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Senator Brian Dahle
Senator Mike McGuire
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State Capitol - Room 3191

Consultant: Joanne Roy

PART B

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VOTE-ONLY

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3840 DELTA PROTECTION COMMISSION (DPC)
3845 SAN DIEGO RIVER CONSERVANCY

Issue 1: Environmental License Plate Fund (ELPF)-related Proposals

Governor's Proposals. The Governor's budget proposes the following, which all appropriate ELPF for specified purposes:

- a) **0540 California Natural Resources Agency: New Resources Building Move and Demobilization Costs.** The Governor's budget requests a total of \$4.543 million ELPF one-time for the move to the new CNRA headquarter facility, which will house multiple agency departments. The funds would be used to secure services to perform tasks associated with completing required decommissioning and moving activities for office furniture/equipment and staff members. Total cost for the move activities and the physical decommission activities for office furniture/equipment related to the buildings being vacated and 4,100 staff members was done utilizing cost factors provide to CNRA by DGS' moving consultant. Cost was calculated on \$1,108 per person x 4,100 = \$ 4.5428 million.
- b) **3840 Delta Protection Commission: Contracted Fiscal Services Support.** The Governor's budget requests \$131,000 ELPF one-time to support the transition of accounting, budget, human resources, and procurement services to be provided by the Department of General Services' (DGS') Contracted Fiscal Services division.
- c) **3845 San Diego River Conservancy: Department of General Services (DGS) Human Resources (HR) Services.** The Governor's budget requests \$11,000 ELPF for DGS's contracted HR services. DGS provides budgeting, accounting, and human resource services for the conservancy.

Staff Comment. According to Legislative Counsel, an appropriation of moneys from ELPF for use of the above budget proposals would not constitute a valid use of those moneys. None of these proposals would be limited to supporting identifiable environmental projects or programs listed in Public Resources Code Section 21190, which is a requirement for using moneys from ELPF.

Staff Recommendation. Approve (a)-(c) as budgeted, but with General Fund as the funding source in lieu of ELPF.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 2: Capital Outlay Projects

Governor's Proposal. The Governor's budget proposes the following CalFire capital outlay projects:

Proposal	GF Cost in 2021-22 (In millions)	Total Estimated Cost (In millions)	Proposal Summary
Alhambra Valley Fire Station – Relocate Facility	2.5	12.408	The Governor's budget requests \$2.5 million GF for the acquisition phase of the Alhambra Valley Fire Station: Relocate Facility project. The project will acquire a suitable parcel, relocate the Steven's Creek Fire Station and construct a standard one-engine fire station with two-bay apparatus, an eight-bed barracks and battalion chief's office, a generator/pump/storage building, and a flammable storage building. Additionally, the scope of work will require site work and utilities, as needed. This is a new project.
Alma Helitack Base: Relocate Facility	5	33.888	The Governor's budget requests \$5 million GF for the acquisition phase of the Alma Helitack Base — Relocate Facility project. This project includes site acquisition and construction of a 28-bed barracks/mess hall bundling, a helicopter hangar, a helitender storage, two landing pads (one primary and one secondary pad for taking the current helicopter out of service for required maintenance), an administrative office space, an antenna, a tower base and radio, a warehouse space, a flammables storage building, a generator building, and a helicopter training tower. This is a new project and located in Santa Clara County.
Boggs Mountain Helitack Base: Relocate Facility	2	22.649	The Governor's budget requests \$2 million GF for the acquisition phase of the Boggs Mountain Helitack Base — Relocate Facility project. This project includes site acquisition and construction of a helicopter hangar, support vehicle garage, 22-bed barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, and helicopter-training tower. This is a new project located in Lake County.
Butte Fire Center: Replace Facility	2.745	59.657	The Governor's budget requests \$2.745 million GF for the working drawings phase of the Butte Fire Center: Replace Facility project. The project includes an administration building, a CalFire bachelor office quarters, a warehouse, a California Conservation Corps utility storage garage, a six- to ten-bed corps member dormitory, a fuel island storage building, an emergency generator/fire pump building, a multipurpose gym/weight room, and a recyclable vehicle wash building. This is a continuing project located in Butte County.
Elsinore Fire Station – Relocate Facility	1.8	15.413	The Governor's budget requests \$1.8 million GF for the acquisition phase of the Elsinore Fire Station — Relocate Facility project. The project includes site acquisition and construction of a 12-bed barracks/3-bay apparatus single building fire station, a storage building, a fuel island canopy, a generator/pump building, and a vehicle wash rack system. This is a new project located in Riverside County.

