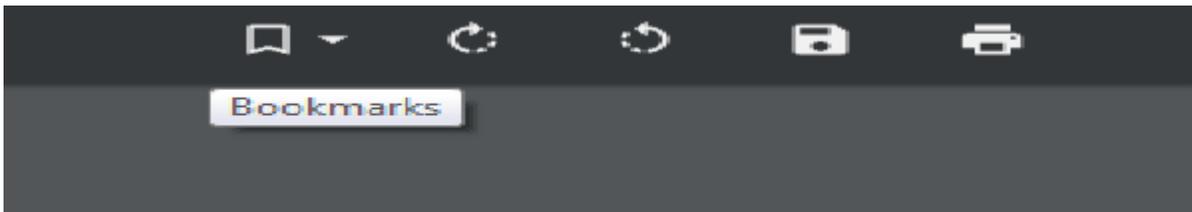


Senate Budget and Fiscal Review

The 2022 Agendas for Subcommittee No. 2 on Resources, Environmental Protection, Energy and Transportation are archived below. To access an agenda or outcomes by a specific date, please refer to “Bookmarks” icon on the screen. Depending on your web browser the bookmarks menu will look different. Below are instructions to help you find the “Bookmarks” icon in Internet Explorer 11, Mozilla Firefox, or Chrome.

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Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Wednesday, February 2, 2022
9:00 a.m.
State Capitol - Room 4203

Consultant: Joanne Roy

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VOTE-ONLY

0540 CALIFORNIA NATURAL RESOURCES AGENCY
3900 CALIFORNIA AIR RESOURCES BOARD
8570 DEPARTMENT OF FOOD AND AGRICULTURE

Issue 1: 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.

C DFA: \$125,000 General Fund and one permanent position in 2023-24 and ongoing to implement the functions required by SB 27. The bill requires C DFA 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 2: 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.

3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)**Issue 3: 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 4: 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 5: 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 6: 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 7: 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 8: 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 9: 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 10: 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 11: 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 12: 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 13: 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 14: 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 15: 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 16: 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 17: 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 18: 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’ 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. With limited staff resources, one employee must be available 24 hours, 7 days per week (phone duty) to ensure requests from law enforcement and local health agencies are addressed in a timely manner, thus reducing the number of staff available for emergency response.

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 19: 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 20: 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 21: 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 22: 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 PAL process, 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 23: 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 24: 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

3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION (CALIFORNIA ENERGY COMMISSION (CEC))
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3720 CALIFORNIA COASTAL COMMISSION
3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

Issue 25: Cap-and-Trade Expenditure Plan

Governor’s Proposal. The Governor’s budget proposes a roughly \$1 billion discretionary cap-and-trade expenditure plan, shown below in the chart below:

Proposed 2022-23 Cap-and-Trade Expenditure Plan	
(In Millions)	
Program	Amount
Continuous Appropriations^a	\$1,465
High-speed rail	\$487
Affordable housing and sustainable communities	389
Forest health and fire prevention	200
Transit and intercity rail capital	195
Transit operations	97
Safe drinking water program	97
Other Existing Commitments	\$239
SRA backfill	\$79
Manufacturing sales tax exemption backfill	72
Other state administrative costs ^b	88
Discretionary Spending	\$979
Heavy-duty vehicle incentives (ZEV Package)	\$600
AB 617 local air pollution reduction incentives	180
Clean Cars 4 All (ZEV Package)	76
AB 617 local air district implementation	50
Safe drinking water program	33
Expanded air monitoring	30
AB 617 technical assistance grants	10
Total	\$2,683

^a Based on Governor’s revenue assumption of \$2.3 billion in 2022-23.
^b Includes \$2.3 million in state administrative costs to continue existing programs and implement recently enacted legislation.

SRA = State Responsibility Area; ZEV = zero-emission vehicle; and AB 617 = Chapter 136 of 2017 (AB 617, C. Garcia).

Source: LAO

The Governor’s budget also includes BCPs, which propose appropriating funds from GGRF as follows:

BCP: CARB: Centralizing and Expanding Community Monitoring. \$30 million GGRF in 2022-23 to deploy new, mobile Community Air Monitoring data collection and visualization approaches over a limited term to build on and complement existing CARB stationary air monitoring and data visualization tools. Limited-term hyper-local and real-time mobile pollution monitoring will provide a snapshot of information to increase understanding of current community exposure to the pollutants measured across

the state and facilitate focused community and agency action, including prioritizing locations for and establishment of community-scale pollution monitoring in the future.

BCP: CARB: 2022 Cap-and-Trade Expenditure Plan: Community Air Protection Program, Local Air District Implementation, and Technical Assistance to Community Groups, \$240 million GGRF in 2022-23 for Community Air Protection Incentives, Air District implementation and Community Air Grants to meet the statutory requirements of AB 617 (C. Garcia), Chapter 136, Statutes of 2017. These investments are part of the 2022 cap-and-trade expenditure plan.

These community investments are intended to be complemented by the Zero Emission Vehicle (ZEV) Package, which aim to accelerate and implement the California ZEV Market Development Strategy. The investments in this package and the Zero Emission Vehicle Package are meant to propel forward the equitable transition to zero-emission transportation opportunities for all Californians and to improve local health for our communities.

BCP: CARB and CEC: ZEV Package. Among its various components, the ZEV package includes the following GGRF spending:

- **Low-Income Zero-Emission Vehicle Incentives.** \$76 million GGRF for the Low-Income ZEV Incentives (total \$256 million, with the remaining \$180 million as General Fund). This proposed funding is in addition to the \$250 million appropriated in the 2021 ZEV Package (with \$125 million in 2022-23) to take Clean Cars 4 All statewide.
- **Heavy-Duty Zero-Emission Vehicles and Supporting Infrastructure.** \$1.1 billion (\$600 million GGRF and \$500 million General Fund) for zero-emission clean trucks, buses, and off-road equipment and infrastructure, and \$400 million to enable port electrification, all leveraging both battlers and hydrogen fuel cells.

BCP: OEHHA: Biomonitoring in Community Air Protection Program (AB 617) Communities. \$350,000 GGRF in 2022-23 and ongoing for targeted biomonitoring studies in Community Air Protection Program (AB 617) communities. Limited-term contract funding was originally approved in 2019-20 for a period of three years, but ongoing contract funding is needed for OEHHA to serve the large number of communities disproportionately impacted by air pollution, apply biomonitoring to directly measure exposures in community members over time, and increase understanding of the potential health risks they face.

The contract funding will support academic and local partners who help carry out community-based biomonitoring studies. This funding will also support specialized laboratory analyses not available within the state laboratory system. Results from the biomonitoring studies will generate essential data needed by these disproportionately impacted communities to develop and implement effective strategies to reduce their harmful air pollution exposures.

BCP: California Coastal Commission: Essential Climate Resiliency and Sea Level Rise Support. \$750,000 GGRF ongoing in baseline to address the ongoing and growing sea level rise/climate resiliency workload of the commission. Funding would help the commission better support local governments in climate change planning and decision-making and streamline the review and authorization of climate change related plans and projects.

Improvements will be measured by tracking participation in interagency and local outreach efforts related to climate change adaptation and mitigation plans and projects, as well as tracking the number

of approved plans and projects.

Background. *Cap-and-Trade Auction Revenue.* According to the LAO, revenues from quarterly cap-and-trade auctions are deposited in GGRF and the funds are generally allocated to climate-related programs. Under current law, about 65 percent of auction revenue is continuously appropriated to certain projects and programs, including high-speed rail, affordable housing, transit, and safe drinking water. In addition, beginning in 2022-23, \$200 million is continuously appropriated for forest health and wildfire prevention. This \$200 million is taken “off the top” before calculating the other continuous appropriation percentages. The remaining revenue is available for appropriation by the Legislature through the annual budget for other ongoing funding commitments (such as state administrative costs and statutory transfers), as well as discretionary spending programs.

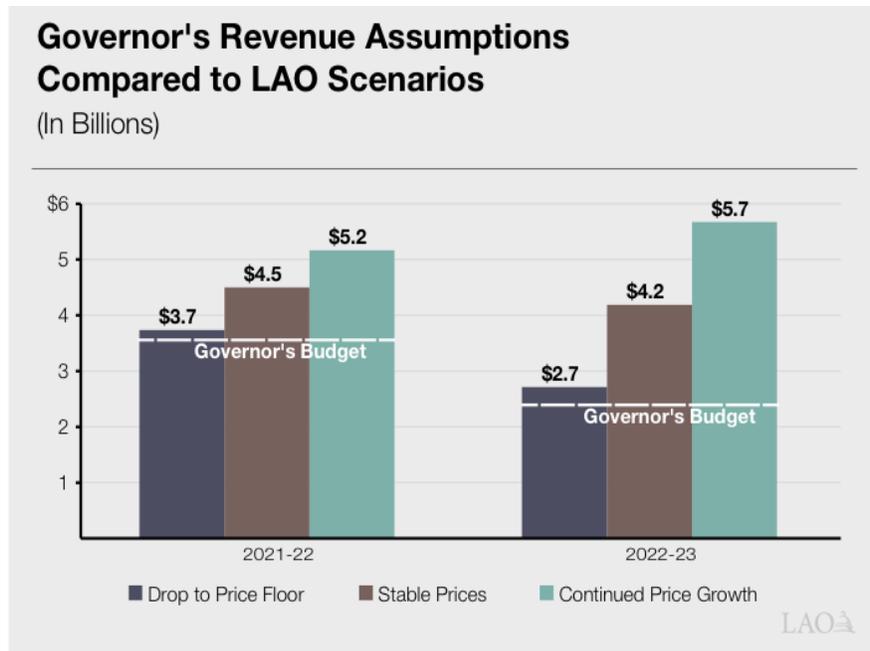
LAO Comments. *Governor Proposes Almost \$1 Billion Discretionary Spending.* The Governor’s budget assumes cap-and-trade auction revenue of \$3.6 billion in 2021-22. Based on this revenue estimate, there would be roughly \$600 million in carryover funding available to be allocated in 2022-23, plus an estimated \$2.3 billion in revenue collected in 2022-23. About \$1.5 billion would go to continuously appropriated programs in 2022-23, \$239 million would go to other existing spending commitments, and \$979 million would go to proposed discretionary spending. Also, based on these assumptions, there would be a roughly \$200 million fund balance at the end of 2022-23 (also known as a reserve).

Proposal Mostly Provides Funding for Existing Programs. Almost all of the proposed discretionary spending would support existing programs that have received GGRF allocations in past years. Specifically, \$676 million would support ZEV programs at CARB and \$240 million would go to continued implementation of AB 617 (C. Garcia), Chapter 136, Statutes of 2017. (The proposed ZEV-related spending is part of the Governor’s broader package of ZEV-related proposals.) The proposed expenditure plan also provides \$33 million in discretionary funding for safe and affordable drinking water. This funding — in addition to the estimated \$97 million provided through continuous appropriations — would bring total funding for safe and affordable drinking water to \$130 million in 2022-23, consistent with past budgets.

The only new major spending proposed in the discretionary spending package is \$30 million one time for expanded community-level air monitoring. Mobile monitors would be used to provide one-time snapshot of air pollution at the local level. According to the Administration, the data would be integrated into CARB tools that help visualize local pollution, and potentially inform future AB 617 activities to reduce community pollution in disadvantaged communities.

The budget also includes several proposals to continue or increase staff and resources to administer GGRF programs. Some of these proposals are related to implementing recently enacted legislation. Funding would support staff at CARB, the Office of Planning and Research, the Coastal Commission, and OEHHA.

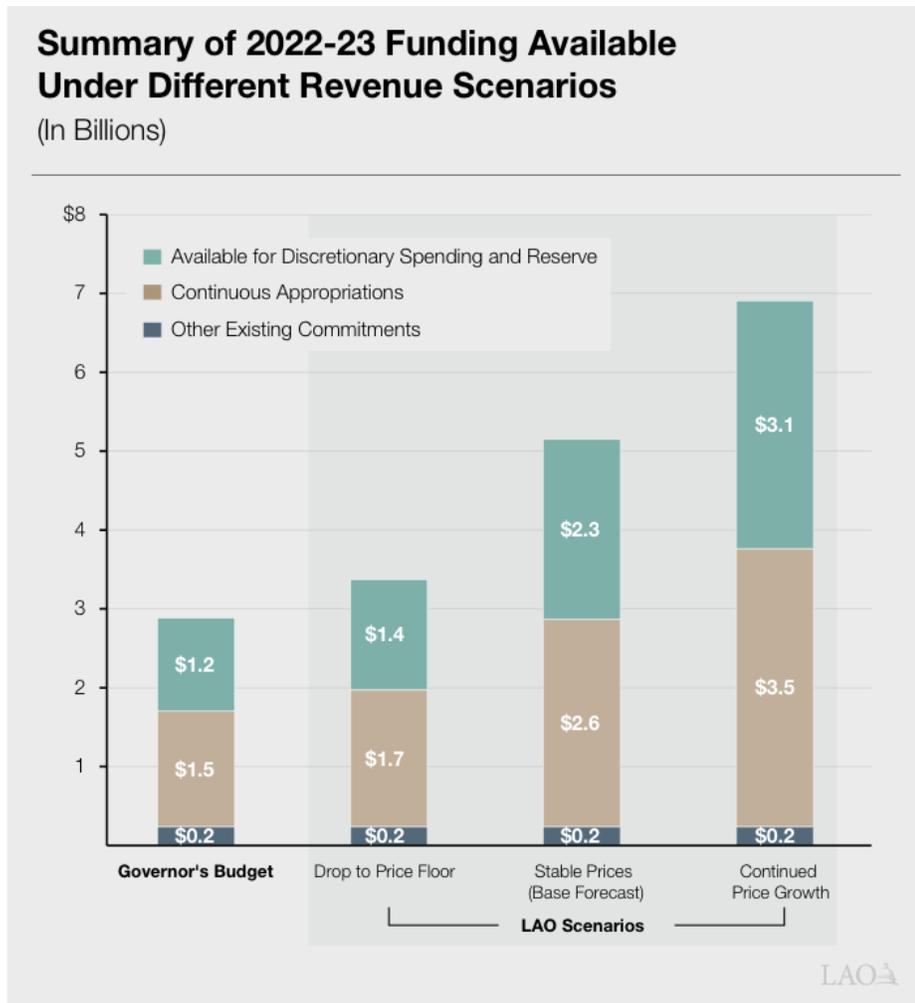
Governor’s Revenue Assumptions Are Conservative. In LAO’s December 2021 post, Cap-and-Trade Auction Update and GGRF Projections, the LAO estimated GGRF revenue under three different allowance price scenarios. As shown in the figure below, the Administration’s revenue assumptions in both 2021-22 and 2022-23 are slightly below LAO’s low revenue scenario, where the LAO assumes all allowances sell at the floor price. Although the Administration also assumes that allowances will sell at the floor price, its estimates of the number of allowances offered and the level of the floor price are slightly lower than the LAO’s.



Source: LAO

There is substantial uncertainty in auction revenue, so it is possible that revenue could drop below LAO’s low revenue scenario. However, even under relatively conservative assumptions, LAO thinks total auction revenue will be at least \$600 million higher than the Governor’s budget assumes over the two-year period. Under LAO’s base revenue scenario (stable allowance prices), which LAO considers the most likely of its three scenarios, total revenue over the two-year period would be \$2.8 billion higher than assumed under the Governor’s budget. LAO will provide the Legislature with updated revenue forecasts in the coming months as more information becomes available, including the results of future quarterly auctions.

Several Hundred Million Dollars More Could Be Available for Discretionary Spending. As shown in the table below, there is roughly \$1.2 billion available for discretionary spending and a reserve under the Governor’s revenue assumptions. This amount is somewhat lower than the amount that would be available under LAO’s low revenue scenario (\$1.4 billion) and significantly lower than the amount that would be available under LAO’s base revenue scenario (\$2.3 billion).



Source: LAO

Ultimately, the amount of discretionary funding allocated in 2022-23 budget will depend on both (1) revenue assumptions and (2) how much the Legislature chooses to leave as a reserve in GGRF to address revenue uncertainty. These two factors are related and the Legislature could take different budgeting approaches. If the Legislature assumes higher revenues, it might also want to maintain a substantial reserve in the GGRF in case revenue is lower than expected. For example, in previous reports, the LAO suggested a reserve of about 10 percent of estimated annual revenue is a reasonable starting point. Under LAO’s base revenue forecast, a 10 percent reserve would be slightly more than \$400 million — which would leave about \$1.9 billion available for discretionary programs. If the Legislature assumes lower revenues, there is less of a need to maintain a substantial reserve because there is little risk that revenues would be lower than expected. Under LAO’s lower revenue scenario where allowance prices drop to the floor, the Legislature would collect enough revenue to allocate \$1.4 billion in discretionary programs, but leave very little money in the reserve. Under both budgeting approaches, the Legislature would have several hundred million dollars in additional funding available for discretionary spending.

Issues for Legislative Consideration. *Do Continuous Appropriations Continue to Reflect Legislative Priorities?* The Legislature will want to consider the degree to which both continuous appropriations and past discretionary spending programs continue to be consistent with its current priorities. Most of the continuous appropriations were established as part of the 2014-15 budget, and it is possible that legislative priorities have changed over the last several years. In addition, as revenues increase,

continuous appropriations going to these programs would be much higher than in prior years. Under LAO's base forecast, about \$2.4 billion would be continuously appropriated to these programs in 2022-23 (not including the \$200 million continuous appropriation for forest health and wildfire prevention). This is roughly twice the average annual continuous appropriation provided in past years. The Legislature might want to consider whether these appropriation levels continue to reflect its priorities.

Depending on its spending priorities, the Legislature could consider a variety of modifications to the continuous appropriations. For example, if the Legislature considers certain discretionary programs higher priority, it could give those discretionary programs first call on future auction revenues. This could be similar to the Legislature's action to allocate \$200 million off the top to forest health and wildfire prevention as part of the 2021-22 budget agreement. The Legislature could also consider allocating a specific annual amount to each continuously appropriated program, rather than a set percentage of auction revenue. This approach would provide a more consistent funding amount for these programs. Plus, if annual revenue continues to grow, this structure would allow the Legislature to use the annual budget process to determine how to allocate the additional funding in a way that best reflects its changing priorities.

How Should the Legislature Allocate Discretionary Funding? The Governor's proposal largely allocates funding to existing programs. As always, the Legislature will have to weigh many different spending priorities when considering how to allocate discretionary funding, including how to balance greenhouse gas reductions, local air quality improvements and monitoring, and other spending priorities. One factor it might want to consider is what other funding sources are available and already allocated to climate-related programs. For example, the Governor's proposed budget includes \$6.1 billion in total a five-year ZEV package, which includes \$676 million from GGRF. This is in addition to a \$3.9 billion three-year package for ZEVs included in the 2021-22 budget agreement. The Legislature will want to consider the degree to which cap-and-trade funding should be used in 2022-23 to supplement these other ZEV efforts versus targeting other programs that would not receive any new funding as part of the Governor's proposal, such as waste diversion programs and other climate-related programs.

Also, as the LAO has emphasized in previous reports, the Legislature is not limited to focusing its cap-and-trade expenditure plan on spending options. The LAO recommends the Legislature consider using a portion of GGRF revenue to provide direct financial support to households and/or businesses. For example, the Legislature could use GGRF to provide lump sum rebates to households, reduce other state taxes (such as sales tax rates), or use the funds to reduce retail electricity rates. Importantly, each of these "revenue recycling" options could be structured in a way that maintains cap-and-trade's incentive for households and businesses to reduce GHGs, while also partially or fully offsetting the financial impact of cap-and-trade prices on businesses and consumers—particularly low- and moderate-income households. In LAO's view, these revenue recycling options become even more attractive if allowance prices—and associated impacts on energy prices—continue to increase.

What Benefits Will New Air Monitoring Effort Provide? As discussed above, the only new program proposed is \$30 million for expanded air monitoring using mobile monitors. In concept, efforts to improve the scope and quality of air quality monitoring could have merit, as there are some gaps in the existing air quality monitoring networks, particularly at the neighborhood level. The network of monitors used to assess state compliance with federal ambient air quality standards is relatively sparse in some areas of the state, and these monitors are not intended to measure air quality at the community level. To address this gap, in recent years, funding provided to local air districts through the AB 617 program has been used to establish 14 community-level air quality monitoring networks in heavily polluted communities. However, many communities in the state still do not have robust community level air quality monitoring systems.

Although there are likely some benefits to additional air quality monitoring, based on LAO's initial review, it is unclear why the Governor's proposal is the most effective monitoring approach. Some questions for the Legislature to consider about the proposal include:

- Why is the Administration proposing to establish a new monitoring approach instead of expanding existing monitoring efforts through AB 617?
- What is the advantage to using mobile monitoring compared to other technologies, such as stationary monitors that can measure pollution in a specific location?
- Why should the state invest in a one-time snapshot of air pollution, rather than a system that can help the state track changes in air pollution over time?
- How many areas of the state would be monitored? How does the Administration plan to select which communities will be monitored?
- How will this funding be used to inform future air quality improvement activities? For example, once the additional information is collected, how will that information be used to inform future regulatory or spending decisions?
- Will the state have any ongoing costs associated with undertaking this one-time effort?

As the Legislature considers this proposal, and weighs it against other spending priorities, it might want to direct the Administration to report at budget hearings on the questions above. This would help the Legislature evaluate the overall merits of the proposal. Without additional detail about why this new monitoring effort is the most effective approach to monitoring, the Legislature might consider redirecting this funding to other existing programs that are high legislative priorities.

Staff Recommendation. Hold open.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)

Issue 26: DTSC Governance and Fiscal Reform Proposals

Governor's Proposal. For purposes of implementing DTSC governance and fiscal reform that was approved last year, the Governor's budget proposes the following:

BCP: Administrative Support for Core Programs. 37.6 permanent positions and \$5.6 million ((\$1.9 million Hazardous Waste Control Account (HWCA) and \$3.7 million Toxic Substances Control Account (TSCA)) in 2022-23 and \$5.6 million (\$1.8 million HWCA, \$3.7 million TSCA) annually thereafter to support the core program expansions. More specifically, this request justifies the support services needed to implement the core program expansions in the following 2022-23 BCPs to implement the 2021 Governance and Fiscal Reform:

- Cleanup in Vulnerable Communities Initiative (CVCI)
- Safer Consumer Products Program Full Implementation
- Hazardous Waste Management Plan
- Enhancing Environmental Protection in Vulnerable Communities through Compliance
- Increase Frequency of Transporter Inspections
- Criminal Enforcement Increase in Vulnerable Communities
- Review of Lead Agency CEQA Documents
- Hazardous Waste Classification

BCP: Cleanup in Vulnerable Communities Initiative. 73.5 permanent positions and \$12.9 million TSCA in 2022-23 and 79.5 permanent positions and \$13.9 million TSCA in 2023-24 and annually thereafter to implement the Cleanup in Vulnerable Communities Initiative.

