bay-Delta water quality control planning and implementation, including addressing long-standing, complex issues that are exposed and exacerbated during drought conditions that have occurred in both 2020 and 2021, and will intensify in future years due to climate change.

Specifically, these tasks include: 1) completing the update to the Bay-Delta Plan, 2) implementing updates to the Bay-Delta Plan, 3) implementing the existing Bay-Delta Plan while updates are in process, and 4) addressing long-standing water rights administration and priority issues to improve responding to climate change and intensified periods of water supply shortages.

These actions take multiple years to complete because they are focused, in part, on improving flow and water quality conditions (e.g., temperature) for ecologically, culturally, and economically important fish populations (some on the edge of extinction) which is expected to change reservoir storage patterns and the volume and frequency of water deliveries to large-scale water diverters in the Bay-Delta watershed. Experienced staff that understand the historical, technical, and regulatory context surrounding these actions are needed to fulfill the specialized SWRCB role and functions associated with completing and fulfilling each of these actions.

Background. According to the LAO:

SWRCB Regulates Bay-Delta and Its Source Rivers Through Water Quality Control Plan. Pursuant to the state Porter-Cologne Water Quality Control Act and federal Clean Water Act, SWRCB regulates water quality for the waters of the state, including its rivers and streams. As a component of implementing these responsibilities, in 1978 the board adopted a water quality control plan for the Sacramento-San Joaquin Bay-Delta, known as the Bay-Delta Plan. This plan establishes water quality objectives—such as flow requirements—that are intended to protect “beneficial uses” in the Bay-Delta and its source rivers. Specified beneficial uses include fish and wildlife, agriculture, and municipal and industrial water uses. The plan also includes programs of implementation to achieve the stated objectives, including monitoring and compliance actions.

Board in Process of Updating Bay-Delta Water Quality Control Plan. Given changing conditions and water uses over the past four decades, SWRCB has occasionally made updates to the Bay-Delta Plan. While the overall plan received some updates in 2006, the last major update was in 1995. SWRCB has been in the process of developing new updates to the plan since 2009. In

2018, the board adopted Phase I of these new updates, which includes new water quality flow objectives for the lower San Joaquin River and its tributaries (the Stanislaus, Tuolumne, and Merced Rivers), as well as updated salinity objectives for the South Delta. Specifically, to improve conditions for fish and wildlife, the new flow standards call for 40 percent of unimpaired flow in the rivers. The required flows can be adjusted within a range of 30 percent to 50 percent between February and June depending on other actions and conditions in the fisheries. (According to SWRCB, current unimpaired flows in these rivers range from 21 percent to 40 percent on average, but can run as low as 6 percent in dry or drought years, and average 10 percent to 20 percent during certain times of the year that are critical for migrating fish.) The board is now developing a program of implementation for these new standards.

SWRCB is still in the process of working on Phase 2 of its plan updates, which will include new water quality objectives and a program of implementation for the Sacramento River, its major tributaries, and the Bay-Delta estuary itself. The board states that it hopes to adopt new flow standards in fall 2023, with development of the implementation plan to follow. Because implementing these new standards will necessitate adjustments to water rights, SWRCB is still weighing options for how it will incorporate those changes once it has approved the new flow objectives, including potentially through adopting new regulations or through adjudicative water rights proceedings.

SWRCB Currently Spends \$9.1 Million Annually on Updating Plan. Currently, SWRCB receives \$9.1 million in ongoing funding it dedicates towards updating and beginning to implement changes to the Bay-Delta Plan, including \$7.5 million from the General Fund and \$1.6 million from the Water Rights Fund. Of this funding, \$4.1 million supports 17 existing SWRCB staff—including two in the Office of Chief Counsel—and \$5 million is used for contracted consultant services, such as to develop environmental documents and conduct scientific and economic modeling and analyses.