Growlersburg Conservation Camp: Replace Facility	3.05	59.265	The Governor's budget requests \$3.05 million GF one-time for the working drawings phase of the Growlersburg Conservation Camp — Replace Facility project. In conjunction with the California Department of Corrections and Rehabilitation (CDCR), the project includes the design and construction of an administration building, inmate dorm building, inmate recreation building, inmate hobby building, CalFire/CDCR barracks building, inmate kitchen and mess hall, multipurpose facility for inmate programs, inmate staging area, restrooms, showers, a warehouse, carpentry shop, auto/welding shop, vehicle storage building, sawmill shed, sawmill building, covered vehicle wash rack, vehicle wash recycling building, and related site work. This is a continuing project located in El Dorado County.
Hemet Ryan Air Attack Base: Replace Facility	1.931	37.523	The Governor's budget requests \$1.931 million GF one-time for the working drawings phase of the Hemet Ryan Air Attack Base: Replace Facility project. The project includes the construction of an air operations building, 32-bed barracks/mess hall, three-bay apparatus storage and warehouse building, hangar, protective aircraft weather canopy, and a helicopter-training tower. This is a continuing project located in Riverside County.
Higgins Corner Fire Station — Replace Facility	0.789	12.029	The Governor's budget requests \$789,000 GF one-time for the preliminary plans phase of the Higgins Corner Fire Station — Replace Facility project. The project includes site acquisition and construction of a standard, two-engine fire station, including a 12-bed barracks/3-bay apparatus building, administration building, flammable storage building, and generator/pump/storage building. This is a continuing project located in Nevada County.
Hollister Air Attack Base/Bear Valley Helitack Base: Relocate Facilities	12.15	53.55	The Governor's budget requests \$12.15 million GF one-time for the acquisition phase of the Hollister Air Attack Base/Bear Valley Helitack Base — Relocate Facility project. This project includes site acquisition and construction of an air operations building, 32-bed barracks/mess hall, 3-bay apparatus storage and warehouse building, helicopter and OV-10 hangar, protective aircraft weather canopy, helicopter training tower, and site work as needed. This is a continuing project located in San Benito County.
Howard Forest Helitack Base: Relocate Facility	0.55	17.985	The Governor's budget requests \$550,000 GF one-time for the acquisition phase of the Howard Forest Helitack Base — Relocate Facility project. This project includes a helicopter hangar, lighted helipads, support vehicle garage, 22-bed barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, and helicopter-training tower. This is a new project located in Mendocino County.
Humboldt-Del Norte Unit Headquarters: Relocate Facility	1.86	57.317	The Governor's budget requests \$1.86 million GF one-time for the acquisition phase of the Humboldt-Del Norte Unit Headquarters: Relocate Facility project. This project includes an administration/training building, service center building, auto shop, covered vehicle wash rack with water recycle system and building, telecommunications building, covered parking structure for 15 vehicles (with photovoltaic panels), standard two-engine fire station with a dozer/transport dozer shed, two generator/pump/storage buildings (with generators), radio communications tower, site development, utilities, propane or natural gas system, septic system, domestic water well with water treatment and storage, fire suppression water system with water storage, landscaping and irrigation, site lighting and fencing, and telephone and radio cabling. Demolition and hazardous materials abatement, at the existing site, will be required upon completion of the new site. This is a new project in Humboldt County. Total estimated project costs are \$57.317 million.

Intermountain Conservation Camp: Relocate Facility	0.6	73.895	The Governor’s budget requests \$600,000 GF one-time for the acquisition phase of the Intermountain Conservation Camp: Relocate Facility project. This project is in conjunction with the California Department of Corrections and Rehabilitation (CDCR). The project includes CalFire/CDCR administration buildings, bachelor officer quarters, inmate dormitory, inmate kitchen/mess hall, inmate recreation building, inmate laundry building, inmate staging area, CalFire warehouse, CDCR warehouse, CalFire maintenance shop building, five-bay auto shop building, five-bay emergency crew transport building, two-bay dozer/transport building, garage, inmate family visit building, generator building, pump building, fire pump building, storage building, and a flammables storage building. This is a continuing project located in Larsen County.
Kneeland Helitack Base: Relocate Facility	0.85	18.285	The Governor’s budget requests \$850,000 GF one-time for the acquisition phase of the Kneeland Helitack Base: Relocate Facility project. This project includes a helicopter hangar, support vehicle garage, 22-bed barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, and helicopter training tower. This is a new project located in Humboldt County.
Macdoel Fire Station: Relocate Facility	0.796	11.879	The Governor’s budget requests \$796,000 GF one-time for the acquisition and preliminary plans phases of the Macdoel Fire Station - Relocate Facility project. This project includes a single-building 12-bed barracks/3-bay apparatus facility, flammable storage building, generator/pump building, hose rack, and fueling canopy. This is a continuing project located in Siskiyou County.
Minor Projects: Various	2.005	2.005	The Governor’s budget requests \$2.005 million for two minor projects: 1) Owens Valley Conservation Camp: Tank and Dozer Barn Improvements — \$975,000 for preliminary plans, working drawings, and construction. This project is located in San Bernardino County. 2) West Point Fire Station/La Panza Fire Station: Construct Apparatus Buildings - \$1.03 million for preliminary plans, working drawings, and construction. This project is located in Calaveras/San Luis Obispo County.
Potrero Fire Station: Replace Facility	0.981	13.262	The Governor’s budget requests \$981,000 GF for the working drawings phase of the Potrero Fire Station: Replace Facility project. This project includes one standard, two-engine fire station, consisting of a 14-bed barracks/mess hall, three-bay apparatus building, and generator/pump storage building, fuel dispensing system and fuel vault, vehicle wash rack, hose wash rack, flammable storage building, and site work and utilities. This is a continuing project located in San Diego County.
Prado Helitack Base: Replace Facility	1.51	24.6	The Governor’s budget requests \$1.51 million GF for the working drawings phase of the Prado Helitack Base: Replace Facility project. This is a continuing project located in San Bernardino County. This project is for the working drawings phase of the Prado Helitack Base: Replace Facility project. The project includes construction of a helicopter hangar, warehouse/shop building, support vehicle garage, 26-bed barracks building, generator/pump storage building, wash rack canopy, hazmat/retardant storage, and helicopter training tower.