BCP: Criminal Enforcement Increase in Vulnerable Communities. 14 permanent positions and \$2.3 million HWCA in 2022-23 and annually thereafter. The 14 positions will provide support for mission critical work performed by the Office of Criminal Investigations (OCI). These resources will support DTSC's mission-critical work addressing the most serious environmental violations by increasing criminal enforcement in the most disproportionately impacted vulnerable communities.

BCP: Enhancing Environmental Protection in Vulnerable Communities through Compliance. 16 permanent positions and \$2.9 million HWCA in 2022-23 and annually thereafter to improve the quality of hazardous waste generator inspections in disadvantaged communities and to educate regulated businesses and Certified Unified Program Agencies (CUPAs) on compliance with hazardous waste control laws as required by Health and Safety Code Section 25142.5. The resources are to help follow through on DTSC's commitment to communities, regulated entities, and the US EPA that DTSC provide delegated local agencies the technical support necessary to effectively implement the hazardous waste generator program. The hazardous waste generator program is integral to effective inspection and enforcement, compliance with regulations and statutes, and protection of all communities, especially the most disadvantaged communities.

BCP: Hazardous Waste Classification. Eight permanent positions and \$1.5 million HWCA in 2022-23 and ongoing to evaluate the existing California hazardous waste criteria, recommend modifications to those criteria, assist in the adoption of any approved recommendations, and provide waste classification determination and recycling exclusion interpretations and technical support.

BCP: Hazardous Waste Management Plan. Seven permanent positions and \$1.2 million HWCA in 2022-23 and ongoing to fully implement the Hazardous Waste Management Plan. SB 158 (Committee on Budget and Fiscal Review), Chapter 73, Statutes of 2021, requires DTSC to prepare a report by March 1, 2023, and every three years thereafter, that includes an analysis of available data related to hazardous waste that includes specified components. SB 158 also requires DTSC to establish and maintain a state Hazardous Waste Management Plan based on reports to be approved by the Board of Environmental Safety every three years. This plan requires an analysis of hazardous waste generation and site assessments of hazardous waste facilities.

BCP: Increase Frequency of Transporter Inspections. Eight permanent positions and \$1.3 million HWCA in 2022-23 and annually thereafter. This request provides inspection and enforcement resources for the hazardous waste transportation industry to verify compliance with Hazardous Waste Control Laws (HWCLs). These resources are essential to support the Governor's vision of a California for All, where disadvantaged communities are protected from the impacts of multiple sources of pollution. These resources are also crucial to ensuring transporters of hazardous waste comply with HWCLs, from the point of generation to disposal. Finally, transporter inspections are crucial for accomplishing DTSC's mission to protect California's people, communities, and environment from toxic substances.

BCP: Legal Resources Augmentation for Support of Core Programs. 24 permanent positions and \$6.8 million (\$2.1 million HWCA, \$4.7 million TSCA) in 2022-23 and \$7.3 million (\$2.6 million HWCA, \$4.7 million TSCA) annually thereafter to properly resource the management, operations, and litigation functions of DTSC's Office of Legal Counsel to allow focus on enforcing hazardous waste control laws, holding polluters accountable for contamination, and compelling manufacturers to make safer consumer products.

BCP: Modernizing Information Technology (IT) Infrastructure. 24 permanent positions and \$6.1 million (various special funds) in 2022-23 and annually thereafter to (1) address the gaps between workload and current Office of Environmental Information Management information technology (IT) staffing levels and technology costs (2) support the core program expansions that are part of the implementation of the 2021 Governance and Fiscal Reform. These resources will provide support for DTSC's mission critical work to address high risk legacy systems, adequately manage data, and take necessary steps to modernize DTSC's technology infrastructure. Specifically, this request includes \$1.8 million annually for the increased cost of modernizing DTSC's infrastructure, business solutions, and IT services, including professional services for strategic planning, IT specialized training, and departmental IT literacy training. Funding for this request was included in the new fee structure enacted in SB 158.

BCP: Office of Environmental Equity. Nine permanent positions and \$1.3 million (\$281,000 HWCA and \$1 million TSCA) in 2022-23, and \$1.3 million (\$279,000 HWCA, \$1.0 million TSCA) annually thereafter to provide the resources necessary for the Office of Environmental Equity to support core program expansions included in other BCPs.

BCP: Review of Lead Agency California Environmental Quality Act (CEQA) Documents. Two permanent positions and \$306,000 HWCA in 2022-23 and \$304,000 in 2023-24 and annually thereafter to meet its legal obligations under CEQA, which requires that DTSC, as a Responsible Agency, review and provide comments on CEQA documents.

BCP: Safer Consumer Products Program Full Implementation. 37 permanent positions and \$7.2 million TSCA in 2022-23 and ongoing to provide the resources needed to fully implement the Safer Consumer Products Program. This request also includes \$246,000 for contracts. This proposal would

increase DTSC's capacity to identify product- chemical combinations for regulation under the regulatory framework, perform rulemaking tasks, review Alternatives Analyses, and provide technical support to regulated manufacturers for Alternatives Analysis development.

Background. According to LAO:

DTSC Is Responsible for Protecting California From Toxic Substances. DTSC is charged with protecting the people of California and the environment from the harmful effects of toxic substances. DTSC administers the following major programs:

- ***Hazardous Waste Management Program.*** The department regulates the generation, storage, transportation, and disposal of hazardous waste through permitting, compliance monitoring, and enforcement of noncompliance.
- ***Site Mitigation and Restoration Program.*** DTSC implements the state's laws regarding the identification, assessment, and cleanup of sites contaminated by toxic substances. The department also monitors long-term operations and maintenance activities at sites where cleanup is complete.
- ***Safer Consumer Products Program.*** This program identifies and prioritizes chemicals of concern in consumer products, evaluates alternatives, and specifies regulatory responses to reduce chemicals of concern in products.

DTSC Supported by Two Special Funds. The department's ongoing operations are primarily supported by HWCA and TSCA. HWCA largely supports the Hazardous Waste Management Program. The account is sustained by regulatory fees charged to hazardous waste generators, waste disposal entities, and other facilities that handle hazardous waste. TSCA largely supports the Site Mitigation and Restoration Program and the Safer Consumer Products Program. The account is primarily funded by a broad-based tax charged to businesses that contribute to hazardous waste.

Department Recently Underwent Significant Governance and Fiscal Reform. Budget trailer legislation as part of the 2021-22 budget package, SB 158 (Committee on Budget and Fiscal Review), Chapter 73, Statutes of 2021, restructured and increased the charges that support HWCA and TSCA. The resulting revenues provided from the changes are intended to (1) solve the longstanding structural deficits in HWCA and TSCA, (2) support a new Board of Environmental Safety, (3) support programmatic expansions that address high-priority programs and activities, and (4) build sufficient reserves in both accounts. Beginning in 2022-23, these reforms are estimated to increase revenues in HWCA by \$46.3 million (\$22.5 million to address the account's structural deficit and \$23.8 million for programmatic expansions) and increase revenues in TSCA by \$53.1 million (\$11.5 million to address the account's structural deficit and \$41.6 million for programmatic expansions). (Since the state would not begin to receive revenues until 2022-23—due to the timing of how charges for both accounts are collected—the 2021-22 budget provided one-time General Fund resources of \$29 million and \$11.5 million to HWCA and TSCA, respectively, to keep the accounts solvent and to advance high-priority programmatic expansions a year early.) To inform the 2021-22 budget decisions, DTSC provided the Legislature with an expenditure plan that stated the programs and activities the department intended to augment with the additional revenues from HWCA and TSCA. However, the department still needs statutory authorization to use all of the additional funds in 2022-23.

SB 158 also established the Board of Environmental Safety within the department. The five-member board is responsible for hearing hazardous waste permit appeals and providing strategic guidance to the department. The board also has the authority to set charge levels for HWCA and TSCA in future years beginning in 2023-24. Specifically, the board will set charges annually to align revenues from both accounts to the amount of expenditures authorized by the Legislature through the annual budget act.

Legislature Provided Considerable New Funding for DTSC to Address Brownfields. In addition to the above fiscal and governance reforms, the 2021-22 budget package provided DTSC with one-time General Fund of \$300 million to address brownfields—properties underutilized due to the presence or potential presence of hazardous contaminants. Most of the funding was allocated for (1) DTSC to investigate and clean up brownfields with contracted assistance and (2) a new grant program—Equitable Community Revitalization Grant (ECRG) Program—to provide funding to municipalities, nonprofits, tribes, and other governmental agencies for brownfield investigations, cleanups, and community-wide assessments. The 2021-22 budget package also provided an additional \$100 million in 2022-23 and in 2023-24 to continue these activities. A portion of the \$300 million provided in 2021-22 is being used to support the staff needed to begin implementing the above activities, with the expected revenue increases in TSCA anticipated to cover staff costs starting in 2022-23.

LAO Comments. The Governor’s Budget Provides Funding for DTSC to Significantly Expand Activities. The Governor’s budget includes multiple proposals requesting authorization to use the additional revenues that HWCA and TSCA received from the restructured and increased charges. As shown in the table below, the funding would be used to support various programmatic expansions to fully implement the reforms initiated in 2021-22. As discussed earlier, some of these activities began in 2021-22 using one-time General Fund, but would switch to HWCA and TSCA beginning in 2022-23. The new proposals request \$16.1 million in additional spending from HWCA and \$33.4 million in additional spending from TSCA, in order to support 260 additional ongoing positions. All of the funding and positions are proposed on an ongoing basis.

DTSC Reform Implementation Proposals			
(Dollars in Millions)			
Proposals	HWCA	TSCA	Positions
Approved in 2021-22^a			
Implement Violations Scoring Procedure	\$3.1	—	11.0
Resource Conservation and Recovery Act	2.5	—	17.0
Board of Environmental Safety	1.5	\$1.5	15.0
Information technology security unit	0.6	0.6	4.0
Subtotals	(\$7.7)	(\$2.1)	(47.0)
Governor's 2022-23 Proposals			
Enhance hazardous waste generator inspections	\$2.9	—	16.0
Criminal enforcement increase	2.3	—	14.0
Modernize information technology infrastructure	2.3	\$3.8	24.0
Legal support for core programs	2.1	4.7	24.0
Administrative support for core programs	1.9	3.7	37.6
Hazardous waste classification	1.5	—	8.0
Increase frequency of transporter inspections	1.3	—	8.0
Hazardous Waste Management Plan	1.2	—	7.0
California Environmental Quality Act review	0.3	—	2.0
Office of Environmental Equity	0.3	1.0	9.0
Administrative support for brownfield cleanups	—	12.9	73.5
Expand Safer Consumer Products Program	—	7.2	37.0
Subtotals	(\$16.1)	(\$33.4)	(260.1)
Totals	\$23.8	\$35.5	307.1

^a Activities funded with one-time General Fund in 2021-22.
 DTSC = Department of Toxic Substances Control; HWCA = Hazardous Waste Control Account; and TSCA = Toxic Substances Control Account.

Source: LAO

Major requests from HWCA include funding to improve inspections of hazardous waste generators and to enhance criminal enforcement investigations. The most significant proposals to be funded from TSCA include funding to administer brownfield cleanups and expand the Safer Consumer Products Program.

Proposals Consistent With Department’s Intended Expenditure Plan. Overall, the LAO finds that the Governor’s budget aligns with the expenditure plan provided to the Legislature last year. Specifically, the proposed activities, associated number of new staff, and corresponding costs are generally consistent with the information the Legislature used as the basis for approving HWCA and TSCA increases.

Need for New Cleanup Staff Will Diminish in Future Years Absent Additional Program Funding. The Governor’s budget includes ongoing funding from TSCA for staff to administer the new \$500 million brownfields cleanup program. While the workload for the proposed staffing levels is clear in the near term, the need for these positions will diminish in future years as the department completes investigation and cleanup contracts and ECRG projects. The LAO estimates that the department will encumber most of the \$500 million after five years, at which point the department will start to see a gradual decline in workload. Unless the Legislature provides comparable levels of additional funding for annual brownfield investigation and cleanup contracts and/or grants in future years, the need for the proposed staffing levels likely will begin to gradually phase out after five years.

LAO Recommendations. Approve DTSC Reform Implementation Proposals. The LAO recommends the Legislature adopt the Governor’s DTSC reform implementation proposals, given that they align with the expenditure plan provided to the Legislature last year and are consistent with the assumptions upon which the HWCA and TSCA funding increases were based. Approving these proposals will provide the department with additional resources that will better enable DTSC to enforce hazardous waste laws and clean up contaminated sites.

Monitor Implementation of Program Expansions and Brownfield Cleanups. The LAO recommends the Legislature use future budget hearings to conduct oversight on how the department is implementing these significant programmatic expansions. In addition to solving the structural deficits within HWCA and TSCA, the Legislature enacted the reform measures to ensure that high-priority programs and activities were adequately funded to improve DTSC’s outcomes. Continued monitoring of the department’s efforts will further ensure that DTSC is meeting its mission and achieving the Legislature’s goals. Moreover, such oversight would allow the Legislature to identify when changes—such as to staffing or funding levels, implementation strategies, or statutory requirements—for particular activities might be warranted to improve desired outcomes. Some examples of information the Legislature could request from the department include the average time DTSC takes to make hazardous waste facility permit decisions, the number of additional hazardous waste transporters the department is able to inspect, and the number of additional product-chemical combination investigations completed by the Safer Consumer Products Program.

In addition, the LAO recommends the Legislature track major outcomes from the brownfields cleanup funding. For instance, the Legislature will want to know how many sites the department was able to investigate and clean up, average time lines for completing projects, the number of ECRG projects funded with grants, the human and environmental benefits associated with these activities, and the communities that benefited from funding. Such information can help inform whether the Legislature should consider providing additional funding for cleanup activities—and associated staffing, as discussed next—in the future.

Revisit Staffing Levels in Future Years. The LAO recommends that the Legislature revisit the department’s staffing levels in future years to evaluate whether the approved level of positions are still needed for the same activities. In particular, we recommend the Legislature request annual updates beginning in 2024-25 regarding how much funding and workload remains from the \$500 million in brownfields funding to assess the degree to which the 79.5 staff and associated \$13.9 million are still needed to administer the program. Based on its assessment of the outcomes of the brownfields program and whether it finds merit in funding additional rounds of contracts and grants, the Legislature could consider one of the following options in future years when the \$500 million is largely expended:

-
- Provide additional funding for brownfield cleanups and adjust TSCA funding for staffing levels commensurate to the new workload.
 - Reallocate some of the TSCA funding from staffing to instead be used for cleanup grants or contracts to sustain a continued but down-sized program.
 - Redirect the \$13.9 million in TSCA funding and the 79.5 associated staff from the brownfields cleanup program to a different DTSC priority activity.

Staff Recommendation. Hold open.

**3900 CALIFORNIA AIR RESOURCE BOARD (CARB)
3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT
(OEHHA)****Issue 27: Racial Equity Proposals**

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

BCP: CARB: Operationalizing Racial Equity within CARB Programs, Plans, and Practices. \$1.847 million Air Pollution Control Fund (APCF), four permanent positions in 2022-23, and \$1.843 million APCF ongoing to advance racial equity efforts, with an initial focus on research, incentive programs, regulations, air quality planning, and climate change.

BCP: OEHHA: Advancing Racial Equity and Environmental Justice in OEHHA's Scientific Activities. requests \$565,000 General Fund and two positions (including \$90,000 in contracts) in 2022-23 and ongoing to create a new racial equity and environmental justice (REEJ) program. The program would formulate strategies and policies for advancing racial equity and environmental justice in OEHHA's scientific activities, including in the methods to assess the cumulative health risks that communities face from exposures to numerous pollutants from multiple sources.

Background. CalEPA Environmental Justice and Racial Equity. According to CalEPA, the principles of environmental justice call for fairness, regardless of race, color, national origin or income, in the development of laws and regulations that affect every community's natural surroundings. The agency has a vision statement on its commitment to racial equity. Each of CalEPA's boards, departments, and office have a designated Racial Equity Contact.

CalEPA Environmental Justice Program. The program covers disadvantaged communities designations, includes CalEnviroScreen, which is the state's environmental health screening tool that can be used to identify and address communities that are disproportionately burdened by multiple sources of pollution, and provides Environmental Justice Small Grants, which help community organizations and federally-recognized Tribal governments affected by environmental pollution and hazards.

CalEPA Environmental Justice Task Force. The Environmental Justice Task Force coordinates the compliance and enforcement work of CalEPA's boards, departments, and office in cares of California that are burdened by multiple sources of pollution and are disproportionately vulnerable to its effects. The Task Force's mission is to facilitate the use of environmental justice considerations in compliance and enforcement programs and enhance communications with community members to maximize benefits in disproportionately impacted areas. In 2016, the Task Force began received permanent funding through the 2016 Budget Act. The law created a mandate for CalEPA to continue its multi-agency compliance and enforcement approach and to give priority to disadvantaged communities.

CARB Office of Environmental Justice (OEJ). Part of the efforts put forth by CARB's OEJ is to advance racial equity, address environmental justice, inform community engagement, outreach, and partnership building.

CARB's Environmental Justice and Community Air Protection Program. CARB has a Deputy Executive Officer for Environmental Justice who oversees the board's Environmental Justice and Community Air Protection Program. As noted on the CARB website, the Deputy Executive Officer

“plays a key role in CARB’s programs designed to address disproportionate impacts from air pollution and climate change and associated chronic health conditions affecting Black, Latinx, and other communities of color across the state. She also serves as CARB’s primary internal and external contact for CARB on environmental justice, climate equity, and community air protection efforts.”

Staff Comments. A question arises as to whether the proposed racial equity programs and offices in these CalEPA organizations overlap existing efforts to address racial equity issues. Could the purpose of the proposals be incorporated in existing programs and organizations within CalEPA? Why does CARB need an office separate from the existing Office of Environmental Justice for these activities?

Staff Recommendation. Hold open.

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

Issue 28: Compostable and Biodegradable Product Labeling Implementation (AB 1201)

Governor’s Proposal. The Governor’s proposal requests one permanent, full-time Environmental Scientist position, and \$132,000 from the Integrated Waste Management Account (IWMA) to implement AB 1201.

Background. AB 1201 (Ting), Chapter 504, Statutes of 2021, expands product-labeling requirements related to biodegradability and compostability from plastic products to all products regardless of material type.

Products labeled as compostable should biodegrade when subjected to environmental conditions found in a commercial composting operation. Many compostable products are currently made from bioplastic materials, meaning they are made from either plants or microbes rather than fossil fuels. Polylactic acid (PLAs) and starch-based blends are common bioplastics used to make products such as compostable coffee cups and lids. However, many products made from bioplastics are not acceptable inputs for organic agriculture under the US Department of Agriculture (USDA) National Organic Program (NOP) due to their production methods.

Under AB 1201, the composition of all compostable products, which includes the ink coloring, will need to be made from non-synthetic materials as defined by the NOP. Organic compost can only contain minerals, plants, and animal matter that has not undergone a synthetic process in accordance with 7 Code of Federal Regulations § 205.203 and 205.602. Additionally, the compost used in organic agriculture must improve soil organic matter content in a manner that does not contribute to the contamination of crops, soil, or water.

Staff Comments. On September 8, 2021, the author of AB 1201, Assemblymember Ting wrote a Letter to the Journal, stating:

AB 1201, as amended on September 3, 2021, expands the content and labeling requirements for compostable products. Among other things, it amends Section 42357 of the Public Resources Code to provide as follows:

“By January 1, 2024, the department, through a public stakeholder process, shall determine whether, for purposes of this section, it would be feasible to separate the collection of products in order to recover organic waste that is suitable for use in organic agricultural applications from the collection of products not suitable for use in organic agricultural applications. If the department determines that such bifurcation is feasible and would enable efficient processing by solid waste processing facilities, the department shall adopt regulations on or before January 1, 2026, to establish a bifurcated approach, and products that are not collected for the purpose of recovering organic waste that is suitable for use in organic agricultural applications shall comply with the department’s regulations and are not subject to the requirements of this subparagraph.”

This bill and this provision are designed to expand content and labeling requirements for compostable products, not adopt new regulations requiring a bifurcated organic waste collection and processing system.

It was brought to my attention, after the amendment deadline, that this language could be construed to invest CalRecycle with authority to adopt new regulations requiring a bifurcated organic waste collection and processing system.

It is not the intent of the Legislature that AB 1201, specifically the additions to Public Resources Code Section 42357(g)(1)(B), require CalRecycle to modify their newly-adopted organic waste recycling regulations and impose a completely new dual stream collection system for organic waste. The only intent of this provision was for CalRecycle's feasibility determination to trigger a requirement to adopt regulations to establish a bifurcated approach *to product labeling*.

To the extent that AB 1201 could be construed to grant CalRecycle broader authority than outlined above, I am clarifying that the language in the bill is intended only for CalRecycle, after a public stakeholder process and a feasibility determination to focus its efforts on establishing a bifurcated approach to product labeling, and does not provide authority to adopt new regulations requiring a bifurcated organic waste collection and processing system.

I commit that in 2022, I will seek to amend this statute to clarify this intent and address this unintended consequence of AB 1201.

In addition, the definition of "desirable organic wastes" in section 42357(g)(1)(E) of the Public Resources Code is meant to include reduces which are intentionally collected by local governments and private solid waste service providers who provide organic waste collection services to residential and commercial customers in the state. Products associated with the recovery of desirable organic wastes would include compostable bin liners for the collection of yard trimmings or other green materials, food scraps, foodservice packaging that will be collected with uneaten food, and produce stickers, but would not include packaging for organic wastes that are generally not allowed in residential compost program, including pet waste.