Bay-Delta’s Native Species Experiencing Rapid Declines. As stated in the Phase 1 plan update, “native fish species that migrate through and inhabit the Delta have experienced dramatic population declines in recent years, bringing some species to the brink of extinction.” For example, the plan highlights that the San Joaquin River basin experienced an 85 percent net loss in returning adult fall-run Chinook salmon from 1985 to 2017. Trends are similarly bleak in the Sacramento River, where recent drought conditions have precipitously exacerbated escalating declines for winter-run Chinook salmon. Moreover, the Delta Smelt, a fish endemic to California that only occurs in the Bay-Delta and which used to be the most abundant fish in the estuary—once numbering in the millions—has not been observed in the wild at all for the past four years. Such trends are not solely related to existing flow requirements, and have been exacerbated by loss of habitat, impediments to fish passage such as dams and weirs, water diversion systems including pumps, recurring drought conditions, and warming temperatures. However, SWRCB has the responsibility to adopt and enforce water quality objectives that help protect fish and wildlife given that is one of the statutory beneficial uses in the Bay-Delta.

LAO Comments. *Reasonable to Increase SWRCB Staffing Levels to Accomplish New Tasks.* The LAO finds the Governor’s proposal to increase SWRCB’s staffing capacity for the next steps of developing and implementing Bay-Delta Plan updates to be reasonable. Implementing the new water quality objectives for the San Joaquin River and developing new

standards for the Sacramento River-Delta portion of the plan represents increased workload for the board. Moreover, the upcoming tasks—such as advising on implementation decisions, developing regulatory actions, conducting enforcement, and overseeing ongoing monitoring—would benefit from consistent and continuing internal staff expertise; contracted consultants would not be appropriate entities to conduct such activities.

Swift Adoption and Implementation of Plan Updates Is Important. Updating the water quality objectives for the Delta watershed is long overdue and should be a high priority for the state to complete. As noted, the last major update was nearly 30 years ago. Water uses, ecosystem conditions, and the statewide population that depends on water that passes through the Bay-Delta all have changed significantly since then, producing a critical need for an updated operating framework. Additionally, the impacts of climate change—including higher average temperatures, more frequent and prolonged droughts, more wet and warm atmospheric river storms, and rising sea levels encroaching into the San Francisco Bay and Delta estuary—already are beginning to affect conditions in the Bay-Delta and its source rivers, and will increasingly do so in the coming years. These changes will render the existing water quality objectives even more outdated. The current standards and regulatory framework have not been sufficient to protect fish and wildlife in the watershed. If current trends continue, the state is poised to lose some of its native species to extinction. Moreover, the prolonged process of waiting for new water quality standards to be specified and implemented creates uncertainty for water users and thereby complicates their planning and operational decisions.

Additional Oversight and Legislative Action Might Help Expedite Plan Adoption and Implementation. While the Governor’s budget proposal to add five new positions is reasonable and relatively modest, the Legislature could take this as an opportunity to engage with the Administration and consider broader issues related to the Bay-Delta Plan update. In particular, given the prolonged time line for and importance of updating the plan, the Legislature may want to consider whether it could take steps to help expedite SWRCB’s progress. Such steps could include providing additional funding, further increasing staffing levels, or adopting statutory guidance or deadlines.

LAO Recommendations. Adopt Governor’s Proposal to Redirect Existing Funding to Support Five New Staff. LAO recommends the Legislature adopt the Governor’s proposal to redirect \$1.4 million in existing General Fund from contracted consultants to instead fund five new SWRCB positions. The board would benefit from additional in-house expertise to address upcoming workload associated with implementing Phase 1 and developing, adopting, and implementing Phase 2 of the Bay-Delta Plan.

Explore Whether Additional Steps Are Needed to Expedite Progress. LAO also recommends that the Legislature engage with the Administration regarding its time line for updating the plan and whether additional actions can be taken to help expedite this process. For example, the Legislature could ask SWRCB to respond to questions in spring budget hearings, policy committee oversight hearings, or through meetings with staff or board members. Key questions for the Legislature to discuss with the Administration include:

- ***What Is the Board’s Time Line for Achieving Improved Outcomes in the Bay-Delta?*** Are there actions that can be taken to expedite this time line?

- ***What Barriers Have Impeded Adoption and Implementation of Plan Updates?*** Why have the plan updates taken so long to adopt and implement? What is the board doing to address these barriers? Are there steps the Legislature can take to help address existing or anticipated future obstacles?
- ***Would Additional Resources Help Expedite Progress?*** Would supplemental funding for staff and/or consulting contracts help achieve plan milestones more quickly?
- ***What Interim Steps Can Be Taken to Improve Outcomes?*** What actions are being undertaken to improve conditions for at-risk native fish species while the state waits for plan updates to be adopted and implemented?

Staff Recommendation. Hold open.