Shasta Trinity Unit Headquarters / Northern Operations: Relocate Facility	4.329	105.805	The Governor's budget requests \$4.329 million GF one-time for the preliminary plans phase of the Shasta Trinity Unit Headquarters/Northern Operations: Relocate Facility project. The project includes a new joint facility to co-locate the Shasta Trinity Unit Headquarters and several Northern Region Operations facilities. Construction will include a six-bay auto shop, covered vehicle wash rack, fire station, service center, emergency command center, flammables storage building, 70-bed dormitory, Northern Region Headquarters administration building, Technical Services administration building and shop building, telecommunications repair shop, two training buildings, 120-foot communications tower, 45 covered parking spaces, physical fitness building, and Emergency generator/pump/storage building, and site work and utilities as needed. This project is continuing and located in Shasta County.
Temecula Fire Station: Relocate Facility	0.595	12.618	The Governor's budget requests \$595,000 GF for the preliminary plans phase of the Temecula Fire Station: Relocate Facility project. This project includes a 12-bed/three-bay apparatus, single building fire station, storage building, administration building, generator/pump building, vehicle wash rack canopy, fuel island canopy, self-contained breathing apparatus repair building, and site work and utilities as needed. This is a continuing project and located in Riverside County.
Various Projects: Air Attack Bases: Infrastructure Improvements	9.616	9.616	The Governor's budget requests \$8.164 million GF for the construction phases of the Fresno Air Attack Base/Ramona Air Attack Base — infrastructure improvement projects. These projects are continuing.
TOTAL:	\$55.657	\$653.649	

Staff Recommendation. Approve as budgeted.

Issue 3: Defensible Space Inspections (AB 38)

Governor's Proposal. The Governor's budget requests \$8.3 million GF in 2021-22 and \$6.1 million GF in 2022-23 ongoing, and 26 positions ongoing to address increased workload driven by statutory requirements related to defensible space inspections and a regional capacity review set forth in AB 38 (Wood), Chapter 391, Statutes of 2019.

Defensible Space Inspections. This proposal includes 21 Forest Technicians (FTs) to conduct defensible space inspections at the request of a seller of a property to validate compliance with AB 38. FTs will issue documentation of compliance so that the seller can provide required documentation to the buyer of the property. The 21 positions were determined by estimating the number of home sales in the State Responsibility Area (SRA) requiring defensible space inspections. There are approximately 730,000 homes in the SRA and approximately 24,820 homes were sold in the SRA in 2018.

Additional positions are needed for the CalFire Training Center to accommodate the 21 FTs, including two Fire Captains to provide required training and one Office Technician to support the administration needs of the FTs receiving training. Two additional positions are needed for CalFire's Mobile Equipment Program to accommodate the addition of 21 vehicles: one Staff Services Analyst and one Auto Technician II.

CalFire is statutorily required to provide to the six Contract Counties (Orange, Los Angeles, Ventura, kern, Santa Barbara, and Marin) commensurate proportional funding funding for any funding that CalFire receives to perform wildland fire prevention and control the proportional amount for this proposal for six Contract Counties is \$1.1 million ongoing for which funding is requested in this proposal.

Staff Recommendation. Approve as budgeted.

3340 CALIFORNIA CONSERVATION CORPS (CCC)**3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)****Issue 4: CalFire Emergency Response & Preparedness: CalFire/CCC Fire Crews**

Governor's Proposal. The Governor's budget requests for CalFire and CCC a total of \$143.266 million (\$137.335 million GF to CalFire, \$5.931 million GF to CCC, and an offsetting reduction of \$1.8 million Collins-Dugan Reimbursement Account to CCC) in 2021-22 and \$124.493 million GF ongoing (phased in over five years) and a total of 617 positions ongoing to add 30 additional hand crews to provide vegetation management, hazardous fuel reduction projects, and wildland fire suppression. The request includes 16 CalFire Fire Fighter crews, eight year-round CCC crews, and six seasonal CCC crews.