Concern has been raised that this BCP is not consistent with the legislation passed last year and the accompanying Letter to the Journal. For example, the BCP states, "Upon determining that it is feasible to bifurcate the collection of organic waste products, the requested staff resources will organize stakeholder working groups, hold public meetings, and promulgate regulations for a bifurcated organic waste collection system." (*Emphasis added.*). The BCP also states, "Compostable product manufacturers will need assistance on permissible materials and compounds acceptable in California. Local jurisdictions, cities, counties, and their various waste collection programs will need ongoing support and review to ensure proper bifurcation of acceptable compostable products." (*Emphasis added.*) As noted in the Letter to Journal, "It is not the intent of the Legislature that AB 1201...require CalRecycle to modify their newly-adopted organic waste recycling regulations and impose a new dual stream collection system for organic waste. The only intent of this provision was for CalRecycle's feasibility determination to trigger a requirement to adopt regulations to establish a bifurcated approach *to product labeling*."

This issue needs to be sorted out before approving funding to implement AB 1201.

Staff Recommendation. Hold Open.

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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 (SWEET), 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.

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- Issue 13: Central Valley Flood Protection Board (CVFPB) — Permitting and Enforcement Branch Support Reimbursable Authority **4-0**
- Issue 14: CVFPB Electronic Encroachment Application and Permit Process Improvement Program **4-0**
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- Issue 16: Climate Change Adaptation and Equal Access Investment for Statewide Flood Management **4-0**
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- Issue 19: Riverine Stewardship Restoration Activities (Proposition 13) **3-0 (Dahle - Abstain)**
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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 FISCAL. These added complexities have created a need for additional staff resources within the department. Since the implementation of FISCAL, 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 (SWEET), 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.

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

VOTE-ONLY

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3125 CALIFORNIA TAHOE CONSERVANCY
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3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY

Issue 1: CNRA Bond and Technical Proposals

Governor's Proposal. The Governor's budget requests for appropriations and reappropriations from various bonds, reversions, reversions with associated new appropriations, and other non-bond technical adjustments to continue implementation of existing authorized program.

Staff Recommendation. Approve as budgeted.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)**Issue 2: Wildfire and Forest Resilience Task Force (SB 456)**

Governor's Proposal. The Governor's budget requests \$2.483 million in General Fund for 2022-23 and \$1.477 million ongoing, and four positions (two at CNRA and two at CalFire) to support the operations of the Task Force and to fulfill the goals of SB 456 (Laird), Chapter 387, Statutes of 2021, which codifies the Governor's Wildfire and Forest Resilience Action Plan in statute.

These positions will 1) manage and facilitate the work of more than a dozen work groups and related committees, quarterly regional forums, an interagency team, a Science Advisory Panel; 2) track the 99 deliverables in the Action Plan; 3) coordinate the work of more than 50 federal, state, local, and tribal agencies involved in the Task Force; and 4) develop and implement a comprehensive communications strategy, including development of the annual reports required by SB 456.

Staff Recommendation. Approve as budgeted.

3125 CALIFORNIA TAHOE CONSERVANCY

Issue 3: Americans with Disabilities Act (ADA) Site Improvements

Governor's Proposal. The Governor's budget requests a one-time General Fund appropriation of \$1.025 million for small projects needed to meet current ADA and California Building Code standards. The minor improvements, at three separate Conservancy developed recreational facilities, are necessary upgrades to create safe and equitable public access to the facilities. The three separate recreational facilities are in one project area on the north shore of Lake Tahoe all with similar needed minor improvements.

Staff Recommendation. Approve as budgeted.

Issue 4: Minor Capital Outlay

Governor's Proposal. The Governor's budget requests \$980,000 (\$480,000 from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Proposition 84) and \$500,000 Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002 (Proposition 50)) for various minor capital outlay projects. These projects involve stabilizing and improving previously acquired property, including reducing forest fuels, ensuring public safety, and completing upgrades on developed facilities. The current project schedule estimates these projects will begin July 1, 2022 and will be completed in June 2023.

Staff Recommendation. Approve as budgeted.

Issue 5: Upper Truckee River Sunset Stables Reach 6 Restoration Project

Governor's Proposal. The Governor's budget requests \$500,000 in habitat conservation fund authority to study restoration and recreation opportunities and complete environmental review for the Upper Truckee River Sunset Stables Reach 6 Restoration Project.

As part of the Project Study phase, the Conservancy will study restoration and recreation opportunities and complete environmental review for restoring a degraded section of the Upper Truckee River (River) and adjacent floodplain. The project will reduce sediment and nutrients that flow from the River into Lake Tahoe; enhance aquatic and terrestrial habitat; protect biodiversity; sequester carbon; improve public access; and restore climate resilience. As part of the eventual Project Construction phase, the conservancy will improve 4,500 feet of river channel, enhance 70 acres of floodplain, and remove conifers on 30 acres to improve habitat and reduce fire risk. The conservancy estimates total project costs at \$2.7 million, including Project Study (\$500,000), Preliminary Plans (\$200,000), Working Drawings (\$200,000), and Construction (\$1.8 million). The Construction amount includes \$1.3 million for the construction contract, \$130,000 for contingency, \$100,000 for architectural and engineering services, \$90,000 for agency retained items, and \$180,000 for other project costs. The conservancy will complete the Project Study phase in late 2023 and will begin work on Preliminary Plans in July 2024. The conservancy will initiate Working Drawings in July 2025 and Construction in 2026.

Issue 6: Conceptual Feasibility Planning

Governor's Proposal. The Governor's budget requests \$600,000 Safe Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Proposition 84) for conceptual and feasibility planning for future watershed improvements and forest health and fuels reduction capital outlay projects. The conservancy will use this funding to hire both outside contractors and for existing conservancy staff to carry out the planning work. Investigations will focus on conservancy ownerships in key watersheds, several potential lakefront access points, and other sites requiring restoration and improvements, as well as forest health and fuels reduction which mitigates wildfire risk to communities.

Staff Recommendation. Approve as budgeted.

3340 CALIFORNIA CONSERVATION CORPS (CCC)

Issue 7: Equipment Replacement

Governor's Proposal. The Governor's budget requests \$7.305 million one-time General Fund in 2022-23 to replace 114 vehicles. This would enable the CCC to meet its operational needs, minimize health and safety concerns related to crew transportation, and replace its aging fleet with newer, more fuel-efficient vehicles. The CCC's vehicle replacement plan is consistent with Executive Order (EO) B-16-12, and State Administrative Manual (SAM) Section 4100. Funds will be available for expenditure or encumbrance until June 30, 2024.

Background. In 2011, the Department of General Services (DGS) contracted with Mercury Consulting Services to audit all state department fleets and develop a plan to operationally balance the state's fleet. As a result, the CCC began to replace, standardize, and right size its fleet after a 2010-11 Budget Change Proposal (BCP) approved expenditure authority of \$2.91 million to purchase 34 crew carrying vehicles (CCVs) and 20 passenger vans, and \$1.43 million to purchase an additional 22 CCVs in FY 2011-12. The vehicle replacement plan timeframe proposed in the 2010-11 BCP was delayed due to Executive Order B-2-11 requiring departments to reduce its fleet size. In addition, unanticipated cost increases for the CCVs per specifications as finalized with assistance from the DGS Procurement Division increased the price of the CCVs from \$65,000 to \$100,700 per vehicle. Of the total 76 vehicles approved, CCC was only able to purchase 40. CCC received \$2 million in expenditure authority for 2012-13, plus expenditure authority from a re-appropriation from the two prior proposals to purchase the remaining 36 vehicles. CCC continued to move forward to eliminate aged, worn-out vehicles in 2013-14, spending \$1.15 million for the replacement of two pick-up trucks and the additional 18 pick-up trucks, three 15-passenger vans, and seven minivans for expansion crews funded through Propositions 39 and 40 and in 2014-15, spending \$1.06 million for 23 pick-up trucks, five 15-passenger vans, two stake-side trucks, one hybrid sedan, and five mid-size SUVs. The last augmentation approved for vehicle replacement was through 2016-17 BCP, which provided \$812,000 annually for three years to replace 90 vehicles in its fleet.

Staff Recommendation. Approve as budgeted.

Issue 8: Greenwood: New Residential Center

Governor's Proposal. The Governor's budget requests \$66.607 million General Fund for the construction phase to replace the existing Greenwood Residential Center (located in El Dorado County), which was constructed in the 1980s, to address structural and functional deficiencies.

Background. *Residential Center, Greenwood: New Residential Center – \$66,607,000 General Fund for the Construction Phase.* This project includes buildings consisting of an administration building, seven dormitories, an education/recreation building, a multi-purpose with kitchen and dining room, a warehouse with a work area, and a hazardous materials storage room. Additionally, the scope of work will include related infrastructure and site work as needed. Facility will be designed based on the CCC's residential center needs and will accommodate about 100 permanent residential corpsmembers. Construction is scheduled to begin in November 2022 and will be completed May 2025.

Staff Recommendation. Approve as budgeted.

Issue 9: Mission Critical Resources

Governor’s Proposal. The Governor’s budget requests position authority for one Administrator Officer I (AOI), one Associate Governmental Program Analyst, two Conservationist I (CI), and one Fish Habitat Assistant for 2022-23 and ongoing to address critical staffing needs in the CCC to better serve and develop Corpsmembers. This proposal has a net zero fiscal impact.

Energy Corps Program. CCC is requesting position authority for two relief CI positions and one AOI position to meet the needs of the Energy Corps Program. Funding for the three positions will be absorbed through existing Energy GGRF expenditure authority. The proposed CI positions will provide Sacramento and Norwalk Energy Districts with relief crew supervision to cover staff illnesses and vacations, and to ensure continued crew operations, including conducting energy projects for sponsors and offering mentorship to Corpsmembers, while other staff are responding to emergencies.

The CCC is also requesting one AOI position to be located at the Sacramento Energy District. AOs are responsible for, among other things, ordering Corpsmember uniforms, PPE, and other necessary goods and materials; providing administrative support to Corpsmembers; and maintaining responsibility for the safety and supervision of special Corpsmembers working at the centers. AOs assist with ordering food and finding housing when Corpsmembers work on spike projects (an estimated 85 percent of projects). The CIs utilize Procurement Cards to purchase meals, hotel rooms, tools, and materials for the Corpsmembers while Corpsmembers are engaged on spike projects. The one AOI that the Energy Corps Program has must enter and reconcile these transactions for four Energy locations across the state, which translates to a significant amount of workload for one position and additional coordination to work across the northern and southern regions of the state. Currently, there is a backlog of purchase orders and Procurement Card reconciliations, resulting in overtime and redirection of other Energy Corps staff. Late Procurement Card payments have resulted in challenges for completing critical project and emergency response purchasing, which negatively impacts the CCC’s daily operations and ability to fulfill its mission. Funding for these three positions will be redirected from the existing Energy GGRF expenditure authority, for a net zero fiscal impact.

Staff Recommendation. Approve as budgeted.

Issue 10: Resource Realignment for Communication, Outreach, Recruitment, and Enrollment (CORE)

Governor’s Proposal. The Governor’s budget requests to convert 20.5 Full-Time Equivalent (FTE) Special Corpsmember positions to 11 permanent civil service staff positions to align resources with workload needs. CCC requests position authority for seven Staff Services Analysts, one Associate Governmental Program Analyst, one Graphic Designer I, one Information Officer I, and one Staff Services Manager I for 2022-23 and ongoing for CCC’s Communications, Outreach, Recruitment, and Enrollment (CORE). This proposal has a net zero fiscal impact.

Background. CORE is experiencing several operational challenges, including frequent turnover and inefficiencies, because the Special Corpsmember (SPCM) positions have become unreliable, an issue that has been developing for the past four years. CCC will struggle to meet its recruitment goals unless the program has stability, and the skill sets of permanent staff positions. If approved, this request will

enhance the current service level with no fiscal impact.

CCC operates multiple targeted conservation programs. The CCC now has a total of 17 Wildland Firefighting crews and six Forestry Corps crews. Historically, some of these Corpsmember positions have been difficult to fill because of the location, physical fitness requirements, and the operational necessity of Corpsmembers working 24-hour shifts during weeks away from the center when fighting fires. These specialized crews were established to improve forest health, engage in fire prevention activities, and wildland firefighting. These activities help comprise the state's climate resilience strategy, and its emergency preparedness and response. Maintaining enrollment for existing crews, such as the Energy Corps, and amplifying outreach for the specialized crews have created an increased demand on the CORE program area. It has also intensified the short and long-term need for workload efficiency to reach program enrollment goals of close to 100 percent. These goals are not being met because of inefficiencies, turnover, and lack of skillsets that are necessary to maintain successful operations and high program enrollment.

Staff Recommendation. Approve as budgeted.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION**Issue 11: Office of the State Fire Marshal, Fire and Life Safety**

Governor's Proposal. The Governor's budget requests \$2.6 million reimbursement authority increase in 2022-23, \$2.2 million ongoing, and eight permanent positions to support the Office of the State Fire Marshal's (OSFM) Fire and Life Safety (FLS) Division's increased workload related to current and planned construction by the state, and infrastructure improvements outlined in the Budget Act of 2021.

Staff Recommendation. Approve as budgeted.

Issue 12: State Fire Training Enhancement Program

Governor's Proposal. The Governor's budget requests \$914,000 California Fire and Arson Training Fund in 2022-23, \$839,000 ongoing, and four positions for the OSFM's State Fire Training Division. This request will allow for adequate staffing and funding to support the operation needs to the program to administer the California Fire Service Training and Education Program.

Staff Recommendation. Approve as budgeted.

Issue 13: Capital Outlay Proposals

Governor’s Proposal. The Governor’s budget requests funding for the several capital outlay projects as noted on the chart below:

CalFire Capital Outlay Projects Proposed for 2022-23

(In Thousands)

Project	2022-23			Total Project Cost
	Amount	Fund Source	New or Continuing	
Statewide: Replace Communications Facilities, Phase V	\$37,266	GF	Continuing	\$41,618
Hemet-Ryan AAB: Replace Facility	33,661	LRB	Continuing	37,523
Prado HB: Replace Facility	21,831	LRB	Continuing	24,600
Lake/Napa Unit Autoshop and Warehouse: Replace Facility	19,713	GF	Continuing	22,917
Potrero Forest FS: Replace Facility	14,675	GF	Continuing	17,370
Chico AAB: Infrastructure Improvements	10,605	GF	Continuing	12,491
Shasta Trinity UH/Northern Operations: Relocate Facilities	6,288	GF	Continuing	109,759
Lake Napa UH and St Helena FS: Relocate Facility	5,000	GF	New	42,714
Intermountain Conservation Camp: Replace Facility	3,831	GF	Continuing	73,895
Humboldt-Del Norte UH: Relocate Facility	3,558	GF	Continuing	57,317
Paso Robles AAB: Infrastructure Improvements	3,277	GF	Continuing	3,859
South Tahoe FS: New Facility	3,000	GF	New	16,680
Hollister AAB/Bear Valley HB: Relocate Facility	2,131	GF	Continuing	53,550
Minor Projects	2,068	GF	New	2,068
North Tahoe FS: New Facility	2,000	GF	New	15,680
Tehama Glenn UH: Relocate Facility	1,500	GF	New	63,720
Columbia HB: Replace Facility	1,228	GF	New	17,435
Howard Forest HB: Replace Facility	1,228	GF	Continuing	17,885
Higgins Corner FS: Replace Facility	789	GF	Continuing	12,029
Bear Valley FS: Relocate Facility	750	GF	New	9,594
Macdoel FS: Relocate Facility	586	GF	Continuing	11,879
Wilbur Springs FS: Relocate Facility	150	GF	New	12,214
L.A. Moran Reforestation Center Improvements	50	GF	New	5,826

Self-Generating Power in Tehama-Glenn and Fresno-Kings Units	50	GF	New	30,100
Totals	\$175,235			\$712,723

CalFire = California Department of Forestry and Fire Protection; GF = General Fund; AAB = Air Attack Base; LRB = lease-revenue bonds; HB = Helitack Base; FS = Fire Station; and UH = Unit Headquarters.

Source: Legislative Analyst's Office (LAO)

Staff Recommendation. Approve as budgeted.

Issue 14: Enhanced Industrial Disability Leave (SB 334 and SB 1144)

Governor's Proposal. The Governor's budget requests \$13.8 million General Fund starting in 2022-23 and use of a four-year average methodology to annually adjust baseline funding consistent with the utilization of this benefit to support the overtime costs resulting from the implementation of SB 334 (Dodd), Chapter 857, Statutes of 2017, and SB 1144 (Dodd), Chapter 897, Statutes of 2018.

Background. SB 334 (Dodd). SB 334 extends enhanced industrial disability leave to state employees who are members of Bargaining Unit 8 (i.e. CalFire firefighters). SB 334 amends Government Code Section 19871 and adds Section 19871.3, which entitles a member of BU 8 who is temporarily disabled in the course of state employment for more than 22 days the enhanced industrial disability leave benefit based on his or her net salary for up to 52 weeks, or up to 156 weeks in the event that the injury is burn-related. Therefore, the requirements that the injury or illness be serious in nature, specifically related to an incident as opposed to a cumulative trauma or presumptive injury, and meet specific criteria for the activity the employee was engaged in during the injury have been eliminated. SB 334 entitles these same BU 8 employees to the enhanced benefit irrespective of any specific injury criteria.

SB 1144 (Dodd). SB 1144 provides a Bargaining Unit 8 state firefighter who is on Enhanced Industrial Disability Leave (with any pay raises received by active state firefighters).

Staff Recommendation. Approve as budgeted.

Issue 15: Firefighters Procedural Bill of Rights Act (SB 206)

Governor's Proposal. The Governor's budget requests \$1.1 million General Fund and four positions starting in 2022-23, to satisfactorily address the increased workload and fiscal impacts resulting from the implementation of SB 206 (McGuire) Chapter 722, Statutes of 2021.

Background. SB 206 (McGuire). SB 206 applies the Firefighters Procedural Bill of Rights (FBOR) to seasonal temporary appointment firefighters. FBOR was enacted in 2007, prescribing enhanced employment rights to tenured firefighters regarding political activities, interrogations, punitive actions, and administrative hearings following discipline. The FBOR was enacted to mirror the Peace Officer Bill of Rights, which provided enhanced employment rights to peace officers. While CalFire extends certain rights related to interrogation and investigations to all CalFire employees, the right to a full evidentiary hearing was not extended to temporary, seasonal employees prior to the enactment of SB 206.

Staff Recommendation. Approve as budgeted.

Issue 16: Office of Wildfire Technology Research and Development (SB 109)
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Governor's Proposal. The Governor's budget requests \$1.8 million General Fund in 2022-23, \$1.7 million ongoing, and seven positions to establish the Office of Wildfire Technology Research and Development, as specified by SB 109 (Dodd), Chapter 239, Statutes of 2021.

Background. *SB 109 (Dodd).* SB 109 establishes the Office of Wildfire Technology Research and Development within CalFire, as well as the Wildfire Technology Research and Development Review Advisory Board to conduct research and testing on emerging technologies to prevent, predict, and fight wildfires.

Staff Recommendation. Approve as budgeted.

3810 SANTA MONICA MOUNTAINS CONSERVANCY (SMMC)**Issue 17: Liberty Canyon Wildlife Crossing**

Governor's Proposal. The Governor's budget requests \$10 million General Fund to advance completion of the Wallis Annenberg Wildlife Bridge construction project across the 101 Freeway and Agoura Road at Liberty Canyon in the city of Agoura Hills.

The California Department of Transportation (Caltrans) and the Mountains Recreation and Conservation Authority have entered into a Memorandum of Understanding for the design and construction of the structure, with funding already secured from numerous private donations (notably \$25 million from the Wallis Annenberg Foundation) to the National Wildlife Federation, and from Wildlife Conservation Board grants.

The \$10 million will be applied to complete the Phase 2 segment of the project crossing over the Agoura Road freeway frontage road. The wildlife bridge project is a longstanding collaborative project between the Santa Monica Mountains Conservancy, Caltrans, the Mountains Recreation and Conservation Authority, the National Park Service, and the National Wildlife Federation.

The project also supports both the State of California's and the federal government's 30 by 30 conservation initiatives. This project will preserve biodiversity across the region by re-connecting an integral wildlife habitat linkage, and most critically, help save a threatened local population of mountain lions from extinction. When complete, the vegetated crossing will be the largest in the world, the first of its size and conformation in California.

Staff Recommendation. Approve as budgeted.

3855 SIERRA NEVADA CONSERVANCY (SNC)

Issue 18: Sierra Nevada Conservancy Boundary Expansion (SB 208)

Governor’s Proposal. The Governor’s budget requests \$540,000 Environmental License Plate Fund in 2022-23, \$415,000 ongoing, and three positions to implement the new workload pursuant to SB 208 (B. Dahle), Chapter 182, Statutes of 2021, which modifies the regional boundary and service area of the Conservancy.

Background. *SB 208 (B. Dahle).* SB 208 adds 490,094 acres of Shasta County, 117,248 acres of Trinity County, and 733,266 acres of Siskiyou County to SNC’s defined Region, bringing the total acres to 26,937,668 acres. The addition of Siskiyou and Trinity counties increases the number of counties in the Region from all or part of twenty-two counties to all or part of twenty-four counties. Adding these areas to SNC’s Region allows SNC to expand funding and technical assistance through the Watershed Improvement Program to more of the state’s primary watershed and increase the pace and scale of science-based, ecological restoration of forests and watersheds, making them healthy and resilient in a changing climate.

SB 208 adds more of the Pit River watershed, along with watershed areas of the Upper Sacramento and McCloud rivers, to the Region. These three watersheds flow into Shasta Lake, the largest reservoir in California, which is also added to the Region. This bill also adds the upper watershed of the Trinity River and Trinity Lake to the Region. Trinity and Shasta Lake capture, store, and distribute water for the federal Central Valley Project, which provides California with water for drinking and irrigation and produces hydroelectric power. Shasta Lake delivers about 20 percent of California’s developed water supply. These lakes, their watersheds, and surrounding forests in Siskiyou, Shasta, and Trinity counties provide many ecosystem benefits and support an abundance of year-round tourism and recreational opportunities.

Staff Recommendation. Approve as budgeted.