According to the LAO:

CalFire Costs (\$137 million). The proposal includes 591 ongoing positions to establish 16 seasonal fire fighter hand crews at seven of the closed conservation camps, as well as other support of the CCC crews and other ancillary costs.

- *Fire Fighter Hand Crews.* Each crew would be staffed with 13 Fire Fighter I's — the typical seasonal fire fighter classification — for nine months of the year. In order to provide 24-hour coverage, the department would hire a total of 640 fire fighters (equivalent to 480 positions on a year-round basis). The new crews would be phased in over two years.
- *Funding to Reactivate Camps.* Each conservation camp is proposed to be staffed with maintenance, cooking, and administrative support positions. In addition a, the proposal includes \$21 million in one-time funds for facility repairs (including some funding for CCC facilities) and \$3.8 million on an ongoing basis for (1) the cost of leasing temporary facilities while repairs are being undertaken and (2) facility maintenance costs for after the camps have been reactivated.
- *Supervision of and Reimbursement for CCC Crews.* CalFire's budget request includes funding for supervisory staff to oversee the expansion of corpsmember hand crews, as well as funding to reimburse CCC for its seasonal crews.
- *Other Ancillary Costs.* The Administration proposes additional funding for vehicles, equipment, and an agreement with the California Department of Human Resources (CalHR) to conduct a study related to how the fire fighter hand crew positions are classified.

CCC Costs (\$6 million). The budget proposes to add a total of 26 positions and funding (\$8 million upon full implementation) to (1) convert six existing reimbursement crews — which can be used for a variety of projects not necessarily related to wildfires — to year-round hand crews, (2) add two new year-round hand crews, and (3) transition six existing reimbursement crews to seasonal hand crews. In total, the Administration proposes to add 14 CCC hand crews for fire response and mitigation. Each hand crew will be made up of 15 corpsmembers.

Staff Recommendation. Approve as budgeted except reject without prejudice \$2 million for CalHR classification because the study can be accomplished within existing resources.

3860 DEPARTMENT OF WATER RESOURCES (DWR)**Issue 5: Sustainable Groundwater Management Program**

Governor's Proposal. The Governor's budget requests \$60 million GF (\$30 million in 2020-21 and \$30 million in 2021-22) to continue implementation of the Sustainable Groundwater Management Program. Specifically, the requested resources are for grants to support local planning and implementation of Groundwater Sustainability Plans across critically over-drafted basins.

Staff Recommendation. In lieu of the split between fiscal years as budgeted, approve the total of \$60 million GF in 2021-22.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)**Issue 6: Exide: Cost Recovery and Residential Cleanup**

Governor's Proposal. The Governor's budget requests the following for Exide related activities. Specifically:

- For outside bankruptcy counsel to support Exide cost recovery efforts.
 - Six positions
 - \$16.5 million in 2021-22 (\$14 million General Fund and \$2.5 million Lead-Acid Battery Cleanup Fund (LABCF))
 - \$2.5 million LABCF in 2022-23 and annually thereafter.
- For cleaning 3,200 properties identified within the 1.7 miles of the former Exide Technologies facility.
 - \$31.4 million General Fund loan from the Toxic Substances Control Account. (\$23.9 million will be used to fund contracts and \$7.5 million will be used for support costs to complete cleanup activities at residences, schools, parks, daycare centers, and childcare facilities near the former Exide facility.)

Staff Recommendation. Approve as budgeted.

**3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY
(CALRECYCLE)****Issue 7: Beverage Container Recycling Pilot Project Grants**

Governor's Proposal. The Governor's budget requests \$5 million Beverage Container Recycling Fund (BCRF) in 2020-21 and \$5 million (BCRF) in 2021-22 to provide grants for the Beverage Container Recycling Pilot Project Program.

With the additional funding, CalRecycle proposes to extend the program sunset date from January 1, 2022 to December 31, 2025 and allow for an additional five pilot projects for a maximum of 10 pilot projects at any one time. If a pilot project ends, a new pilot project can be approved, If monies are still available, the pilot recyclers may apply for additional funding.

Staff Recommendation. In lieu of splitting funding over two fiscal years, approve the total of \$10 million BCRF in 2021-22 to provide grants for the Beverage Container Recycling Pilot Project Program.

Issue 8: Organic Waste Reduction Implementation

Governor's Proposal. The Governor's budget requests five permanent, full-time positions and \$782,000 Cost of Implementation Account (COIA) in 2021-22, an additional four permanent, full-time positions and \$1.388 million COIA in 2022-23, and \$1.38 million COIA ongoing. This proposal also includes redirecting 38 positions from the Local Assistance and Market Development Branch to Waste Permitting, Compliance and Mitigation Division. The redirected and newly requested positions will focus on compliance and enforcement oversight to implement the regulations adopted by SB 1383 (Lara), Chapter 395, Statutes of 2016.

Additionally, the proposal includes to amend Public Resources Code Section 41821(h) to reduce the frequency of jurisdiction inspections.

Staff Recommendation. Approve as budgeted.

8570 CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE (CDFA)**Issue 9: Fairgrounds Operational Support and Deferred Maintenance**

Governor’s Proposal. The Governor’s budget requests \$60 million GF one-time in 2021-22 to provide fairground operational support and address fair deferred maintenance needs. Of this amount, \$50 million is for operational support of state affiliated fairs and an assessment of fairgrounds located on state-owned land to determine their potential for alternate use/development. CDFA intends to use up to \$3 million to conduct a specialized facility assessment of fairgrounds located on state-owned land to help State Affiliated Fairs determine their potential for alternate uses and/or development. The \$50 million in operational support was created based on projected needs for a 12-month period.

The proposal includes \$10 million is to address deferred maintenance needs with a priority on fairgrounds that are used to support emergency operations. Over \$176 million in deferred maintenance for fairgrounds in the Network of California Fairs was identified in the most recent assessment. The \$10 million proposed is to cover a little over 5 percent of the needs in deferred maintenance. The funds will be distributed to projects with the highest score. Critical safety and health-related projects will receive higher scores than non-critical projects. Factors in scoring included in considerations such as number of emergency activation, water conservation, and power upgrades.

Staff Recommendation. Approve as budgeted except remove requirement of “state affiliated” so that funding is available to state, county fairs, and district agricultural associations..

Issue 10: Impact Assessment and Alignment of Regulatory Reporting Requirements for Agriculture

Governor’s Proposal. The Governor’s budget requests a total of \$6 million GF one-time for regulatory alignment and efficiencies, including:

- 1) \$4 million GF in 2020-21, in collaboration with the California Environmental Protection Agency (CalEPA), to conduct a comprehensive evaluation of cross-cutting regulatory activities across state agencies that enforce potentially redundant compliance requirements for the agricultural community. The evaluation is intended to be a catalyst for exploring regulatory efficiencies and process improvements to align CDFA and CalEPA regulatory compliance, substantially reduce paperwork required for the farmers and ranchers, while maintaining environmental and public health protections.
- 2) \$2 million GF in 2021-22 to conduct an assessment of the scope, feasibility, and level of effort required to create and implement a single licensing and payment portal to eliminate potentially repetitive data input and streamline interactions between agricultural businesses and CDFA.

Staff Recommendation. Approve as budgeted.

Issue 11: State Water Efficiency and Enhancement Program (SWEEP)

Governor's Proposal. The Governor's budget requests \$20 million GF in 2020-21 and \$20 million GF in 2021-22 to award, administer, and monitor State Water Efficiency and Enhancement Program (SWEEP) grants with a focus on depleted groundwater basins. Of this amount, up to five percent will be available for technical assistance as required by AB 2377 (Irwin), Chapter 868, Statutes of 2018. This technical assistance will be prioritized for socially disadvantaged farmers and ranchers, and to farms that are less than 500 acres. This proposal includes budget bill language to make the funding available for encumbrance or expenditure for two years.

This one-time funding is intended to address groundwater sustainability by focusing SWEEP on improving conditions in depleted groundwater basins.

Staff Recommendation. In lieu of splitting the funds over two fiscal years, approve the total of \$40 million GF in 2021-22.

Issue 12: Technical Assistance Program for Underserved Farmers

Governor's Proposal. The Governor's budget requests \$3.35 million GF in 2020-21 and \$3.35 million in 2021-22 with a two-year encumbrance period to fund a technical assistance and micro-grant program for small, mid-sized, and underserved farmers in California.

The technical assistance program includes funding for a temporary Small Farm Specialist within CDFA and a contract with University of California Agriculture and Natural Resources (UC ANR) to provide direct assistance to small, mid-sized, and socially disadvantaged and underserved farmers in seven regions around the state.

The program is intended to assist farmers with business planning, navigating regulatory compliance, and accessing state and federal funds to aid economic recovery. The grant program will be administered by CDFA and consist of grants for non-profit organizations to provide application technical assistance to small, mid-sized, and socially disadvantaged farmers and ranchers, as well as micro-grant program to assist small, mid-sized, and underserved farmers in accessing state and federal funding resources, including matching and leveraging state and federal funds, such as the state small business economic recovery grant funds and USDA micro loan program.

Staff Recommendation. SB 85 (Committee on Budget and Fiscal Review), Chapter 14, Statutes of 2021, appropriated the \$3.35 million GF requested for 2020-21. Approve the remaining \$3.35 million GF in 2021-22, which includes the technical adjustment between items in the spring finance letter, with a two-year encumbrance period to fund a technical assistance and micro-grant program for small, mid-sized, and underserved farmers in California.