DISCUSSION

0555 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
0509 GOVERNOR’S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (IBANK)
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3855 SIERRA NEVADA CONSERVANCY (SNC)
3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
6440 UNIVERSITY OF CALIFORNIA (UC)

Issue 19: Wildfire and Forest Resilience Package and Related Community Wildfire Preparedness and Mitigation Package BCP

Governor’s Proposal. The Governor’s budget requests \$1.2 billion investment in forest health and fire prevention across two years, to build the state’s resilience to wildfires, while restoring critical watersheds and bolstering local economies.

This investment builds on the \$1.5 billion investment appropriated last session. This request includes \$800 million General Fund and \$400 million Greenhouse Gas Reduction Fund (GGRF) across two fiscal years, 2022-23 and 2023-24, with \$400 million General Fund and \$200 million GGRF annually.

The chart on the next page provides an overview of the Governor’s Wildfire and Forest Resilience Package with a description following.

Wildfire & Forest Resilience Expenditure Plan
(Dollars in Millions)

Investment Category	Department	Program	Early Action 2020-21	2021-22	2022 Governor's Budget Multi-Year Package		Total
					2022-23	2023-24	
					Resilient Forests and Landscapes	CAL FIRE	
Forest Improvement Program for Small Landowners	\$10	\$40	\$11	\$14			\$75
Forest Legacy	\$6	\$10	\$14	\$19			\$49
Nursery	\$2	\$9	\$2	\$2			\$15
Urban Forestry	\$10	\$20	\$20	\$10			\$60
Tribal Engagement	\$1	\$19	\$10	\$10			\$40
Post-Fire Reforestation and Regeneration	-	-	\$50	\$50			\$100
Various	Stewardship of State-Owned Land	\$30	\$145	\$65		\$65	\$305
Wildfire Fuel Breaks	CAL FIRE	CAL FIRE Unit Fire Prevention Projects	\$10	\$40	\$20	\$20	\$90
		Fire Prevention Grants	\$123	\$120	\$115	\$117	\$475
		Prescribed Fire and Hand Crews & Contract Counties	\$15	\$49	\$35	\$35	\$134
	California Conservation Corps	Fuel Reduction Crews	-	\$20	\$20	\$20	\$60
		Residential Centers	-	\$7	-	-	\$7
Community Hardening	Cal OES & CAL FIRE	Home Hardening	\$25	-	\$13	\$12	\$50
	CAL FIRE	Defensible Space Inspectors	\$2	\$13	\$5	\$5	\$25
	CAL FIRE & University of California	Land Use Planning and Public Education Outreach	-	\$7	\$4	\$5	\$16
Regional Capacity	Department of Conservation	Regional Forest Capacity	\$50	\$60	\$20	\$20	\$150
	Conservancies	Project Implementation in High-Risk Regions	\$69	\$139	\$35	\$35	\$278
Science-Based Management	CAL FIRE	State Demonstration Forests	-	-	\$5	\$5	\$10
		Monitoring and Research	\$3	\$20	\$7	\$8	\$38
		Prescribed Fire Liability Pilot	-	\$20	-	-	\$20
	Natural Resources Agency	Interagency Forest Data Hub	-	\$10	-	-	\$10
		LiDAR Remote Sensing	-	\$25	\$3	\$2	\$30
Air Resources Board and Water Board	Prescribed Fire and Water Permitting	-	\$4	\$4	\$4	\$12	
Economic Development of the Forest Sector	iBank	Climate Catalyst Fund	\$16	\$33	-	-	\$49
		Workforce Training	\$6	\$18	\$15	\$15	\$54
	CAL FIRE	Transportation Grants for Woody Material	-	-	\$5	\$5	\$10
	Office of Planning and Research	Market Development	\$3	-	\$2	\$2	\$7
Total			\$536	\$988	\$600	\$600	\$2,724

Source: Department of Finance

Resilient Forests and Landscapes. The Governor’s budget proposes to:

- Invest in coordinated forest health and fire prevention projects that help restore the right fire regime to the right ecosystem.
- Provide state land managers resources to better manage state-owned lands in particularly Fire probed areas.
- Expand programs that provide assistance to small non-industrial landowners.
- Provide resources to Tribes for fire resilience efforts.

These programs will be executed by several departments:

Parks. Parks oversees 300,000 acres of forestlands as well as other fire prone habitats across the state. The proposed funding would go towards fuel reduction, forest restoration, and prescribed fires, with a goal of sustaining up the delivery of up to 25,000 acres treated annually.

DFW. DFW has increased the pace and scale of activities to promote wildfire resiliency with the approval of last year’s budget — these funds have allowed procurement of heavy equipment, staff hiring, and contracting that contributed to approximately 18,000 acres treated and over 30 high-fire risk structures removed in 2021. DFW will continue to accelerate fire resiliency work in this proposed package.

CalFire. This package proposes to increase funding to existing programs as well as introduce new initiatives to address known gaps with high potential for effective fire behavior modification and community preparedness.

- Forest Health Grants. To date, Forest Health awards funding to organizations working to significantly increase fuels management, fire reintroduction, and reforestation of forestlands. The program began in 2016 and has awarded \$362 million since 2016-17.
- Private Forestland Owner Assistance/California Forest Improvement Program (CFIP). Private Forestland Owner Assistance is an umbrella for CFIP and the newly created Wildfire Resilience Block Grant (WRBG) program. WRBG allows applicants to apply for larger pulses of funding that allow them to provide technical and financial assistance to private forestland owners in their specific area of influence in ways that are the most relevant to that region and the landscape.

CFIP. CFIP enters into cost-share agreements with small landowners to encourage private and public investment in, and improved management of, state forest lands and resources. CFIP was created in 1978 and has been funded through various sources. Recently, GGRF and proposition funds have been available through the program. According to CalFire Fire and Resource Assessment Program’s Forest and Rangeland Assessment, small landowner forest parcels have accumulated the most biomass over recent decades and have received the least amount of treatment.

- California Forest Legacy. The Forest Legacy program provides funding for working forest conservation easements that protect forest land from conversion to non-forest uses. This program has been funded through GGRF since 2017. Forest Legacy also administers federal funds according to Federal Forest Legacy requirements.
- Nursery: Lewis A. Moran Reforestation Center. This center helps ensure that high quality tree seed and seedlings are made available for reforestation and recovery efforts of private,

nonindustrial landowners. The center includes the State Seed Bank and a container seedling nursery where trees are grown in greenhouses. Conifer cones are collected and processed annually.

- Urban Forestry. CalFire’s Urban & Community Forestry Program helps develop urban forests in the state by providing technical assistance to expand and improve the management of urban forests in communities with a strong emphasis on disadvantaged and low-income communities. The program was funded \$30 million General Fund in 2021 and has had proposition and GGRF funding made available in the past five years.
- Forest Health Tribal Lands Grants. CalFire Climate and Energy Program will work closely with CNRA to administer a block grant program serving tribal governments and members of tribes to address land management needs.

Protective Fuel Breaks. Emergency fuel breaks protect communities and sensitive areas against the impacts of wildfires. They enable firefighters to approach a fire, take a stand, establish containment lines, and create evacuation routes.

- CalFire: Unit Fire Prevention Projects. The CalFire Unit fire Plans contain priority fuel reduction projects unique to each CalFire unit. The plans are updated annually with the input of local Unit staff and partners. These strategic fuel breaks and reduction in hazardous fuels reduce the severity of wildfires while reducing the fire risk to vulnerable communities.
- CalFire: Fire Prevention Grants. CalFire’s Fire Prevention Grant Program provides funding for local projects in and near fire-threatened communities that focus on increasing the protection of people, structures, and communities. Qualified activities include hazardous fuels reduction, wildfire prevention planning and wildfire prevention education. These grants are made available to local agencies, resource conservation districts, fire safe councils, Native American tribes, and qualified nonprofit organizations.
- CalFire: Contract Counties. Counties can directly provide fire protection for State Responsibility Areas (SRA) within their boundaries, in lieu of CalFire. Six counties have assumed this responsibility and are referred to as “Contract Counties.” They include the Counties of Kern, Marin, Orange, Los Angeles, Santa Barbara, and Ventura. These counties assume responsibility for fire prevention and initial attack suppression on SRA land within their local jurisdiction. CalFire has essentially no physical presence in these counties and relies on state-funded county fire departments to assume the state’s mission relative to the protection of SRA. CalFire provides proportional funding for the Contract Counties to assume this mission.
- CCC: Forestry Corps. The Forestry Corps provides forestry work and post-wildfire recovery while training California youth for climate careers. Funding from the 2021 Budget is expanding this program and will provide an efficient and reliable workforce to implement fuel breaks and removal of dead and dying trees caused by drought and past wildfires in partnership with CalFire and other state, local, and federal agencies. In addition, funds will be committed to the certified local conservation corps to carry out the same focus on the local level.

Community Hardening. Investments within communities are essential to protect residents from all types of wildfires, including wind driven fires that spread embers ahead of the fire front. These include hardening home against embers, creating survivable spaces, establishing defensible space around homes,

and supporting local and regional efforts to create fire-adapted communities through improvements in local ordinances, emergency access routes, communications, smoke management, and other tools.

- CalFire: Home Hardening. Simple retrofits like fine-mesh attic vents or double-pane windows dramatically improve a home's survival in a wildfire. Education and outreach can help homeowners make the right improvements. Proposed funding will continue to implement wildfire mitigation assistance pilot program to provide financial assistance for home hardening to low-income and vulnerable populations. The state will continue to work with FEMA to pursue potential federal funding to match the state's investment.
- Defensible Space and Community Preparedness. Defensible space, as outlined in Public Resources Code Section 4291, requires all homes and buildings in the wildland to maintain clearance from dead and dying vegetation. Outreach, education, training, assistance, and research to help homeowners about these new standards will help homeowners implement the new standards.

Regional Capacity. With forest health and fire prevention grants widely distributed throughout the state, grantees often only complete one phase of a project at a time, needing to wait three to five years to begin the next phase, resulting in a patchwork of wildfire-resilient areas next to heavy fuel load areas that can have a catastrophic impact. Developing focused regional strategies and then funding a pipeline of ready-to-go projects from those strategies is intended to deliver more cohesive wildfire resilience. Funding for regionally-driven projects is also intended to establish a foundation for forest-sector businesses to start up in that watershed/region.

- DOC: Regional Forest and Fire Capacity (RFFC) Program. The RFFC Program supports local and regional efforts to coordinate and plan wildfire prevention projects. This program provides regional block grants to the highest wildfire-prone regions to develop regional plans and prepare projects that meet their highest priorities. This model enables regions and their Collaboratives to leverage federal and local resources and align their plans with project implementation dollars via multiple fund sources. The proposed funding will allow existing grantees under RFFC Program to refine project planning and expand implementation ready project pipelines as well as serve additional wildfire-prone communities beyond the 10 current RFFC regions.
- San Diego River Conservancy. San Diego River Conservancy established the Wildfire and Forest Resilience Program in May 2021. Projects limit the risk of large wildfires by reducing flammable fuel loads, providing equipment and training, and restoring ecological health in the local rivers' watershed. This includes vegetation management to reduce fuel loads around communities threatened by wildfire and to reduce the risk to people and property. In addition, the projects provide education through the Fire Safe Council of San Diego. The overall program provides grants to manage both public and private lands.
- Santa Monica Mountains Conservancy (SMMC). In the 2021 Early Action package, SMMC received \$12 million to provide immediately implementable projects to improve wildfire resilience in the Santa Monica Mountains and local communities. SMMC awarded 18 grants totaling \$12 million between May 10 and June 19, 2021. Grantees have made progress in implementing projects, but demand for assistance exceeded the funding available.
- Sierra Nevada Conservancy (SNC). SNC stewards the highest fire-risk region in the state and is also where the majority of state's water originates. SNC's boundary is expanding by two million acres, covering all or part of 24 counties at nearly 27 million acres. The boundary change brings

all of the source watersheds that feed the state's developed water supply into SNC's service area. According to the California Public Utilities Commission fire risk map, 44 percent of the state's overall elevated or extreme fire risk falls within SNC's region. SNC's Watershed Improvement Program (WIP) will continue to fund projects read to start, while supporting the planning and development of future projects to improve forest health and watershed resilience.

- State Coastal Conservancy (SCC). SCC's Wildfire Resilience Program, established in May 2021, supports local partners to develop and implement projects that improve forest health and reduce the risk of catastrophic fire in areas where people are living near wildlands. Under this program, SCC approved awards totaling \$11.4 million for 35 projects. This program supports high priority projects to limit the risk of wildfire by reducing flammable fuel loads through prescribed grazing, establishment of shaded fuel breaks, and other vegetation management activities. Targeted regional funding to SCC will reduce fire risk to communities and critical infrastructure through grants to local partners ready to implement vegetation management projects.
- California Tahoe Conservancy. The Tahoe Conservancy manages state-owned lands for wildfire and forest resilience. The Tahoe Conservancy is also implementing the Lake Tahoe Basin Forest Action Plan, which includes completing wildland-urban interface treatments across ownerships, landscape-scale forest restoration initiatives, and capacity building.

Science Based Management. The Governor's budget proposes funding to improve the predictive models and science-based approaches to support the state's forest health and fire prevention goals, including the expanded use of LiDAR and other remote sensing technology, research, and data analysis and collection methods (\$3 million in 2020-21, \$36 million in 2021-22, and \$5 million in 2022-23). Funding includes the execution of the CAL VTP application. The Air Resources Board will also have resources to facilitate the issuance of burn permits to keep pace with the increase in prescribed fires.

- CalFire: Demonstration State Forests. The Demonstration State Forest Program was established in 1946 to demonstrate reforestation of cut-over forestlands and sustainable management of second growth timber crops. Contemporary management is focused on meeting the three primary objectives: sustainable forest management; research and demonstration; and recreation. Through applied research, the State Forests contribute to scientific understanding to inform policy discussions on issues such as climate change, carbon sequestration, fire hazard reduction, watershed functioning, and fish and wildlife habitat.
- CalFire: Monitoring and Research. Forest Resource and Assessment Program (FRAP) assess the amount and extent of state forests and rangelands, analyzes conditions of those lands, and identifies alternative management and policy guidelines to achieve state goals. The program relies heavily on publicly available Forest Inventory Analysis, a long-term data set compiled by the US Forest Service, and other various data layers such as fuel density data for maps and assessments. FRAP initiated the Forest Health Research Program in 2018 to support increasing pace and scale of fuels reduction and prescribed fire reintroduction in a scientifically informed way. Forest Health Research program will invest in research needed to address substantial knowledge gaps in forest management, forest health, and wildfire science. Forest Health Research program awarded less than one third of applicants in its first two years. In addition, FRAP has responsibilities for maintaining and enhancing reporting of fuels reduction and other types of vegetation management projects in CalMapper.

- CNRA: Remote Sensing. This package proposes to build on a \$25 million investment from 2020-21 budget for remote sensing which is acquiring LiDAR and remote sensing products in coordination with federal partners such as the US Geological Survey, NASA, and the US Forest Service Pacific Southwest Research Station. Developing reliable remote sensing data sources to inform predictive and planning models helps improve wildfire resiliency.
- CARB and SWRCB: CAL VTP. The proposed funding is intended to build on previous investments that enable SWRCB to continue to fund staff implementation of a statewide water permit integrated into the CAL VTP to help prevent additional costs or paperwork for grantees and project proponents when using CAL VTP. SWRCB will also fund adaptive management strategies and research to continually improve efficiency and efficacy of the statewide water quality order so that it remains a low-cost, low administrative-burden permit for water quality. CARB is also receiving additional funds to ensure efficient oversight for prescribed fire burn permits.

Forestry Sector Economic Stimulus. Fire prevention investments can be a driver for economic growth in rural communities. However, shortages in crews and specialized equipment operators can slow the pace of projects and drive up the cost-per-acre. Low-interest lending programs and training may be able to expand the workforce to improve the pace.

- CalFire: Workforce and Business Development. Wood Products and Bioenergy Program works with the Forest Health Program to maximize climate and economic co-benefits associated with Forest Health projects. The program manages five existing workforce development and training grant awards and tracks employee not created through Forest Health and Workforce projects. Wood Products and Bioenergy is developing a statewide workforce gap assessment. To date, the five training programs working with the program have enrolled over 300 participants in workforce training curriculum. Demand for space in the program and for graduates continues to grow.
- CalFire: Biomass Transportation Subsidy. The fires of 2020 and 2021 have created a need to salvage dead trees for timber, reduce future fuel loads, and clean up lands so they can be safely replanted. This has caused a situation where there is too much dead wood and too little means to utilize it. Dead tree removal along transportation corridors is being stacked up along roadsides with no destination identified. New and expanding wood processing businesses operate on thin profit margins. A pilot transportation subsidy targeted at post-fire cleanup and a new processing capacity could reduce future costs to the state.
- OPR: Expanding Wood Markets. This package proposes to expand wood markets through pilot projects and market strategies to develop long-term contracts and mechanisms fully utilizing the material being thinned from forests. Examples of uses of the wood may include building materials, energy, fuel, or other products that will create incentives for private forest-land management and meet the state's carbon goals.

In addition to the Wildfire and Forest Resilience Package, the Governor's budget includes the following BCP related to community wildfire preparedness:

BCP: CalFire: Community Wildfire Preparedness and Mitigation Package (AB 9, AB 642, and SB 63). The Governor's budget requests \$10.096 million General Fund in 2022-23, \$8.398 million ongoing, and 29.0 positions to address the statutory requirements set forth by AB 9 (Wood), Chapter 225, Statutes

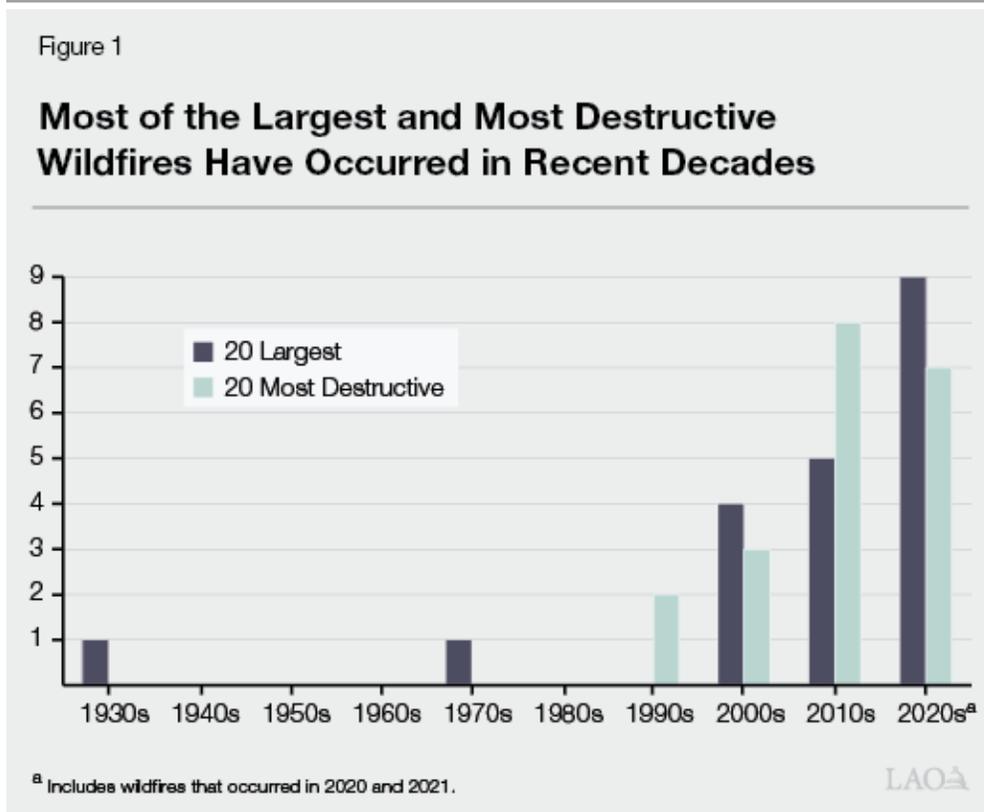
of 2021, AB 642 (Friedman), Chapter 375, Statutes of 2021, and SB 63 (Stern), Chapter 382, Statutes of 2021.

- **AB 9 (Wood).** AB 9 codifies the Regional Forest and Fire Capacity Program in the Department of Conservation, creates a deputy director of Community Wildfire Preparedness and Mitigation within the Office of the State Fire Marshal (OSFM), and transfers and delegates certain duties related to fire safety and wildfire prevention from CalFire and the Director of CalFire to the OSFM and the State Fire Marshal.
- **AB 642 (Friedman).** AB 642 makes multiple changes to state law to enhance wildland fire prevention efforts, including, among other things, incorporating and facilitating cultural burning practices, and requiring the identification of moderate and high fire hazard severity zones in local responsibility areas.
- **SB 63 (Stern).** SB 63 makes multiple changes to state law to enhance fire prevention efforts by CalFire, including, among other things, improved vegetation management, and expanding the areas where enhanced fire safety building standards apply.