DISCUSSION

SENATE CAP-AND-TRADE SPENDING PLAN

Issue 13: Senate Cap-and-Trade Spending Plan

Senate Proposal. The Senate proposes a Cap-and-Trade Spending Plan for 2021-22 totaling \$3.227 billion for 2021-22, which includes \$1.777 billion in continuous appropriations and \$1.5 billion in discretionary spending. The Senate’s Cap-and-Trade Spending Plan is based on the Legislative Analyst’s Office (LAO) revenue estimates from Cap-and-Trade auctions.

The LAO has provided the following side-by-side comparison of the Senate’s and Governor’s proposed continuous appropriations:

		Governor's January Budget		Senate Plan	
<u>Continuous Appropriations</u>	<u>Department/Agency</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2021-22</u>
High-speed rail	High-Speed Rail Authority	\$499	\$532	\$627	\$741
Affordable housing and sustainable communities	Strategic Growth Council	\$399	\$425	\$502	\$592
Transit and intercity rail capital	Transportation Agency	\$200	\$213	\$251	\$296
Transit operations	Caltrans	\$100	\$106	\$125	\$148
Safe drinking water program	State Water Board	\$100	\$106	\$0	\$0
Total		\$1,297	\$1,383	\$1,505	\$1,777

For the discretionary portion of the Cap-and-Trade Spending Plan, the Senate proposes the following:

- \$1 billion Low Carbon Transportation & ZEV Strategy
- \$240 million Natural & Working Lands
- \$204 million Short-Lived Climate Pollutants
- \$89 million Climate Mitigation & Resilience
- \$15 million Climate & Clean Technology Research
- \$25 million Workforce Training
- -\$73 million Other

The following chart provides more detail about the Senate discretionary spending plan and includes the Governor’s January Budget proposal for ease of comparison:

Senate Cap-and-Trade Expenditure Plan

(Dollars in Millions)

Investment Category	Department	Program	Gov's Early Action 2020-21	Gov's Budget Year 2021-22	Gov's Proposal Total	Senate Proposal 2021-22	Details
Equity Programs	ARB	AB 617 — Community Air Protection	125	140	265	0	Senate Proposal - Replace GGRF funding of \$325 million for AB 617 purposes with General Fund (GF) for one year, 2021-22.
	ARB	AB 617 — Local Air District Implementation	0	50	50	0	
	ARB	AB 617 — Technical Assistance to Community Groups	0	10	10	0	Governor's Budget proposes a total of \$325m for AB 617, as follows: 2020-21: \$125 for local a/d incentive funding to reduce air pollution. For 2021-22: 140 for local a/d incentive funding 50 for local a/d admin costs 10 for technical assistance
	SWRCB	Safe & Affordable Drinking Water	30	24	54	0	Senate Plan fulfills SB 200 obligation with GF/federal funding for remaining years (\$1.2 billion).
Low-Carbon Transportation & ZEV Strategy	ARB	Clean Trucks, Buses & Off-Road Freight Equipment — Includes the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) and the Clean Off-Road Equipment (CORE) Program.	165	150	315	500	Of the \$500 million, \$380 for HVIP (\$190 million annually for two years [budget year (BY) and BY+1]) and \$50 million for CORE Program (\$25 million

							annually for two years).
	ARB	Clean Cars 4 All & Transportation Equity Projects	74	76	150	150	\$75 million annually for two years.
	ARB	Agricultural Diesel Engine Replacement & Upgrades	90	80	170	0	Senate Agriculture Budget Plan includes \$170 million General Fund for the FARMER Program.
	ARB	CVRP	0	0	0	350	\$175 million annually for two years with the commitment of providing a third year of \$175 in 2023-24.
Natural & Working Lands	CalFire	Heathy & Resilient Forests (SB 901)	125	200	325	200	Senate Wildfire Package proposes \$200m GGFR annually for five years.
	CDFA	Healthy Soils	15	15	30	20	
	CDFA	Methane Reduction	0	0	0	10	
	DFW	Wetlands restoration	0	0	0	10	
Short-Lived Climate Pollutants	CalRecycle	Waste Diversion/Recycling Infrastructure	0	0	0	200	Organic waste grant funding to cities and counties for developing and beginning implementation of organic waste recycling programs as required by CalRecycle's new Organic Waste Reduction Regulations. (SB 1383 (Lara), Chapter 395, Statutes of 2016)

	ARB	HFC refrigerants	0	0	0	4	
Climate Mitigation & Resilience	Office of Planning and Research (OPR) and State Coastal Conservancy (SCC)	Coastal Resilience/Adaptation	0	0	0	28	\$12 million to OPR for the Integrated Climate Adaptation and Resiliency Program (ICARP) for regional planning. \$16 million to SCC for Climate Ready projects that pilot effective strategies.
	Natural Resources Agency	Urban greening	0	0	0	5	
	Conservation Corps	Energy Corps	0	0	0	6	
	Dept. Of Community Services and Development	Low-Income Weatherization Program (LWIP)	0	0	0	50	\$25m for farmworker housing weatherization
Climate & Clean Energy Research	Strategic Growth Council	Climate and Energy Research	0	0	0	15	
Workforce Training	Workforce Development	Apprenticeships for a Green Economy	0	0	0	25	
Other	ARB	Woodstove replacements	0	0	0	5	
	CalFire	State Responsibility Area (SRA) fee backfill for one year	0	0	0	-78	Substitute SRA fee backfill with GF for one year, 2021-22.
		TOTALS	624	745	1369	1500	