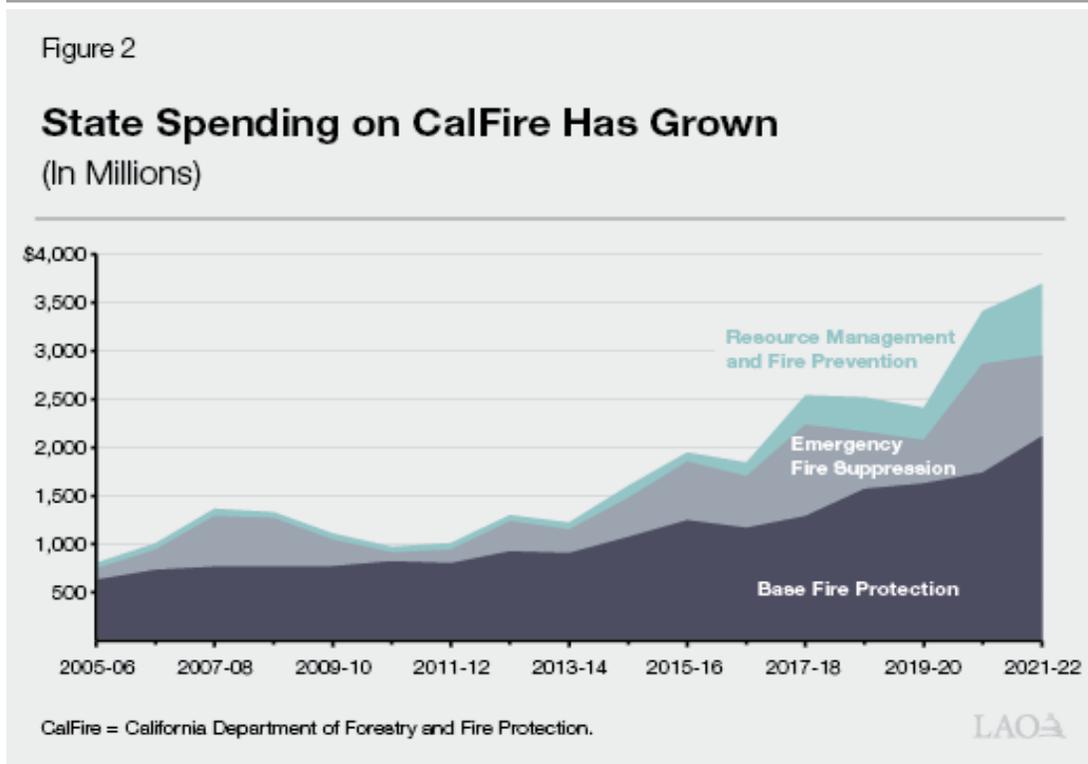
Background. According to LAO:

Wildfires in California: *Wildfires Are a Natural Part of California's Ecosystems.* Historically, significant parts of the state would burn annually, especially during the warm, dry months of the year. Many species native to California adapted to these regular, low- and moderate-intensity wildfires. These regular fires played an important role in keeping the state's forests and landscapes healthy by periodically clearing underbrush and contributing to regrowth of native plant species.

Severe Wildfires Are a Large and Growing Problem. While wildfires have potential benefits, they can also be highly problematic when they are much more severe than they would be naturally and threaten lives and property. In recent years, California has experienced a growing number of these problematic wildfires. As Figure 1 shows, most of California's largest and most destructive wildfires have occurred in recent decades. This trend has been particularly notable in the last few years, which have seen some of the worst wildfires in the state's recorded history. For example, the 2018 wildfire season included the Camp Fire in Butte County, which became the single most destructive wildfire in state history with nearly 19,000 structures destroyed and 85 fatalities, including the near-total destruction of the town of Paradise. A few key factors have contributed to the recent increase in destructive wildfires, including climate change, poor forest and land management practices, and increased development in fire-prone areas.



Recent State Funding for Wildfires. *State Spending on Wildfires Has Grown Substantially in Recent Years.* In response to recent severe wildfire seasons and growing wildfire risks, the state has augmented funding for various wildfire-related activities, including those related to wildfire response and resilience. Specifically, as shown in Figure 2, CalFire’s total funding for fire protection, resource management, and fire prevention has grown from \$800 million in 2005-06 to an estimated \$3.7 billion in 2021-22. (The resource management and fire prevention funding is generally intended to improve the state’s resilience to wildfires through reducing the likelihood that wildfires will occur and lessening the damage that wildfires cause when they do occur.) Notably, funding for resource management and fire prevention makes up a relatively small—but generally increasing—share of the department’s funding. Recent increases in this funding have been driven by two main factors. First, SB 901 (Dodd), Chapter 626, Statutes of 2018, required that \$200 million from the Greenhouse Gas Reduction Fund (GGRF) be spent on forest health and fire prevention activities annually through 2023-24. Second, the passage of two major wildfire and forest resilience packages in 2021 provided a significant amount of one-time funding for wildfire resilience, as discussed further below.



Early Action Package Provided Funding for Wildfire Resilience. On April 13, 2021, the Governor signed SB 85 (Committee on Budget and Fiscal Review), Chapter 14, Statutes of 2021, which amended the 2020-21 Budget Act to provide additional funding for a package of various wildfire and forest resilience proposals. (LAO refers to this package as the “early action” package.) As shown in Figure 3, the package included \$536 million on a one-time basis in 2020-21 for roughly two dozen different programs managed by 14 departments. (For additional information on these programs, see our February 2021 publication, *The 2021-22 Budget: Wildfire Resilience Package—Analysis of Individual Programs*.) Of the total funding for the package, \$411 million was from the General Fund and \$125 million was from GGRF. The amounts from GGRF were intended to bring total GGRF spending on forest health and prescribed fire activities to \$200 million annually, consistent with the requirements in SB 901. (The 2020-21 Budget Act provided less than the statutory direction because of uncertainty about the amount of GGRF revenues at the time the budget act was adopted in June 2020.) Most of the funding in the early action package was provided to expand existing programs rather than to create new programs. The adoption of the package through early action was intended to enable departments to start work immediately on projects rather than waiting until the passage of the 2021-22 budget. By starting work immediately, the Administration anticipated that projects would be in place roughly one fire season sooner than they would have been otherwise.

Figure 3

Previous Wildfire and Forest Resilience Package Appropriations and Commitments

Commitments as of December 2, 2021 (Dollars in Millions)

Program	Department	Early Action for 2020-21	2021-22 Budget
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		Appropriated	Percent Committed	Appropriated	Percent Committed
Resilient Forests and Landscapes		\$214	93%	\$402	4%
Forest Health Program	CalFire	\$155	100%	\$159	—
Stewardship of state-owned land	Parks	15	100	105	—
Stewardship of state-owned land	CDFW	15	100	40	39%
Forest Improvement Program	CalFire	10	80	40	—
Urban forestry	CalFire	10	—	20	—
Tribal engagement	CalFire	1	—	19	—
Forest Legacy Program	CalFire	6	100	10	—
Reforestation nursery	CalFire	2	—	9	—
Wildfire Fuel Breaks		\$148	100%	\$236	11%
Fire prevention grants	CalFire	\$123	100%	\$120	—
Prescribed fire and hand crews	CalFire	15	100	35	—
CalFire unit fire prevention projects	CalFire	10	100	40	—
Forestry Corps and residential centers	CCC	—	—	27	99%
Contract counties	CalFire	—	—	14	—
Regional Capacity		\$119	93%	\$199	4%
Regional Forest and Fire Capacity Program	DOC	\$50	90%	\$60	—
Project implementation	SNC	20	100	50	—
Project implementation	TC	1	100	36	—
Project implementation	SMMC	12	98	15	55%
Project implementation	RMC	12	71	15	—
Project implementation	SDRC	12	100	13	5
Project implementation	SCC	12	100	10	—
Science-Based Management		\$3	100%	\$79	21%
Remote sensing	CNRA	—	—	\$25	—
Monitoring, research, and management	CalFire	\$3	100%	20	82%
Prescribed Fire Liability Pilot	CalFire	—	—	20	—
Interagency data hub	CalFire	—	—	10	—

Permit efficiencies	CARB	—	—	2	—
Permit efficiencies	SWRCB	—	—	2	—
Forest Sector Economic Stimulus		\$25	12%	\$51	—
Climate Catalyst Fund and market strategy	Ibank, Go-Biz	\$16	—	\$33	—
Workforce development	CalFire, CWDB	6	—	18	—
Market development	OPR	3	100%	—	—
Community Hardening		\$27	19%	\$20	—
Home hardening	OES, CalFire	\$25	12%	—	—
Defensible space inspectors	CalFire	2	100	\$13	—
Land use planning and public education	UC ANR, CalFire	—	—	7	—
Totals		\$536	87%	\$988	7%

CalFire = California Department of Forestry and Fire Protection; Parks = Department of Parks and Recreation; CDFW = California Department of Fish and Wildlife; CCC = California Conservation Corps; DOC = Department of Conservation; SNC = Sierra Nevada Conservancy; TC = Tahoe Conservancy; SMMC = Santa Monica Mountains Conservancy; RMC = San Gabriel & Lower LA Rivers & Mountains Conservancy; SDRC = San Diego River Conservancy; SCC = State Coastal Conservancy; CNRA = California Natural Resources Agency; CARB = California Air Resources Board; SWRCB = State Water Resources Control Board; IBank = California Infrastructure and Economic Development Bank; Go-Biz = Governor's Office of Business and Economic Development; CWDB = California Workforce Development Board; OPR = Office of Planning and Research; OES = Office of Emergency Services; and UC ANR = University of California Agriculture and Natural Resources.

2021-22 Budget Provided Additional Funding for Wildfire Resilience. The 2021-22 budget—as amended in September 2021—provided a total of \$988 million on a one-time basis for various departments to implement a package of proposals focused on wildfire prevention and improving landscape health. The package included \$758 million from the General Fund and \$230 million from GGRF for roughly 30 different programs managed by 18 departments. In general, this package funded a similar mix of programs that were funded in the early action package. The 2021-22 budget also included language continuously appropriating \$200 million annually for forest health and wildfire prevention from 2022-23 through 2028-29. Additionally, the budget included language requiring the Administration to report certain information—such as a summary of projects that received funding and the average cost per project—annually on all the wildfire and forest resilience programs that were funded in the early action and 2021-22 budget packages. The first of these required reports is due to the Legislature on April 1, 2022, and reports are due annually thereafter until April 1, 2026.

Most Early Action Funding and Some 2021-22 Funding Has Been Committed. As shown in Figure 3, as of December 2021, the Administration reported that 87 percent of the funding provided in the early action package had been committed. Additionally, 7 percent of the 2021-22 funding had been committed. (Funding is considered committed when it has been allocated to specific projects or activities. However, in some cases, it can take a few years to complete the funded projects or activities.) Notably, some programs have committed a greater share of their funding to projects to date than others. Some of the programs that have been relatively slow to commit funds have been newer programs that have taken time to launch, such as the pilot program that supports home hardening retrofits and the Climate Catalyst Fund. (The home hardening retrofit program was established consistent with AB 38 (Wood), Chapter 391, Statutes of 2019.)

LAO Summary of Governor’s Budget. Proposes \$1.2 Billion Over Two Years, Including \$800 Million in New Funding. The Governor proposes \$800 million from the General Fund over two years—\$400 million annually in 2022-23 and 2023-24—to implement various efforts to improve forest health and make communities more resilient to future wildfires. This is in addition to \$200 million that is continuously appropriated from GGRF in each of these years, consistent with the 2021-22 budget package.

Largest Share of Funds for Forest Resilience and Fuel Breaks. As shown in Figure 4, roughly half of the funds over the two years—\$582 million—would support programs designed to promote healthy forests and landscapes, generally by removing hazardous fuels. Another roughly one-third of the funds—\$382 million—would support installation and maintenance of wildfire fuel breaks. The remaining funds—totaling \$236 million—are proposed for projects to provide regional capacity for forest health projects, as well as to encourage forest sector economic stimulus, science-based forest management, and community hardening. This proposed allocation of funds across program categories is similar to the approach taken in the early action and 2021-22 packages.

Figure 4

Governor’s Proposed Wildfire and Forest Resilience Package

(In Millions)

Program	Department	2022-23	2023-24	Total
Resilient Forests and Landscapes		\$292	\$290	\$582
Forest Health Program	CalFire	\$120	\$120	\$240
Post-fire reforestation	CalFire	50	50	100
Stewardship of state-owned land	CDFW	30	30	60
Stewardship of state-owned land	Parks	20	20	40
Forest Legacy Program	CalFire	14	19	33
Urban forestry	CalFire	20	10	30
Stewardship of state-owned land	CNRA	15	15	30
Forest Improvement Program	CalFire	11	14	25
Tribal engagement	CalFire	10	10	20
Reforestation nursery	CalFire	2	2	4
Wildfire Fuel Breaks		\$190	\$192	\$382
Fire prevention grants	CalFire	\$115	\$117	\$232
Prescribed fire and hand crews	CalFire	35	35	70
CalFire unit fire prevention projects	CalFire	20	20	40
Forestry Corps and residential centers	CCC	20	20	40
Regional Capacity		\$55	\$55	\$110
Regional Forest and Fire Capacity Program	DOC	\$20	\$20	\$40

Project implementation	SNC	13	12	25
Project implementation	SCC	10	10	20
Project implementation	SMMC	5	5	10
Project implementation	TC	5	5	10
Project implementation	SDRC	2	3	5
Community Hardening		\$22	\$22	\$44
Home hardening	OES, CalFire	\$13	\$12	\$25
Defensible space inspectors	CalFire	5	5	10
Land use planning and public education	UC ANR, CalFire	4	5	9
Forest Sector Economic Stimulus		\$22	\$22	\$44
Workforce development	CalFire, CWDB	\$15	\$15	\$30
Woody biomass transportation	CalFire	5	5	10
Market development	OPR	2	2	4
Science-Based Management		\$19	\$19	\$38
Monitoring, research, and management	CalFire	\$7	\$8	\$15
State demonstration forests	CalFire	5	5	10
Remote sensing	CNRA	3	2	5
Permit efficiencies	CARB	2	2	4
Permit efficiencies	SWRCB	2	2	4
Totals		\$600	\$600	\$1,200
By Fund Source				
General Fund		\$400	\$400	\$800
Greenhouse Gas Reduction Fund		200	200	400

CalFire = California Department of Forestry and Fire Protection; CDFW = California Department of Fish and Wildlife; Parks = Department of Parks and Recreation; CNRA = California Natural Resources Agency; CCC = California Conservation Corps; DOC = Department of Conservation; SNC = Sierra Nevada Conservancy; SCC = State Coastal Conservancy; SMMC = Santa Monica Mountains Conservancy; TC = Tahoe Conservancy; SDRC = San Diego River Conservancy; OES = Office of Emergency Services; UC ANR = University of California Agriculture and Natural Resources; CWDB = California Workforce Development Board; OPR = Office of Planning and Research; CARB = California Air Resources Board; and SWRCB = State Water Resources Control Board.

Most Funding Targeted to Programs Funded in Prior Packages. Most of the proposed funding would go towards programs that already received funding as part of the early action or 2021-22 budget package. However, the Governor proposes to fund a few programs that did not previously receive funding. These programs include:

- **Post-Fire Reforestation—CalFire (\$50 Million in 2022-23 and \$50 Million in 2023-24).** This funding would support the reforestation of areas affected by wildfires with the goal of reducing the likelihood of type conversion. (Type conversion is when forests do not return to their previous

condition after severe wildfires, but instead transition to other vegetation types, such as scrubs or grasses.)

- **Stewardship of State-Owned Land—California Natural Resources Agency (CNRA) (\$15 Million in 2022-23 and \$15 Million in 2023-24).** This funding would support wildfire resilience on state-owned land.
- **Woody Biomass Transportation Subsidy—CalFire (\$5 Million in 2022-23 and \$5 Million in 2023-24).** This funding would implement, on a pilot basis, a subsidy program for transporting woody biomass to encourage the transportation of dead trees to wood processing businesses.
- **State Demonstration Forests—CalFire (\$5 Million in 2022-23 and \$5 Million in 2023-24).** This funding would support state demonstration forests, which provide applied research on forest-related issues.

Funding for Most Programs Allocated Equally Between the Two Years. For most programs, the funding is proposed to be allocated roughly evenly between 2022-23 and 2023-24. Based on our discussions with the administration, it is our general understanding that all of the proposed funding for 2022-23 is expected to be committed to projects that year, and all the 2023-24 funding is expected to be committed to projects that year. Although, as previously mentioned, it could take a few years for funded projects to be completed.

LAO Comments. LAO offers its initial comments on the Governor’s wildfire and forest resilience package to inform the Legislature’s budget deliberations. LAO may have further comments as additional information from the Administration becomes available in the coming weeks.

Continued Focus on Wildfire Prevention and Mitigation Has Merit. LAO finds that increased budget support for programs that attempt to reduce the risks associated with wildfires is merited given the increasing pattern of severe wildfires in recent decades and the major consequences of these fires on local communities and the broader state. Notably, the Legislature took important steps toward addressing these risks with the passage of the early action and 2021-22 packages, as well as the continuous appropriation of GGRF for forest health and wildfire prevention through 2028-29. However, the scale of the effort that will likely be required to make the state resilient to wildfires is so large— involving treating millions of acres and better protecting millions of homes in high fire-risk areas over the coming years—that it will take additional funding to accomplish. Additional funding for these types of activities, such as proposed by the Governor, will help continue this worthwhile work.

Myriad of Risks Warrants Consideration of Multiple Strategies. The proposed package includes a mix of programs designed to reduce future wildfire risks and damages. Many of these programs could be useful in addressing the varied contributors to wildfire risk. For example, forest health and fuel break programs could reduce the risk of rapid wildfire spread, community hardening could reduce the number of properties severely damaged when wildfires do occur, and research could help the state better target future funding to the most cost-effective strategies and/or where risks are determined to be greatest.

Departments Still Implementing Funding From Prior Packages. Most of the funding proposed by the Governor would support programs that received funding in the early action and 2021-22 wildfire and forest resilience packages. In most cases, implementing departments have made significant progress in committing early action funds to projects. Specifically, as of December 2021, only \$68 million of the \$536 million provided (13 percent) was uncommitted. However, most of the 2021-22 wildfire and forest resilience package funding remains uncommitted. Notably, as of December 2021, \$920 million of the \$988 million provided in 2021-22 (93 percent) was not committed. The slower pace of committing 2021-22 funding is not unexpected given that the funding was approved less than six months ago and was envisioned to be used over a period of multiple years. However, given the significant amount of funding left uncommitted to date, a key consideration for the Legislature will be the extent to which

implementing agencies, and their partners, have capacity to administer the proposed funding and undertake the proposed program expansions in a timely manner.

Information on Outcomes Is Limited. Many of the activities proposed for funding are widely considered good practices to reduce wildfire risks, particularly reduction of hazardous fuels, defensible space, and home hardening. However, the available information on the cost-effectiveness of many programs is somewhat limited—making it difficult for the Legislature to know whether the Governor’s proposed package represents the most effective way to allocate funds for wildfire prevention and mitigation. Also, while the Administration has identified the projects to which they had committed funding as of December 2021, information on the specific outcomes achieved and the associated costs is not yet available. LAO notes that a summary of the funded projects and program costs is required to be included in the Administration’s annual report to the Legislature, the first of which is due in April 2022. Additionally, AB 38 required a report assessing the cost-effectiveness of defensible space and home hardening compared to other activities to be completed by 2024. These required reports should help inform future legislative decisions on how much to spend on various potential approaches to reducing wildfire risks.

Legislative Guidance Could Improve Implementation of Some Programs. In some cases, the programs proposed for funding could benefit from additional guidance from the Legislature to ensure that they are implemented in the most effective manner. For example, in LAO’s December 2021 report, *An Initial Review of the Regional Forest and Fire Capacity Program*, LAO found that the lack of state requirements for regional priority plans has led to a disjointed approach to the Regional Forest and Fire Capacity program and that the lack of data collection and reporting makes it difficult to evaluate the program. Accordingly, LAO recommended that the Legislature create requirements for regional priority plans and adopt evaluation and reporting requirements. Additionally, in LAO’s September 2021 report, *Reducing the Destructiveness of Wildfires: Promoting Defensible Space in California*, LAO found that defensible space inspection rates varied widely by CalFire unit (from 6 percent to 96 percent in 2019-20). Accordingly, while LAO found that providing additional ongoing staff for CalFire to conduct defensible space inspections is merited to enable the department to meet its goal of inspecting every parcel at least once every three years, LAO also found that ensuring that a staffing plan is developed would be important to make sure that the funding is allocated in a way that achieves this goal in all units.

New Programs Aimed at Addressing Important Issues, but Key Details Lacking. The proposed new programs address worthwhile areas of focus, but at the time of this analysis there was insufficient detail provided on these programs to fully evaluate their merits.

- ***Post-Fire Reforestation.*** Providing funding for reforestation would help reduce the likelihood of type conversion and promote long-term landscape health. However, the Administration has not provided at this time key details on the proposed program, such as what specific activities the funding would support, the rationale for the proposed funding amount, and the anticipated outcomes of the funding. This information is necessary for the Legislature to fully evaluate whether the proposed approach and funding amount are appropriate.
- ***CNRA State-Owned Land.*** Making state-owned land more resilient to wildfires is an important goal. However, it currently is not clear what specific types of activities and projects the proposed funding would support and how this funding would complement or duplicate efforts to steward state-owned land through other agencies, such as the Department of Parks and Recreation, Department of Fish and Wildlife, and the Tahoe Conservancy.
- ***Woody Biomass Transportation Subsidy.*** The accumulation of woody biomass, such as due to recent wildfires, is a significant issue that merits attention. This is because, in some cases, it is not economically viable to transport this woody biomass to processing facilities. However,

leaving biomass in place or burning it has significant negative impacts that extend beyond the individual property owner, including potentially elevating wildfire risks and generating additional emissions. Accordingly, it appears generally reasonable for the state to help address this issue by providing some level of financial support to incentivize the transfer of biomass to processing businesses. However, key details about how a subsidy would be implemented were lacking at the time of this analysis. For example, it is unclear who would be eligible for subsidies, how the amount of the subsidy would be determined, and how the outcomes of the pilot would be tracked and reported to the Legislature. These and other details are essential for the Legislature to effectively assess whether the specific approach and funding amounts proposed by the administration are justified.

- ***State Demonstration Forests.*** State demonstration forests are a valuable resource that helps provide research on forest-related issues. However, at the time of this analysis, it was unclear what the proposed funding would be used for, what specific outcomes would be expected, and why the proposed amount was selected.

LAO also notes that the LAO has some outstanding questions on many of the proposals in the package that received prior funding, including about (1) the outcomes that were achieved with the previous funding, (2) when the implementing department anticipates fully committing the funding, (3) the extent to which the department has capacity to utilize additional funds, and (4) the rationale for the specific amount of proposed funding.

Trade-Offs Associated With Two-Year Funding Approach. The \$800 million of new funding in the Governor's package is proposed over a two-year period. According to the Administration, it is proposing this two-year funding approach in order to provide the certainty of multiyear funding, but also to limit ongoing General Fund commitments. It is understandable that the Administration is cautious regarding providing ongoing General Fund augmentations. Nonetheless, this funding approach also presents a couple key challenges.

First, allocating funding for 2023-24 at this time, rather than waiting until the 2023-24 budget, means that the allocation decisions would not benefit from additional information that may be gathered in the coming year. This includes additional information on the Administration's continued progress towards committing early action and 2021-22 funding and on the outcomes achieved with those funds. Such information would be particularly important for programs that have been slow thus far to commit funding, since another year of information could provide the Legislature with a clearer sense of the program's capacity to utilize additional funds and the results that might be expected from additional funds.

Second, some programs will require ongoing support to be effective. For example, even where effective forest treatment occurs, it is often necessary to do additional maintenance and retreatments in subsequent years to prevent too much vegetation regrowth, particularly of invasive species. Other programs areas—such as defensible space inspections—should also be considered ongoing efforts, since vegetation grows back and regular inspections are needed to ensure continued compliance with state defensible space requirements. For these types of programs, the benefit to providing the certainty of multiyear funding could merit the allocation of ongoing General Fund resources, particularly in cases where there is sufficient information on outcomes and spending rates thus far to enable the Legislature to be reasonably confident about the appropriate amount of funding to provide on an ongoing basis.

Legislative Oversight Remains Important. In recent years, the Legislature has prioritized conducting oversight activities—such as conducting legislative hearings and requiring periodic reports—on wildfire issues, including the expenditure of wildfire and forest resilience funding. LAO finds that it will be important for the Legislature to continue to conduct oversight given the (1) importance of improving wildfire resilience, (2) amount of funding that has been provided to date, and (3) value in gaining

lessons-learned to inform future funding and policy decisions. To facilitate continued oversight, it will be important for the Legislature to obtain key information from the administration going forward, including information on funded projects and the outcomes that have been achieved. The Governor is not currently proposing that the reporting requirements that were codified for those previous packages be extended to this proposed package. However, in LAO's conversation with the Administration, they expressed a commitment to report the information of the early action and 2021-22 packages for this proposed package as well.

LAO Recommendations. LAO provide its initial recommendations on the Governor's wildfire and forest resilience package to inform the Legislature's budget deliberations. LAO may have additional or modified recommendations as further information from the Administration becomes available.

Consider Funding Amounts in Context of Legislative Priorities. Given the lack of clear evidence regarding the relative effectiveness of different mitigation and prevention activities, it is difficult for the Legislature to determine whether the proposed package represents the "best" mix of programs and level of funding to address wildfire risks. For this reason, it will be particularly important for the Legislature to ensure that the total level of funding proposed for wildfire and forest resilience, as well as the mix among programs, is consistent with its priorities. In identifying its funding priorities, some of the factors that LAO recommends the Legislature consider include:

- **Emerging Information on Spending Progress and Outcomes.** The Legislature could consider focusing its allocations on programs that appear to have capacity to use additional funds—as evidenced in part by their ability to get previously appropriated funding out to projects—and are able to provide relatively compelling information on outcomes.
- **Ability to Test and Research Promising Approaches.** The Legislature could consider the extent to which the proposed funding goes to demonstration projects or pilots that could be helpful in improving the state of knowledge about effective approaches to wildfire mitigation.
- **Which Harms Would Be Mitigated.** For example, to the extent protecting homes and reducing economic costs are high priorities, the Legislature could consider dedicating more funding to community hardening. Alternatively, to the extent that mitigating damage to the environment from severe wildfires is a high priority, the Legislature could consider focusing more on improving the health of forests and landscapes.
- **Which Groups of Californians Are Most Impacted.** The Legislature might want to consider how wildfires affect different communities, how past funding has been directed, and the extent to which the proposed strategies could more equitably target new spending. For example, the Governor's plan includes funding dedicated to forest health projects on tribal lands, and the home hardening program is intended to go to lower-income households that might otherwise be less able to implement these safety improvements on their own.
- **Protecting State Assets and Responsibilities.** For example, some funding in the package is targeted to addressing risks on state-owned lands, such as state parks. The Legislature could also consider whether more funding should be spent in ways that better ensure protection of other state assets, such as highways and state buildings, or the watersheds that provide most of the water flows for the State Water Project.

Provide Statutory Guidance to Inform Program Implementation, as Appropriate. LAO recommends that the Legislature provide additional statutory guidance on the programs proposed for funding, as appropriate, through the adoption of budget trailer legislation. Some examples of specific statutory changes that would be merited include (1) adopting state requirements for regional priority plans, as well as requiring evaluation and reporting on the Regional Forest and Fire Capacity program, and (2) requiring CalFire to create a staffing plan aimed at ensuring that the department's defensible space

staff are allocated in a way that enables it to meet its goal of inspecting every parcel at least once every three years in all units.

Defer Action Until Spring to Provide Time to Secure and Assess Additional Information. LAO recommends that the Legislature defer action on the proposed package until the spring. This would provide additional time for the administration to provide information on the specifics of its proposals. Additionally, by the spring, more information may be available on the pace of agencies' spending of funding provided in previous packages, as well as on the outcomes of this spending. In particular, the Legislature should have the administration's first required report on the early action and 2021-22 packages by April. Together, this information would help the Legislature determine whether it is comfortable with the administration's proposed approach and funding levels, or whether it would like to make modifications.

Consider Potential Alternatives to Two-Year Funding Plan. Given the challenges with the administration's plan to allocate two years of funding as part of the 2022-23 budget, we recommend the Legislature consider other alternatives. For example, one alternative would be to allocate funding for only 2022-23 at this time. To the extent that the Legislature wants to provide funding for future years, it could set some amount aside in a designated fund to be allocated at a future date when additional information—such as on progress in spending the funding from prior packages and the outcomes achieved—would be available to inform allocation decisions. Additionally, the Legislature could consider providing ongoing funding for certain programs for which there is a clear ongoing need for at least a certain funding level and relatively robust information on outcomes.

Continue Oversight Activities and Require Continuation of Reporting. Given the importance of the programs involved and the level of spending proposed, LAO recommends that the Legislature continue to conduct oversight activities, such as legislative hearings, on the administration's implementation of the wildfire and forest resilience packages. This oversight will be important for holding the administration accountable for delivering results, learning what is effective to improve future implementation, and informing future spending decisions. To facilitate this continued oversight, we recommend that the Legislature extend the statutory reporting requirement for the early action and 2021-22 budget packages to the proposed package as well.

Staff Recommendation. Hold open.

0690 GOVERNOR’S OFFICE OF EMERGENCY SERVICES (OES)
3340 CALIFORNIA CONSERVATION CORPS (CCC)
3480 DEPARTMENT OF CONSERVATION (DOC)
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 20: Proposals Related to Wildfire Protection, Suppression, and Assessment

Governor’s Proposal. The Governor’s budget requests the following items related to fire suppression:

BCP: CalFire: CAD/AVL Program Hardware and Service Refresh. \$23.9 million General Fund and \$17.9 million State Emergency Telephone Number Account (SETNA) in 2022-23, \$22.5 million General Fund and \$8 million SETNA ongoing, and 43.0 positions to acquire, install, and support the Computer Aided Dispatching (CAD) program throughout the CalFire Emergency Command Centers (ECCs) and all other emergency response resources, to continue to efficiently locate and dispatch CalFire resources to emergency incidents.

BCP: CalFire: CalFire Training Centers. \$15.7 million General Fund in 2022-23 and \$272,000 General Fund ongoing to meet the increased training demand at CalFire’s Training Centers. This request will provide funding for one-time purchase of essential equipment required to meet existing demand and prepare the Training Centers for future impacts, along with ongoing amortization for some of this equipment.

BCP: CalFire: Contract County Crew and Realignment. \$25.4 million General Fund in 2022-23 and \$35.4 million ongoing to fund 12 hand crews, implemented over two years, to be utilized for vegetation management, hazardous fuel reduction projects, wildland fire suppression in the Contract Counties, and a budget adjustment to re-baseline Contract County funding commensurate with CalFire Units.

BCP: CalFire: Emergency Surge Capacity and Response Enhancements. A total of \$179.8 million General Fund in 2022-23 and \$14.6 million General Fund ongoing to increase surge capacity for wildland fire emergency response by 1) acquiring four additional S70i Fire Hawk helicopters to provide aircraft availability to help maintain 24/7 flight operations during critical fire weather conditions when frontline helicopters are due for maintenance, 2) contracting 10 additional heavy helicopters each year for three fiscal years while awaiting the federal delivery of C-130 air tankers beginning in spring 2023, and 3) adding two surge engines in each of the 21 units and each of the six contract counties as well as 10 surge capacity bulldozers to the statewide resource pool that can be staffed during critical fire conditions and resource drawdown.

BCP: OES and CalFire: Fire Integrated Real-Time Intelligence System (FIRIS). \$30 million ongoing General Fund and 31 positions (\$24.4 million and 11 positions for OES and \$5.6 million and 20 positions for CalFire) beginning in 2022-23 to establish and operate a state level mutual aid asset known as FIRIS – An All-Hazards Intelligence Platform, which enhances public safety, the mutual aid response system and situational awareness in real-time for all-hazard prediction and evaluation models, primarily for all-hazard response, to include primarily wildfires, but also mud slides, flooding, earthquakes, avalanches, urban and wilderness search and rescue events, environmental emergencies such as oil spills and hazardous material releases, preliminary and post-disaster damage assessments and fire management assistance grants.

BCP: CCC: Enhancing and Expanding CCC Fire Crews. \$8.087 million in 2022-23, \$8.969 million in 2023-24, \$8.058 million in 2024-25, \$10.292 million in 2025-26, and \$10.248 million ongoing General Fund for 18 positions and 13 full-time equivalent Corpsmembers positions to fund 10 additional hand crews (four new crews and six conversion crews) to provide vegetation management, hazardous fuel reduction projects, and wildland fire suppression, phased over four years, in partnership with CalFire. These funds are offset by a reduction of -\$1,800,000 in 2022-23 and -\$2,700,000 ongoing in Collins-Dugan Reimbursement Account.

CCC requests to transition six existing reimbursement CCC crews into Type 1 fire crews, one crew at each of the following CCC Centers: Pomona, San Diego, Monterey Bay, Fresno, Fortuna, and Redding (in 2023-24). Additionally, this proposal adds two expansion crews at the Los Pinos Center, and two crews at the new Auberry Residential Center (in 2025-26). This request includes an offset of -\$1.8 million in year one and -\$2.7 million starting in year two, and ongoing, from the Collins-Dugan Reimbursement Account to reflect that the six existing reimbursement crews will transition to being fully funded by the General Fund. In addition, this proposal requests positions and funding to support these fire crews.

BCP: DOC: Pre-Wildfire Geologic-Hazard Mitigation Planning & Post-Wildfire Hazard Identification. Eight permanent positions and an appropriation increase of \$2.713 million in 2022-23, and \$1.865 million ongoing General Fund to create a Pre-Wildfire Geologic Hazard Mitigation Planning & Post-Wildfire Hazard Identification Program. Tasks would include:

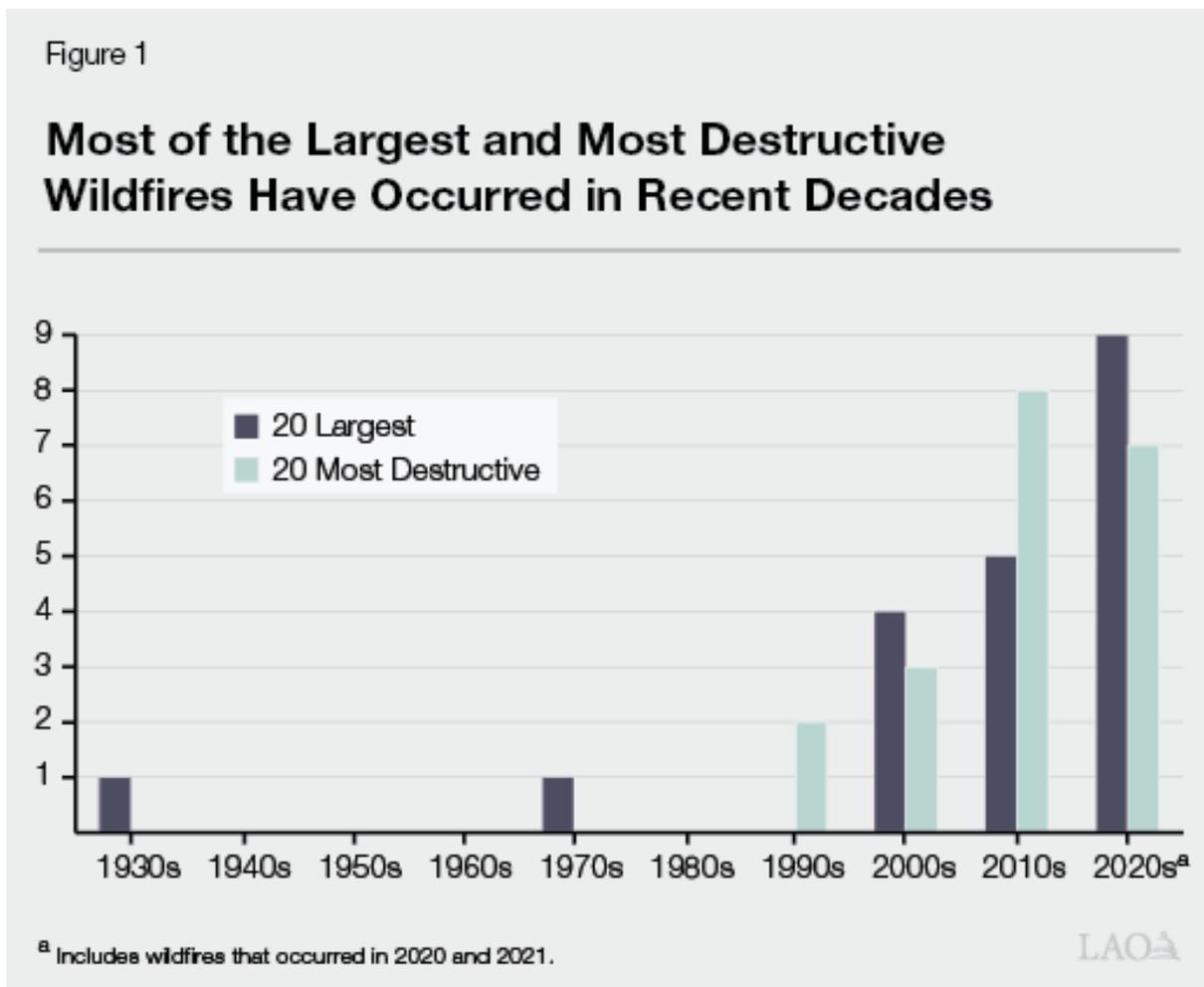
- ***Pre-Fire Mud and Debris Flow and Flooding Hazard Awareness and Planning.*** Development of maps and data that proactively show areas of post-wildfire inundation. This information can then be used by local agencies for identifying long-term mitigation measures as well as for evacuation planning, public communication, and support for prioritizing fuel treatments to help limit fire effects in the wildland urban interface.
- ***Post-Fire Watershed Emergency Assessment (WERT) focused on life/safety hazards from debris flows, flooding, rock fall, etc.*** Evaluation of post-fire conditions for rainy season hazards so that emergency mitigations can be implemented, and appropriate rain-driven evacuation plans can be developed. The burned area watershed emergency assessment provides a means of prioritizing areas of post-wildfire risk within and downstream of the burn area and development of emergency mitigation measures.
- ***Post WERT Mud and Debris Flow and Flood Hazard Emergency Planning.*** Prepare post-wildfire inundation scenario emergency evacuation planning maps. These maps will provide decision support for emergency managers so that appropriate evacuation zones can be developed, and emergency response measures can be planned rapidly following a wildfire.
- ***Burn Area Monitoring and Process Refinement.*** Post-wildfire watershed monitoring and observation data will be acquired as feedback to the development of geographic-based understanding of post-wildfire storm triggering rainfall, flood, mud and debris flow impacts statewide. Current information is only accurate in the southern portion of the state. This task will develop the information for robust statistically valid rainfall triggering mechanisms across the state.
- ***Outreach and Education.*** Community outreach and education about post-wildfire hazards will be performed to ensure that before and after a wildfire, communities understand the post-wildfire flash flood and debris flow risks and believe post-wildfire storm derived evacuation messaging. This messaging is particularly important for disadvantaged communities where there are not existing local government resources available to prepare and provide this information for local emergency responders, and for their constituents.

- Necessary Ongoing Support Materials.** The post-wildfire assessments and data development require detailed an accurate information regarding the properties of the specific burned watersheds. Items such as pre-fire LiDAR, post-fire aerial/satellite imagery and portable rainfall and small stream gauges for collection of post-fire hydrologic data provide detailed and accurate topographic, hydrologic, and post-wildfire vegetative conditions within hazardous burned watersheds.

Also, please note that the Administration has proposed \$400 million in the Governor’s January Budget Summary, but details have yet to be determined.

Background. According to the LAO:

Recent Years Have Seen Some of Largest and Most Destructive Wildfires. In recent years, California has experienced a growing number of destructive wildfires. As Figure 1 shows, most of California’s largest and most destructive wildfires have occurred in recent decades. This trend has been particularly notable in the last few years, which have seen some of the worst wildfires in the state’s recorded history. For example, the 2018 wildfire season included the Camp Fire in Butte County, which became the single most destructive wildfire in state history with nearly 19,000 structures destroyed and 85 fatalities, including the near-total destruction of the town of Paradise. A few key factors have contributed to the recent increase in destructive wildfires, including climate change, poor forest and land management practices, and increased development in fire-prone areas.



State Has Historically Focused Mostly on Reducing Wildfire Risks Through Response. The state addresses the risks of destructive wildfires through a combination of (1) prevention—reducing the likelihood that a wildfire will start, (2) mitigation—lessening the damage that wildfires cause when they do occur, and (3) response—suppressing wildfires after they start. Traditionally, the state has focused mostly on response. For example, from 2005-06 through 2020-21, LAO estimates an average of close to 90 percent of the base support budget for CalFire—the state’s lead agency for fire protection in the State Responsibility Area (SRA)—has been dedicated to fire response (rather than fire prevention or mitigation). (The SRA makes up roughly one-third of the state’s land area and consists mostly of privately owned forestlands, watersheds, and rangelands.)

State Uses Mix of Approaches, Across Multiple Agencies, to Respond to Wildfires. The state uses a variety of resources—such as fire crews, hand crews, fire engines, helicopters, and air tankers—to respond to wildfires. Most of these resources are under CalFire. However, other state departments also have resources dedicated to fire response. For example, the Office of Emergency Services (OES) maintains a fleet of fire engines that are used as part of the state’s mutual aid system. Also, in collaboration with CalFire, multiple state departments provide staff for hand crews, including the California Military Department (CMD), California Conservation Corps (CCC), and the California Department of Corrections and Rehabilitation.

Hand Crews in Wildfire Response

Hand Crews Play Important Role in Wildfire Response. Hand crews support fire response by constructing fire lines, assisting fire engine crews with deployment of fire hoses over long distances, providing logistical and operational support, and extinguishing hotspots to help contain fires. Hand crews also do fire mitigation work, such as hazardous fuels reduction and vegetation management projects, when not responding to wildfires.

Decline in Inmate Population Has Affected Availability of Hand Crews. Historically, the majority of the hand crews utilized by the California Department of Forestry and Fire Protection (CalFire) have been operated through agreements with the California Department of Corrections and Rehabilitation for use of state prison inmates. These inmates are housed at conservation camps located in or near forests throughout the state. In the past decade, the state has enacted various changes to sentencing laws that have significantly reduced the inmate population. This, in turn, has reduced the population housed at conservation camps and available to serve on inmate crews. Specifically, according to the administration, CalFire historically operated 192 inmate crews. However, the number of funded crews declined to 152 as a result of a 2020-21 budget action to consolidate the state’s conservation camps in response to inmate population declines. Furthermore, the administration reports that, as of August 2021, only 63 out of 152 authorized inmate crews were staffed.

Some Steps Taken to Offset Loss of Hand Crews. To address the decline in inmates available to staff hand crews, CalFire has partnered with other agencies, including the California Conservation Corps and the California Military Department, to provide staff for hand crews. Additionally, CalFire has received funding to hire firefighters to help address this decline. We highlight some of these recent augmentations in Figure 2 of this brief.

Some Response Resources Provide Greater Flexibility Than Others. Some of the resources used by CalFire and other agencies—such as year-round fire crews and fire engines—provide baseline capacity to fight wildfires. Other resources provide additional capacity during the peak wildfire season or larger wildfire events. (This additional capacity is sometimes referred to as “surge capacity.”) For example, CalFire regularly operates 356 fire engines, which includes 65 engines that operate on a year-round basis as well as 291 engines that operate on a seasonal basis. In addition to these engines, the department also maintains a fleet of 48 reserve fire engines to provide additional surge capacity. Furthermore, when a

fire (or other disaster) is large enough that it overwhelms a community's capacity to respond, it can request additional resources—such as fire engines or other equipment—from other governmental entities through the state's mutual aid system. The state supports the mutual aid system in a number of ways, such as by providing state-funded fire engines to local communities through the OES program mentioned previously. Currently, there are 260 engines operating as part of this program.

Base Wildfire Response Funding Has Increased Substantially in Recent Years. In response to severe wildfire seasons and growing wildfire risks, the state has augmented funding for various wildfire-related activities in recent years, including those related to wildfire response. As Figure 2 shows, the state has provided augmentations for a variety of response-related purposes, such as to support additional firefighters, hand crews, support staff, fire engines, air tankers, helicopters, and various types of new technology. Most of these augmentations have been made to CalFire's budget, but some other agencies have also received additional resources, such as CCC and CMD. As shown in the figure, the state provided some of these funds on an ongoing basis, while it provided others on a limited-term basis. Driven by augmentations such as these, CalFire's total base wildfire protection budget has grown by nearly two-thirds over the past five years alone (from \$1.3 billion in 2017-18 to \$2.1 billion in 2021-22). As shown in Figure 3, CalFire's overall budget has also increased, with its combined budget for fire protection, emergency fire suppression, and resource management and fire prevention rising by roughly 45 percent over the past five years (from \$2.5 billion in 2017-18 to \$3.7 billion in 2021-22).