Components of note in, and further detail about, the Senate Cap-and-Trade Spending Plan include the following:

- **Alternative Funding: AB 617 Program.** For one year, 2021-22, in lieu of using GGRF as the funding source for AB 617 activities, the Senate proposes the following:

- \$265 million General Fund one-time for local air district incentive funding.
- \$50 million Air Pollution Control Fund (APCF) one-time for local air district administrative costs.
- \$10 million APCF one-time for technical assistance.

This proposal rejects the extension of funding for 22 limited-term positions proposed in the Governor's January budget (\$4.2 million GGRF ongoing).

- **Alternative Funding: Safe and Affordable Drinking Water Obligation.** For the remaining GGRF commitment of \$1.2 billion for the Safe and Affordable Drinking Water Program, replace with federal stimulus funds or General Fund, and include trailer bill language accordingly.
- **Alternative Funding: State Responsibility Area (SRA) Backfill.** In lieu of GGRF backfilling revenue losses associated with the State Responsibility Area fee, appropriate \$78 million General Fund one-time for 2021-22.
- **Alternate Funding: Agricultural Diesel Engine Replacement and Upgrades.** The Senate Agriculture Budget Plan (*as discussed at the Subcommittee 2 hearing on May 4, 2021*) includes \$170 million for the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program. The FARMER program, is a grant program that provides funding to replace agricultural equipment in order to reduce pollution.
- **\$1 Billion Multiyear GGRF Funding for Low-Carbon Transportation & ZEV Strategy.** For the Low-Carbon Transportation & ZEV Strategy category of funding, the Senate proposal includes:
 - **HVIP.** \$380 million total, \$190 million annually for a two-year limited term (2021-22 and 2022-23).
 - **CORE.** \$50 million total, \$25 million annually for a two-year limited term (2021-22 and 2022-23).
 - **Clean Cars 4 All & Transportation Equity Projects.** \$150 million total, \$75 million annually for a two-year limited term (2021-22 and 2022-23).
 - **CVRP.** \$350 million total, \$175 million annually for a two-year limited term (2021-22 and 2022-23). The Senate proposal also commits to a third year of \$175 million GGRF in 2023-24 for CVRP.

Lastly, the proposal includes \$70 million in 2021-22 for the Clean Trucks, Buses & Off-Road Freight Equipment for non-HVIP and non-CORE programs.

- **Healthy & Resilient Forests (SB 901).** As part of the Senate Wildfire Prevention and Resilience Package (*as discussed at the Subcommittee 2 hearing on May 4, 2021*), the Senate Cap-and-Trade Spending Plan commits \$200 million annually for five years, totaling \$1 billion GGRF for

wildfire prevention and resilience activities.

- **Organic Waste Diversion.** The Senate proposal includes \$200 million to provide organic waste grant funding to cities and counties. The purpose of funding is to help local governments meet the organic waste diversion requirements pursuant to SB 1383 (Lara), Chapter 395, Statutes of 2016, by assisting cities and counties with local organic waste recycling program development and initial implementation activities. Example activities of design and implementation of SB 1383 organic waste recycling program include adopting ordinances, arranging for appropriate collection services, establishing inspection and enforcement programs, procuring recovered organic waste products, providing education and outreach, developing edible food recovery programs, and reporting to CalRecycle.

For distribution of funding to local governments, the Senate proposes a formula based approach on a per capita basis, which is intended to distribute the money quickly and efficiently to recipients. The proposal authorizes cities and counties to pool any or all of their allocations to work together on implementation efforts to maximize efficiency and promote local flexibility.

The Senate plan also requires CalRecycle to develop general guidance around how the funds may be used and collect information from recipients of grant funding to compile into a single report. The report should be provided to the Legislature and posted on the CalRecycle website by May 1, 2022 on the following: (1) how locals have spent the organic waste recycling funding, (2) the degree to which the funding is helping achieve SB 1383 goals, and (3) potential future funding needed to successfully implement SB 1383.

- **LWIP.** The Senate proposal includes \$50 million for LWIP. Of this amount, \$25 million is dedicated to farmworker housing weatherization.

Background. Cap-and-Trade Auction Revenue Deposited in the GGRF. According to the LAO, GGRF funds are spent on a variety of environmental programs. About 65 percent of auction revenue is continuously appropriated to certain programs and projects, including high-speed rail, transit-related activities, and a program to provide safe and affordable drinking water. About \$185 million is spent on annual state administrative costs and other ongoing statutory allocations such as backfilling revenue losses associated with 2017 legislation that suspended (1) a fee to support fire protection activities and (2) sales tax for certain manufacturing equipment. The remaining revenue is available for expenditure in the annual budget — sometimes referred to as “discretionary expenditures.”

Organic Waste Diversion. SB 1383 set methane emissions reduction targets for California in a statewide effort to reduce emissions of short-lived climate pollutants. The targets must: (1) reduce organic waste disposal by 50 percent by 2020 and 75 percent by 2025, and (2) Rescue for people to eat at least 20 percent of currently disposed surplus food by 2025. Organic waste in landfills emits: (1) 20 percent of the state’s methane, a climate super pollutant 84 times more potent than carbon dioxide, and (2) air pollutants like PM 2.5, which contributes to health conditions like asthma.

LAO Comments. Legislature Could Spend About \$1.4 Billion GGRF on Discretionary Programs While Also Maintaining A Reasonable Reserve.

- **Revenue Estimates.** The LAO estimates Cap-and-Trade auctions will generate nearly \$2.6 billion in 2020-21 and \$3 billion in 2021-22. These estimates assume that all allowances offered at remaining auctions sell at near the floor price. This scenario is generally consistent with

historic auction outcomes, with the exception of several past auctions when auction revenue was much lower. LAO discusses some of the uncertainty around these estimates in more detail below.

- ***Existing Allocations.*** Under current law and policy, much of this revenue is already allocated to such things as (1) 65 percent continuous appropriations, (2) a variety of ongoing administrative costs, and (3) statutory allocations (such as backfilling revenue losses from various fees and taxes suspended a few years ago).
- ***Amount Available for Discretionary Spending and A Reserve.*** After accounting for these existing expenditures, the LAO estimates that there will be about \$1.76 billion remaining available for a combination of (1) discretionary spending and (2) building a reserve in the fund. The amount the Legislature allocates to discretionary programs in the 2021-22 budget ultimately depends on its risk preferences. In the LAO's view, the Legislature could allocate up to about \$1.4 billion to discretionary programs while also maintaining a reasonable reserve in the fund (about \$360 million). This reserve amount would be more than 10 percent of estimated annual revenue for the fund—a benchmark the LAO has highlighted in past analyses.
- ***Revenue Estimates Are Uncertain.*** Since quarterly auction revenue has been volatile in the past, the LAO assessed alternative revenue scenarios. For example, under one scenario with a *modest* decrease in revenue, there would still be enough revenue to cover \$1.4 billion in discretionary allocations (leaving about \$150 in reserve). However, under a scenario with a relatively severe drop in revenue, the state would only be able to cover about \$1.3 billion in discretionary spending (with no reserve).
- ***Amount Available for Discretionary Spending In Future Years Likely Lower.*** The amount available for discretionary spending identified in this email effectively captures two years of spending. This is because the Legislature deferred action on most of the 2020-21 discretionary spending package. In the out years, the LAO estimates annual revenue available for discretionary spending is roughly \$800 million to \$900 million. The LAO thinks these out-year estimates could be relevant for the Legislature's long-term GGRF expenditure planning.

Staff Comments. *Discretionary Spending Amount.* As noted above, the LAO recommends \$1.4 billion in discretionary spending. The Senate Plan shifts the funding source for specified commitments away from GGRF, which allows for a \$1.5 discretionary plan while abiding by the LAO's recommendation.

AB 617. AB 617 (C. Garcia), Chapter 136, Statutes of 2017, requires ARB and local air districts to increase focus on local air pollution in overburdened communities. It requires ARB, with input from community groups, air districts, and others, to select locations from around the state to prepare community-led plans to reduce emission of toxic air contaminants (TACs) and criteria pollutants. The primary requirement for community selection is a demonstrated high cumulative exposure burden to air pollution and associated health vulnerabilities. AB 617 requires improvement of air pollution data collection and reporting for criteria pollutants and TACs; requires expedited pollution control retrofit on large stationary sources; increases penalties for air pollution violations; requires enhanced air pollution monitoring; requires ARB to adopt statewide emissions of TACs and criteria pollutants reduction strategy targeting pollution-burdened communities; and requires ARB and local air districts to implement community criteria air pollutants and TACs emissions reduction programs. In response to AB 617, ARB established the Community Air Protection Program (CAPP).

As shown by the requirements above, AB 617 addresses air pollution and TACs, not greenhouse gas emissions. It would be appropriate to not rely solely on GGRF, but instead use other sources of funding,

such as the Air Pollution Control Fund (APCF) and General Fund, to fund AB 617 air pollution reduction efforts. The General Fund is benefitting from an unexpected windfall this year and APCF shows a fund balance of \$286 million in 2021-22. The Senate proposal does not eliminate all funding for AB 617 purposes — Instead, for this budget cycle only, the Senate proposes to substitute APCF and General Fund to fund AB 617 so that over \$320 million GGRF may go towards efforts to actually reduce greenhouse gas emissions this year.

Staff Recommendation. Hold open.