Figure 2

Key State Wildfire-Response Funding Augmentations in the Last Few Years

- ***CalFire—Blackhawk Helicopters.*** \$315 million one time (General Fund) over a few years beginning in 2018-19 to replace all 12 of CalFire's helicopters, and \$14 million ongoing to support increased maintenance and staffing associated with the helicopters.
- ***CalFire and CCC—Emergency Response and Preparedness: Fire Crews.*** \$143 million (General Fund) in 2021-22, and \$124 million and 617 positions ongoing to support 16 new CalFire hand crews staffed by seasonal firefighters, eight year-round CCC hand crews, and six seasonal CCC hand crews.
- ***CalFire—Relief Staffing.*** \$85.6 million ongoing starting in 2020-21 (primarily from the General Fund) to support additional firefighting positions and fire response surge capacity. This includes: (1) \$34.2 million to support 172 permanent firefighting positions; (2) \$44 million for 378 seasonal firefighters and other surge capacity; (3) \$7.5 million for the six CalFire contract counties, pursuant to the state's existing budgeting methodology for contract counties, which is tied to CalFire's budget for fire response resources; and (4) \$1.8 million for facilities and equipment, such as purchasing vehicles. These increases are partially offset by a reduction of \$1.9 million to reflect a lower level of unplanned overtime within the department's fire protection program as a result of the higher ongoing staffing levels.
- ***CalFire—13 Year-Round Fire Engines.*** About \$40 million (mostly General Fund) in 2019-20 to purchase and staff 13 additional fire engines on a year-round basis. Includes \$8.3 million (one time) to purchase the fire engines and \$32.6 million ongoing for 131 positions.

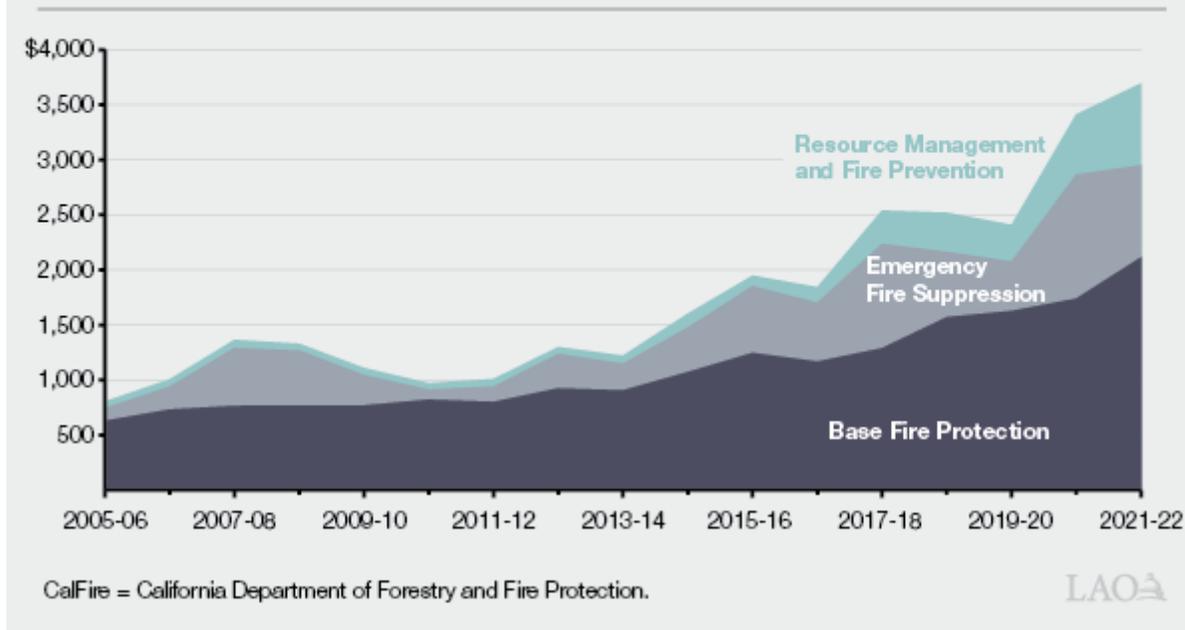
- **OES—Fire Engine Pre-Positioning.** \$25 million annually to pre-position mutual aid fire engines and other related equipment in order to decrease local response times to potentially destructive wildfires and other disasters. This funding was provided on a one-time basis in 2017-18 (GGRF) and in 2018-19 (General Fund). Funding was extended on an ongoing basis in 2019-20 (General Fund).
- **OES—110 Fire Engines.** \$25 million one time (GGRF) in 2018-19 to purchase 110 additional fire engines, and \$1.1 million ongoing to maintain and fuel the additional engines.
- **CalFire—Innovative Procurement.** \$15 million one time (General Fund) in 2019-20 for CalFire to work with vendors to test proofs of concept for various potential firefighting technology solutions.
- **CalFire—Air Tankers.** \$13 million ongoing (General Fund) beginning in 2019-20—increasing to \$50 million upon full implementation in 2023-24—for contract funding for flight crews, maintenance parts and logistics, and 50 additional positions to operate and maintain seven C-130 air tankers that CalFire expects to receive from the federal government.
- **CalFire—Heavy Fire Equipment Operator Staffing.** \$10.6 million ongoing (General Fund) beginning in 2019-20 for 34 additional heavy fire equipment operators to operate bulldozers.
- **CalFire—Wildfire Forecasting.** \$4.4 million (General Fund) in 2020-21, increasing to \$7.6 million ongoing, and 24 positions to implement the FireSIM and FireCAST wildfire forecasting technologies that were identified through the innovation procurement.
- **CalFire, OES, CMD, and CPUC—Wildfire Threat Assessment.** \$2 million (General Fund) in 2020-21, increasing to \$9.5 million in 2021-22 and ongoing (\$9.3 million General Fund and \$191,000 PUCURA) and 22 positions to establish the Wildfire Forecast and Threat Intelligence Integration Center, consistent with the requirements of Chapter 405 of 2019 (SB 209, Dodd).

CalFire = California Department of Forestry and Fire Protection; CCC = California Conservation Corps; OES = Office of Emergency Services; GGRF = Greenhouse Gas Reduction Fund; CMD = California Military Department; CPUC = California Public Utilities Commission; and PUCURA = Public Utilities Commission Utilities Reimbursement Account.

Figure 3

State Spending on CalFire Has Grown

(In Millions)



Extreme Wildfire Events Can Still Strain Response Capacity. Despite recent augmentations, extreme wildfire events can still strain resources. Resource availability can be particularly challenging when multiple large wildfires occur simultaneously, as has happened in recent years. Notably, the state has experienced several severe wildfire seasons in recent years that have challenged the state’s capacity to respond. For example, in 2020, according to data from CalFire, roughly 7,900 requests for fire engines, 900 requests for dozers, and 600 requests for helicopters could not be filled.

Governor’s Budget Includes Several Significant Response-Related Proposals. The proposed budget provides a total of more than \$920 million (mostly from the General Fund) for various wildfire response-related proposals across a few departments. Major proposals include:

- ***CalFire—Staffing and Operational Enhancements.*** The Governor proposes \$400 million ongoing General Fund to improve the health and wellness of CalFire firefighters. According to the administration, details of this proposal will be developed in consultation with the state’s firefighter associations and may be available in May.
- ***CalFire—Emergency Surge Capacity and Resource Enhancement.*** The Governor proposes \$179.8 million General Fund in 2022-23 and \$14.6 million annually thereafter for CalFire to purchase various types of reserve equipment, including four fire hawk helicopters, 54 fire engines, and ten dozers. The Governor also proposes funding for a contract that would provide CalFire with exclusive use of ten helitankers for the next three years until the state anticipates receiving federal C-130 helicopters.
- ***CalFire—Computer Aided Dispatching (CAD)/Automatic Vehicle Locator (AVL) Program Hardware and Service Refresh.*** The Governor proposes \$41.8 million (\$23.9 million General Fund and \$17.9 million State Emergency Telephone Number Account [SETNA]) in 2022-23 and roughly \$30.5 million (\$22.5 million General Fund and roughly \$8 million SETNA) annually

beginning in 2023-24, along with 43 positions, for CalFire to install AVL in the rest of its fleet, implement a five-year replacement cycle for all of its AVL equipment, and provide ongoing support for the AVL and CAD systems. (According to CalFire, 1,200 of its fleet of 3,600 resources currently have AVL installed.) CAD is CalFire’s primary dispatch system, and AVL is a system that integrates with CAD and tracks the real-time location of resources in the field.

- **CMD—Enhancing and Expanding Fire Crews: Task Force Rattlesnake.** The Governor proposes General Fund resources of \$39.9 million in 2022-23 and \$41.3 million annually thereafter and 15 State Active Duty positions to convert 13 seasonal CMD hand crews to 14 year-round hand crews.
- **OES and CalFire—Fire Integrated Real-Time Intelligence System (FIRIS).** The Governor proposes \$30 million ongoing General Fund and 31 positions for the FIRIS system, which provides real-time aerial data and predictive models to inform the state’s response to wildfires and other hazards.
- **CalFire—Contract County Crews.** The Governor proposes \$25.4 million General Fund in 2022-23 and \$35.4 million ongoing to fund 12 hand crews for contract counties (two for each of the six contract counties), as well as a rebaselining of other funding provided to contract counties. (The state funds contract counties to provide fire protection services on behalf of the department in SRA within county boundaries.)
- **CalFire—Training Centers.** The Governor proposes \$15.7 million General Fund in 2022-23 and \$272,000 ongoing for 13 new fire engines and other equipment for the Ventura Training Center and the California Fire Training Center South.
- **OES—Enhancing Fire and Rescue Mutual Aid Fire Fleet.** The Governor proposes \$11.2 million General Fund in 2022-23 and \$10.9 million ongoing, along with 11 positions, to support OES’ mutual aid fire engine program.
- **CCC—Enhancing and Expanding CCC Fire Crews.** The Governor proposes \$8.1 million General Fund in 2022-23 and \$10.2 million ongoing to support ten hand crews (four new crews and conversion of six seasonal crews to year-round), as well as an additional 18 staff positions and 13 corpsmember positions to support these crews.
- **CCC—Rightsizing Fire Crew Resources.** The Governor proposes \$1.8 million General Fund in 2022-23 and \$2 million ongoing for 13 additional corpsmembers and 11 staff to support existing CCC fire crews.
- **CalFire—Various Capital Outlay Projects.** As shown in Figure 4, the Governor proposes \$175.2 million (\$119.7 million General Fund and \$55.5 million in lease revenue bonds) in 2022-23 for various capital outlay projects, mainly focused on replacing and relocating facilities such as unit headquarters, fire stations, and air attack bases. This includes funding for both continuing phases of previously approved projects and new projects. The total estimated cost for the proposed projects is about \$713 million.

Figure 4

CalFire Capital Outlay Projects Proposed for 2022-23

(In Thousands)

Project	2022-23			Total Project Cost
	Amount	Fund Source	New or Continuing	
Statewide: Replace Communications Facilities, Phase V	\$37,266	GF	Continuing	\$41,618

Hemet-Ryan AAB: Replace Facility	33,661	LRB	Continuing	37,523
Prado HB: Replace Facility	21,831	LRB	Continuing	24,600
Lake/Napa Unit Autoshop and Warehouse: Replace Facility	19,713	GF	Continuing	22,917
Potrero Forest FS: Replace Facility	14,675	GF	Continuing	17,370
Chico AAB: Infrastructure Improvements	10,605	GF	Continuing	12,491
Shasta Trinity UH/Northern Operations: Relocate Facilities	6,288	GF	Continuing	109,759
Lake Napa UH and St Helena FS: Relocate Facility	5,000	GF	New	42,714
Intermountain Conservation Camp: Replace Facility	3,831	GF	Continuing	73,895
Humboldt-Del Norte UH: Relocate Facility	3,558	GF	Continuing	57,317
Paso Robles AAB: Infrastructure Improvements	3,277	GF	Continuing	3,859
South Tahoe FS: New Facility	3,000	GF	New	16,680
Hollister AAB/Bear Valley HB: Relocate Facility	2,131	GF	Continuing	53,550
Minor Projects	2,068	GF	New	2,068
North Tahoe FS: New Facility	2,000	GF	New	15,680
Tehama Glenn UH: Relocate Facility	1,500	GF	New	63,720
Columbia HB: Replace Facility	1,228	GF	New	17,435
Howard Forest HB: Replace Facility	1,228	GF	Continuing	17,885
Higgins Corner FS: Replace Facility	789	GF	Continuing	12,029
Bear Valley FS: Relocate Facility	750	GF	New	9,594
Macdoel FS: Relocate Facility	586	GF	Continuing	11,879
Wilbur Springs FS: Relocate Facility	150	GF	New	12,214
L.A. Moran Reforestation Center Improvements	50	GF	New	5,826
Self-Generating Power in Tehama-Glenn and Fresno-Kings Units	50	GF	New	30,100
Totals	\$175,235			\$712,723

CalFire = California Department of Forestry and Fire Protection; GF = General Fund; AAB = Air Attack Base; LRB = lease-revenue bonds; HB = Helitack Base; FS = Fire Station; and UH = Unit Headquarters.

LAO Comments. *Additional Wildfire Response Capacity, Particularly During Extreme Events, Is Merited.* There has been a pattern of increasing numbers of severe wildfires in recent years, which have strained the state’s capacity to respond. Moreover, the effects of climate change are likely to lead to growing risks of severe wildfires in the future. Accordingly, it is reasonable to provide additional resources to improve the state’s capacity to respond to future wildfires. In particular, in principle, it makes sense to enhance the availability of flexible resources that can surge when needed to respond to major wildfires.

Proposals Would Result in Very Large Increase in CalFire Base Support Budget, Mostly Ongoing. As shown in Figure 5, if the Legislature adopts all the Governor’s wildfire response-related proposals, CalFire’s total base support budget for fire protection would increase by 33 percent (from \$2.1 billion in 2021-22 to \$2.8 billion in 2022-23). This represents the largest annual increase since our office started regularly tracking this information in 2005-06. (For reference, the average annual increase has been

8 percent since 2005-06.) Also, in contrast to the Governor’s proposed wildfire and forest resilience package, most of the augmentations for wildfire response-related activities are proposed to be ongoing. (In addition to the proposed augmentations to CalFire’s base support budget, the budget also includes significant new funding for capital outlay projects.)

Figure 5

CalFire Budget Summary

(Dollars in Millions)

	2021-22 (Estimated)	2022-23 (Proposed)	Change	
			Amount	Percent
By Program				
Base Fire Protection	\$2,113	\$2,809	\$695.0	33%
Emergency Fire Suppression	838	413	-424.4	-51
Resource Management	745	414	-330.1	-44
Other ^a	68	72	4.0	6
Totals	\$3,763	\$3,708	-\$55.0	-1%

^aOther includes the Office of the State Fire Marshal, Board of Forestry and Fire Protection, and Department of Justice Legal Services.

CalFire = California Department of Forestry and Fire Protection.

Unclear to What Extent Some Proposals Would Enhance Capacity and Over What Time Frame. The concept of improving wildfire response capacity has merit. However, the extent to which some of the Governor’s proposals would expand this capacity and over what time period is unclear. For example, the largest proposal included in the Governor’s budget is \$400 million in ongoing General Fund to support the health and wellness of CalFire firefighters. While supporting firefighters is a worthy endeavor, it is unclear how this funding would be allocated, including how much would be provided to increase staffing versus increasing pay and/or benefits. If the proposed funding is used to increase compensation, it is unclear to what extent (if at all) it will result in greater response capacity. Similarly, the Governor’s budget includes a proposal to acquire new fire engines for training centers, some of which would replace older engines and some of which would increase the number of training engines available. While trainees may appreciate these new engines, it is unclear how the proposed engines would improve response capacity or provide other measurable benefits to the state.

LAO also notes that the Governor proposes to fund some activities for which it may take a few years to see benefits. Notably, the Governor proposes to acquire helicopters and other equipment, which can take substantial time to procure. For example, CalFire estimates it will take roughly one additional year to receive each additional helicopter ordered. As such, it would take roughly four years for the department to receive all four of the proposed helicopters. The department also estimates it would take up to three years to receive the additional proposed fire engines and dozers. Additionally, the various types of capital outlay projects proposed by the Governor often take at least a few years to complete and be available for use.

Some Proposed Spending Is Excluded Under 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 capital outlay appropriations from the SAL calculation. Of the roughly \$855 million proposed from the General Fund for major wildfire response-related proposals in 2022-23, the Governor excludes roughly 30 percent (\$252 million) from the SAL. This includes \$132 million for equipment and \$120 million for capital outlay projects. The remaining roughly \$603 million of General Fund—almost all of which is proposed on an ongoing basis—would likely count towards the limit. If the Legislature were to reject any of the wildfire response proposals excluded from the SAL calculation, it would generally need to repurpose the associated funding for other SAL-related purposes, such as tax reductions or an alternative excluded expenditure.

Absence of a Strategic Wildfire Plan Makes It Difficult to Assess if Proposals Are Optimal Approach. LAO continues to believe that the state would benefit from the development of a statewide strategic wildfire plan. The purpose of the plan would be to inform and guide state policymakers regarding the most effective strategies for responding to wildfires and mitigating wildfire risks. In particular, the plan should include guidance on future funding allocations to ensure the highest-priority and most cost-effective programs and activities receive funding and that the state supports an optimal balance of funding for resilience and response.

The Legislature has taken steps to attempt to secure information that would facilitate a more strategic approach to addressing wildfire risks. Specifically, as part of the 2019-20 budget package, the Legislature required CalFire and OES to conduct an assessment of the existing wildfire response capacity through state and mutual aid resources to identify gaps in capacity, cost-effective approaches, and fire response goals (required assessment). The required assessment was due on April 1, 2020, but has not been provided to date due to competing workload demands. According to CalFire, the Administration has no estimated time frame for completing this report. Absent the types of information that would be in a strategic wildfire plan and the required assessment, it is difficult for the Legislature to determine whether the proposals put forward by the Administration represent the most appropriate and cost-effective mix of approaches to meet the state's needs for fire response.

LAO Assessment of Specific Proposals. Despite the absence of a strategic wildfire plan, the Legislature must still make funding decisions and respond to the budget proposals put forward by the Governor. In order to assist the Legislature in this process, LAO assesses the Governor's specific 2022-23 wildfire response-related budget proposals, based on the information available to us at the time of the preparation of this writing. LAO finds that (1) some proposals generally appear reasonable; (2) two proposals could potentially have merit, in whole or in part, but lack important details or justification at this time; (3) some proposals assume funding will be provided in another proposal and thus the proposals should be considered together; and (4) some proposals appear not to be the most cost-effective approach to improving response capacity.

Some Proposals Generally Appear Reasonable. LAO finds that some of the Governor's proposals appear reasonable based on the information provided by the Administration at the time this brief was prepared. These proposals include the following:

- ***CalFire—Contract County Crews.*** LAO finds the proposed expansion of hand crew capacity in the state is likely merited given the recent declines in inmate crews and the importance these crews play in the state's response and resilience strategies. Notably, the proposed added capacity would be provided through the state agreeing to fund crews for contract counties, which the state has not generally done in the past. (The state did provide some one-time funding to contract counties as part of the 2021-22 wildfire and forest resilience package.) LAO finds that it is reasonable for the state to provide support for contract county hand crews because the state will

likely derive significant benefits from them. This is because the crews would conduct activities in the SRA—such as vegetation management projects and wildfire response—that are likely to reduce the likelihood of major wildfires. LAO also notes that the state already provides funding to contract counties for similar types of activities to prevent and suppress wildfires, such as for fire engines and crews. Additionally, the proposed rebaselining of funding for contract counties appears to better reflect the costs the state would likely incur if contract counties were not providing services on behalf of CalFire in the SRA.

- **CalFire—Various Capital Outlay Projects.** While the full costs of the proposed capital outlay projects will be substantial, LAO finds that the new projects would address important infrastructure needs for the department, such as replacing aging facilities that do not meet the department’s operational needs. LAO does not have concerns with the funding included in the budget for the next phases of previously approved CalFire capital outlay projects.

Additional Information or Justification Needed for Some Proposals. LAO finds that two proposals could potentially have merit in whole or in part, but lack some key information or justification at this time. These proposals are:

- **CalFire—Staffing and Operational Enhancements.** The last few years have placed significant strains on firefighters. Accordingly, it is reasonable in principle to dedicate additional funding to support their health and wellness. At this time, however, the Administration has not provided any details on what the proposed \$400 million in ongoing General Fund resources would support. This makes it impossible for the Legislature to assess whether the proposal represents the appropriate funding amount, what specific outcomes would be achieved from this funding, and whether the proposed funding would be the most cost-effective approach to improving the state’s capacity to respond to potentially destructive wildfires. Notably, \$400 million would represent a substantial increase in funding for CalFire personnel. For reference, the budget estimates that spending on CalFire personnel costs will total \$1.5 billion in 2021-22. Of this amount, about \$930 million is anticipated to be provided for salaries and \$580 million for benefits.
- **OES—Enhancing Fire and Rescue Mutual Aid Fire Fleet.** This proposal would support OES’ mutual aid fire engine program, which is an important part of the state’s ability to access surge capacity. However, at this time, it is unclear how specifically the additional funding proposed by the Governor would be used. Specifically, it is unclear to what extent the funding would be used by OES to replace existing fire engines more frequently or provide a more robust maintenance program for its engines. Without this type of basic information, it is impossible for the Legislature to evaluate what specific improvements to fire response capacity would be expected from this proposal and whether they would justify the additional costs.

Some Proposals Assume Funding Will Be Provided in Another Proposal. LAO finds that the some of the Governor’s proposals assume funding will be provided in the staffing and operational enhancements proposal. As such, it will be important for the Legislature to consider these proposals together as discussed below.

- **CalFire—Emergency Surge Capacity and Resource Enhancement.** Given the high number of unfilled requests for response-related equipment—including fire engines, helicopters, and dozers—over the past few years, LAO finds that it is reasonable for the Legislature to consider providing additional resources to increase the availability of such equipment. However, the Governor’s proposal does not account for all the operational costs associated with the proposed equipment. Specifically, according to CalFire, the costs of staffing the proposed helicopters are included as part of the staffing and operational enhancements proposal. Accordingly, it will be important for the Legislature to consider the two proposals together.

Additionally, given the complex and technical nature of decisions about the relative operational value of various types of equipment in specific wildfire conditions, it is particularly difficult to evaluate the merits of this type of proposal absent a strategic wildfire plan.

- **CCC and CMD Fire Crew Proposals.** The proposed CCC and CMD hand crews (and associated support staff, as relevant) would provide a significant increase in the resources available to assist in responding to active wildfires, as well as conducting hazardous fuel removal projects at other times. LAO expects that such an expansion would provide important value to the state. However, LAO notes that additional CalFire staffing is anticipated to be required to oversee the proposed changes to the CCC and CMD crews. According to the Administration, this additional staffing is included in the staffing and operational enhancements proposal. Given this, it will be important for the Legislature to consider the proposals together.

Some Proposals May Not Be Most Cost-Effective Approach to Improving Response Capacity. LAO has some initial concerns with the remaining proposals because they may not represent the most cost-effective approaches to improving response capacity based on the information available at the time this writing. Specifically, LAO has such concerns with the following proposals:

- **CalFire—CAD/AVL Program Hardware and Service Refresh.** While CAD and AVL provide important functionality to the department, it is not clear to us whether (1) the benefits of extending it to every CalFire resource—including every vehicle operated by any CalFire staff—outweighs the substantial cost, (2) a five-year replacement cycle is necessary, and (3) such a replacement cycle is consistent with the practices of governmental entities with this type of technology.
- **CalFire—Training Centers.** At this time, it is unclear what additional response benefits would be provided by acquiring 13 new engines for CalFire’s training facilities and whether those benefits justify the cost of the Governor’s proposal. LAO notes that the need for some or all of the proposed training engines could potentially be met by repurposing older fire engines that the department would otherwise sell. LAO does not raise concerns with the purchase of other training equipment.
- **OES and CalFire—FIRIS.** Since 2019, the state has been piloting the use of FIRIS—a system that provides real-time aerial data and predictive models to inform the state’s response to wildfires and other hazards—through an agreement with Orange County. Under this proposal, OES and CalFire would take over FIRIS from Orange County on a permanent basis and expand the level of service provided to include two planes providing 24-hour coverage each at a total cost of roughly \$30 million annually. (The Orange County pilot included two planes, one that provided 24-hour coverage and one that provided 12-hour coverage.) However, it is unclear whether this additional level of service is necessary. This is because the departments have not provided sufficient justification for why the current level of service is insufficient, particularly given that they have access to similar aerial data and capabilities through a partnership with CMD. Furthermore, while the departments did not evaluate what the cost would be to continue the existing level of service, LAO would expect it to be significantly lower than \$30 million per year given that the proposal notes that it would cost \$17 million for Orange County to continue providing the existing level of service. (According to OES, Orange County is not interested in continuing to manage this program.)

LAO Recommendations. Consider Proposals in Context of Overall Priorities. Given the size of the proposed wildfire response-related augmentations, LAO recommends that the Legislature weigh all the proposals in the context of its priorities and other budget decisions, keeping in mind the following considerations:

- ***Governor’s Wildfire Resilience Package.*** The Governor’s 2022-23 budget plan includes a total of \$800 million from the General Fund over two years (in addition to \$200 million annually from the Greenhouse Gas Reduction Fund) for various wildfire prevention and mitigation efforts. Ultimately, a key question for the Legislature will be how to balance additional resources for wildfire resilience versus response.
- ***Augmentations Provided in Recent Budgets.*** Notably, recent state budgets have provided various augmentations for wildfire response-related resources as mentioned previously, including for fire crews, hand crews, fire engines, helicopters, aircraft, and various types of technology. It will be important for the Legislature to ensure that it is comfortable that the Governor’s proposals build on, rather than duplicate, these existing resources.
- ***Priorities for Ongoing General Fund.*** It will also be important for the Legislature to consider the Governor’s wildfire response proposals in the context of its priorities for the use of ongoing General Fund resources since most of the proposed funding would be provided on an ongoing basis.
- ***SAL Implications.*** It will also be important for the Legislature to consider the implications for the SAL as it reviews these proposals. The Governor excludes roughly 30 percent of the \$855 million proposed for major wildfire response-related proposals in 2022-23 from the SAL. This includes \$132 million for equipment and \$120 million for capital outlay projects. If the Legislature were to reject any of these proposals, it would generally need to repurpose the associated funding for other SAL-related purposes, such as tax reductions or an alternative excluded expenditure.
- ***Ability to Enhance Additional Response Capacity Cost-Effectively and Expeditiously.*** Finally, given the amount of proposed funding, it will be particularly important to ensure that the mix of proposals represents the best mix of resources to improve the state’s ability to respond cost-effectively. Ideally, the Legislature would have a strategic wildfire plan to help guide these decisions. However, given the pressing nature of this issue, the Legislature could consider providing some or all of the requested resources while continuing to pursue more information from the administration to inform future decisions. To the extent it provides funding for only some resources, it could focus on the resources that have the clearest demonstrated ability to improve response capacity, are likely to provide near-term wildfire response benefits, and are least likely to change substantially based on information that would be provided in a strategic wildfire plan.

Approve Proposals That Generally Appear Reasonable. Some proposals meet clearly identified needs, include sufficient details to enable the LAO to adequately assess them, and are likely to be reasonable even in the absence of a strategic wildfire plan. Accordingly, LAO thinks it makes sense for the Legislature to approve them. These proposals include (1) CalFire’s contract county crews proposal and (2) CalFire’s various capital outlay proposals.

Withhold Action on Proposals Pending Additional Information. There are a couple proposals that may have merit in concept, but are lacking adequate details and/or justification at this time. For these proposals, LAO recommends that the Legislature withhold action pending receipt of additional information from the Administration. If the Administration does not provide sufficient information to justify their approval, LAO recommends that the Legislature reject the proposals in whole or in part. These proposals are:

- ***CalFire—Staffing and Operational Enhancements.*** There is no information available on how the proposed funding would be used and why \$400 million is the appropriate level of funding. Based on LAO’s discussion with the Administration, LAO understands that additional details on

this proposal may be available in May. Until such information is available, LAO recommends the Legislature withhold action on this proposal.

- **OES—Enhancing Fire and Rescue Mutual Aid Fire Fleet.** LAO recommends withholding action pending receipt of information on how the proposed funding would be used to support OES' fleet, as well as substantiating that the specific benefits that would be provided by this proposal justify the cost.

Withhold Action on Proposals That Assume Funding Provided in Another Proposal. LAO recommends that the Legislature withhold action on the proposals that are proposed to be staffed in part with resources included in the staffing and operational enhancements proposal.

- **CalFire—Emergency Surge Capacity and Resource Enhancement.** LAO recommends withholding action on this proposal because it would be staffed in part through resources proposed in the staffing and operational enhancements proposal. Accordingly, the Legislature will want to consider this proposal along with that proposal, the details of which are not anticipated to be available until May. Additionally, this proposal is particularly difficult to evaluate absent a strategic wildfire plan or required assessment because decisions about how to prioritize the use of various types of equipment in fire response is complex and technical. Accordingly, if the Legislature ultimately does want to provide resources in this area, it could consider approving the full requested amount or take a different approach. For example, one alternative could be to approve some of these resources in the budget year and defer action on the remaining resources to a future year. (This could potentially be done without delaying the receipt of equipment, since some equipment such as the helicopters, will take multiple years to arrive regardless.) The Legislature could make its approval of additional resources contingent on the Administration preparing the required assessment to help guide decision-making.
- **CCC and CMD Fire Crew Proposals.** LAO also recommends withholding action on the CCC and CMD fire crew proposals. LAO's understanding is that the CalFire staffing to oversee these crews is assumed to be provided as part of the staffing and operational enhancements proposal. Accordingly, the Legislature will want to consider these proposals along with that one.

Require Specific Information on Proposals That Do Not Appear Cost-Effective. There are a few proposals that do not appear to be the most cost-effective approach to improving response capacity based on the information available at the time of the preparation of this brief. Accordingly, LAO recommends that the Legislature require the administering departments to report specific information to address these concerns. To the extent that the responses are not compelling, LAO would recommend the Legislature modify or reject these proposals. These proposals are:

- **CalFire—CAD/AVL Program Hardware and Service Refresh.** LAO recommends requiring the department to report on (1) how the benefits of extending AVL to every CalFire resource—including every vehicle operated by any CalFire staff even those not directly involved in fire response—outweighs the cost of the proposal, (2) why a five-year replacement cycle is necessary, and (3) whether a five-year replacement cycle is consistent with the practices of governmental entities that use this type of technology. Such information would be important for the Legislature to determine whether to modify the proposal to provide AVL to a subset of the fleet or with a longer replacement cycle.
- **CalFire—Training Centers.** LAO recommends requiring CalFire to report on why these training engines are needed given that the department can use reserve engines or engines that would otherwise be surplus for training purposes. Specifically, the department should be able to articulate the specific consequences of not having these new engines on its capacity to respond to wildfires or identify other measurable benefits to the state. Absent a compelling rationale for

these engines, we recommend modifying the proposal to reject them. (LAO does not raise concerns with the other equipment proposed to be funded.)

- ***OES and CalFire—FIRIS.*** LAO recommends the Legislature direct OES and CalFire to report at budget hearings on an alternative to their proposal that would fund FIRIS at the current level of service, rather than the higher level of service proposed. This would provide the Legislature with important information on its options for continuing this program and allow it to assess whether there is another approach that would meet the state’s needs at a significantly lower cost.

Staff Recommendation. Hold open.

0650 GOVERNOR’S OFFICE OF EMERGENCY SERVICES (CAL OES)
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)
3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 21: Peace Officer and Law Enforcement Legislative Requirements — SB 2, SB 16, AB 26, AB 48, and AB 481

Governor’s Proposal. The Governor’s budget requests \$13.849 million General Fund in 2022-23, \$8.789 million ongoing, 28 positions, and 14 vehicles to comply with peace officer and law enforcement requirements associated with SB 2 (Bradford), Chapter 409, Statutes of 2021, SB 16 (Skinner), Chapter 402, Statutes of 2021, AB 26 (Holden), Chapter 403, Statutes of 2021, AB 48 (Lorena Gonzalez), Chapter 404, Statutes of 2021, and AB 481 (Chiu), Chapter 406, Statutes of 2021. The breakdown for each department’s request is as follows:

- CalFire requests \$7.547 million in 2022-23, \$3.565 million ongoing, seven positions, and four vehicles to comply with SB 2, AB 481, and AB 48.
- Parks requests \$3.849 million in 2022-23, \$3.215 million ongoing, 13 positions, and seven vehicles to comply with SB 2 ad SB 16.
- DFW requests \$2.035 million in 2022-23, \$1.591 million ongoing, six positions, and three vehicles to comply with SB 2, SB 16, and AB 26
- Cal OES requests \$418,000 ongoing and two positions to comply with AB 481.

Background. This package of bills address the public demand for peace officer reform. Specific components of each bill affect the departments in a variety of ways.

SB 2 (Bradford). SB 2 grants new powers to the Commission on Peace Officer Standards and Training (POST) to investigate and determine peace officer fitness and to decertify officers who engage in “serious misconduct”; and (2) makes changes to the Bane Civil Rights Act to limit immunity.

The departments must confirm all officers are POST certified, review peace officer investigations, and make recommendations for certificate suspension or revocation. This proposal includes resources for CalFire, Parks, and DFW to address the requirements of SB 2.

CalFire employs approximately 296 total peace officers that are responsible for enforcing laws related to CalFire’s forest and fire protection mission. Of the 296, 180 of CalFire’s peace officers are authorized to carry a firearm on a regular basis and are appointed under Penal Code (PC) Section 830.2, which grants law enforcement authority to state peace officers. These officers are required to be certified by POST. The remaining 116 departmental peace officers are appointed under PC Section 830.3 and conduct enforcement duties delegated to the Office of the State Fire Marshal (OSFM). SB 2 requires the peace officers appointed under Penal Code Section 830.3 to be certified by POST, which will require the officers to attend POST Regular Basic Course Academy, Field Training Program, and Continued Professional Training. CAL FIRE currently does not offer these training programs to OSFM’s peace

officers.

Parks' Law Enforcement and Emergency Services Division is comprised of roughly 600 rangers and lifeguards, both of which are peace officers with statewide jurisdiction. They are responsible for providing law enforcement and public safety throughout the state park system. The statutory changes due to SB 2 will increase the workload associated with investigations, detailed reporting, and expanded access to peace officer records. Parks cannot comply with the requirements of SB 2 within existing Parks' resources and existing staff.

DFW employs 480 sworn Wildlife Officers that have law enforcement jurisdiction throughout the state and 200 miles out to sea. They are also federally deputized to enforce certain federal laws. SB 2 requirements create an increase in reporting and requirements for the certification of DFW's peace officers, therefore increasing workload. Additionally, the bill requires DFW to report any complaints, charges, allegations, or investigations into serious misconduct by a peace officer that could render the officer's certification subject to suspension or revocation. The reporting timeline is much shorter than previously required.

SB 16 (Skinner). SB 16 expands the categories of police personnel records that are subject to disclosure under the California Public Records Act; and modifies existing provisions regarding the release of records subject to disclosure. SB 16 revises the record retention procedures to replace the 5-year minimum with a 15-year minimum for sustained findings of misconduct. Access to records, timelines, and volume will have a substantial impact on the departments' limited resources.

This proposal includes resources for Parks and CDFW to address the additional requirements imposed by SB 16. Parks currently exceeds 400 related requests per year and currently averages 15 investigations annually. Each of these investigations takes roughly six months to complete, with a team of only two investigators. SB 16 expands access to peace officer records through Public Records Act requests. The collective result of these changes will increase the number of requests, investigations, retention, reporting, and review. The department cannot comply with the requirements of SB 16 within existing Parks' resources and staff.

AB 26 (Holden). AB 26 specifies that law enforcement agency polices must: (1) mandate the reporting potential excessive force by officers; (2) prohibit retaliation against officers that report violations; (3) require that an officer who fails to intercede be disciplined up to and including the same manner as the officer who used excessive force; (4) prevent an officer who has had a finding of misconduct for use of excessive force from training other officers for three years; and (5) clarify the reporting requirements for uses of force and intervention on another officer who uses excessive force.

AB 26 requires that officers immediately intercede and report when observing perceived excessive force. This bill expands the requirements for a witness officer to go beyond reporting excessive force and would add additional requirements and consequences for an observing officer.

Due to the possible liability involved, this proposal includes resources for DFW. This proposal would support DFW's capacity to work with the Attorney General's Office on litigation arising from AB 26. Every time one of the Wildlife Officers observes another peace officer, from any other agency or department, using force, the DFW and the peace officer are exposed to potential liability. The Wildlife Officers frequently work with other law enforcement agencies. They back up outside agencies in calls for service, they execute search warrants together, and request back up in remote areas of the state.

AB 48 (Lorena Gonzalez). AB 46 places a general ban on the use of kinetic energy projectiles and

specified chemical agents by law enforcement upon public assemblies, subject to specified exemptions. AB 48 includes a component requiring monthly reporting, instead of annual reporting, of any specified use of force incidents to the Department of Justice.

This proposal includes resources for CalFire to comply with the expanded reporting requirement. The change in reporting requirement of specific use of force incidents from an annual report to a monthly report will cause an increase in workload for CalFire. CalFire does not have a centralized reporting system and historically was able to collect, review and create an annual report with existing personnel and resources. Meeting the monthly requirement for this report will require additional resources to support CalFire in collecting and reviewing statewide reports to be submitted to Department of Justice.

AB 481 (Chiu). AB 481 requires law enforcement to follow specified procedures prior to the acquisition or use of surplus federal military equipment, including obtaining approval from a local governing body. AB 481 also requires similar approval for the continued use of military equipment acquired prior to January 1, 2022.

This proposal includes resources for CalFire and Cal OES to comply with these requirements.

CalFire possesses numerous items of law enforcement-related equipment, which is now considered military equipment pursuant to AB 481, specifically UAVs, command and control vehicles, flashbang grenades, breaching apparatuses, projectile launch platforms and their associated munitions such as 40mm projectile launchers, “bean bag,” rubber bullet, and specialty impact munition (SIM) weapons. Command and control vehicles are used daily by CalFire peace officers for patrol and response to incidents. The remaining equipment listed above is issued for incidents such as the execution of arrest and search warrants, crowd control, or training purposes. CalFire does not have sufficient resources to create and implement use policies and procedures for each piece of military equipment. None of this equipment is purchased through the Department of Defense and none of this equipment has previously been considered military equipment. CalFire purchases law enforcement equipment using budgeted funds. All equipment is purchased from retail vendors and/or manufacturers of law enforcement equipment.

Cal OES is appointed by the Governor to oversee the Law Enforcement Support Office Program (1033 Program) for the state, which allows a local agency to acquire surplus property from the federal government without regard to any law requiring posting of notices or advertising, inviting, or receiving bids. Through this process, the Department of Defense may transfer surplus property, including arms and ammunition, to federal or state agencies for use in law enforcement activities, subject to specified conditions, at no cost to the acquiring agency. There are currently 274 law enforcement agencies participating in the 1033 Program.

Staff Recommendation. Hold open.

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VOTE-ONLY

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3125 CALIFORNIA TAHOE CONSERVANCY
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Issue 1: CNRA Bond and Technical Proposals

Governor's Proposal. The Governor's budget requests for appropriations and reappropriations from various bonds, reversions, reversions with associated new appropriations, and other non-bond technical adjustments to continue implementation of existing authorized program.

Staff Recommendation. Approve as budgeted.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)**Issue 2: Wildfire and Forest Resilience Task Force (SB 456)**

Governor's Proposal. The Governor's budget requests \$2.483 million in General Fund for 2022-23 and \$1.477 million ongoing, and four positions (two at CNRA and two at CalFire) to support the operations of the Task Force and to fulfill the goals of SB 456 (Laird), Chapter 387, Statutes of 2021, which codifies the Governor's Wildfire and Forest Resilience Action Plan in statute.

These positions will 1) manage and facilitate the work of more than a dozen work groups and related committees, quarterly regional forums, an interagency team, a Science Advisory Panel; 2) track the 99 deliverables in the Action Plan; 3) coordinate the work of more than 50 federal, state, local, and tribal agencies involved in the Task Force; and 4) develop and implement a comprehensive communications strategy, including development of the annual reports required by SB 456.

Staff Recommendation. Approve as budgeted.

3125 CALIFORNIA TAHOE CONSERVANCY

Issue 3: Americans with Disabilities Act (ADA) Site Improvements

Governor's Proposal. The Governor's budget requests a one-time General Fund appropriation of \$1.025 million for small projects needed to meet current ADA and California Building Code standards. The minor improvements, at three separate Conservancy developed recreational facilities, are necessary upgrades to create safe and equitable public access to the facilities. The three separate recreational facilities are in one project area on the north shore of Lake Tahoe all with similar needed minor improvements.

Staff Recommendation. Approve as budgeted.

Issue 4: Minor Capital Outlay

Governor's Proposal. The Governor's budget requests \$980,000 (\$480,000 from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Proposition 84) and \$500,000 Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002 (Proposition 50)) for various minor capital outlay projects. These projects involve stabilizing and improving previously acquired property, including reducing forest fuels, ensuring public safety, and completing upgrades on developed facilities. The current project schedule estimates these projects will begin July 1, 2022 and will be completed in June 2023.

Staff Recommendation. Approve as budgeted.

Issue 5: Upper Truckee River Sunset Stables Reach 6 Restoration Project

Governor's Proposal. The Governor's budget requests \$500,000 in habitat conservation fund authority to study restoration and recreation opportunities and complete environmental review for the Upper Truckee River Sunset Stables Reach 6 Restoration Project.

As part of the Project Study phase, the Conservancy will study restoration and recreation opportunities and complete environmental review for restoring a degraded section of the Upper Truckee River (River) and adjacent floodplain. The project will reduce sediment and nutrients that flow from the River into Lake Tahoe; enhance aquatic and terrestrial habitat; protect biodiversity; sequester carbon; improve public access; and restore climate resilience. As part of the eventual Project Construction phase, the conservancy will improve 4,500 feet of river channel, enhance 70 acres of floodplain, and remove conifers on 30 acres to improve habitat and reduce fire risk. The conservancy estimates total project costs at \$2.7 million, including Project Study (\$500,000), Preliminary Plans (\$200,000), Working Drawings (\$200,000), and Construction (\$1.8 million). The Construction amount includes \$1.3 million for the construction contract, \$130,000 for contingency, \$100,000 for architectural and engineering services, \$90,000 for agency retained items, and \$180,000 for other project costs. The conservancy will complete the Project Study phase in late 2023 and will begin work on Preliminary Plans in July 2024. The conservancy will initiate Working Drawings in July 2025 and Construction in 2026.

Issue 6: Conceptual Feasibility Planning

Governor's Proposal. The Governor's budget requests \$600,000 Safe Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Proposition 84) for conceptual and feasibility planning for future watershed improvements and forest health and fuels reduction capital outlay projects. The conservancy will use this funding to hire both outside contractors and for existing conservancy staff to carry out the planning work. Investigations will focus on conservancy ownerships in key watersheds, several potential lakefront access points, and other sites requiring restoration and improvements, as well as forest health and fuels reduction which mitigates wildfire risk to communities.

Staff Recommendation. Approve as budgeted.

3340 CALIFORNIA CONSERVATION CORPS (CCC)

Issue 7: Equipment Replacement

Governor's Proposal. The Governor's budget requests \$7.305 million one-time General Fund in 2022-23 to replace 114 vehicles. This would enable the CCC to meet its operational needs, minimize health and safety concerns related to crew transportation, and replace its aging fleet with newer, more fuel-efficient vehicles. The CCC's vehicle replacement plan is consistent with Executive Order (EO) B-16-12, and State Administrative Manual (SAM) Section 4100. Funds will be available for expenditure or encumbrance until June 30, 2024.

Background. In 2011, the Department of General Services (DGS) contracted with Mercury Consulting Services to audit all state department fleets and develop a plan to operationally balance the state's fleet. As a result, the CCC began to replace, standardize, and right size its fleet after a 2010-11 Budget Change Proposal (BCP) approved expenditure authority of \$2.91 million to purchase 34 crew carrying vehicles (CCVs) and 20 passenger vans, and \$1.43 million to purchase an additional 22 CCVs in FY 2011-12. The vehicle replacement plan timeframe proposed in the 2010-11 BCP was delayed due to Executive Order B-2-11 requiring departments to reduce its fleet size. In addition, unanticipated cost increases for the CCVs per specifications as finalized with assistance from the DGS Procurement Division increased the price of the CCVs from \$65,000 to \$100,700 per vehicle. Of the total 76 vehicles approved, CCC was only able to purchase 40. CCC received \$2 million in expenditure authority for 2012-13, plus expenditure authority from a re-appropriation from the two prior proposals to purchase the remaining 36 vehicles. CCC continued to move forward to eliminate aged, worn-out vehicles in 2013-14, spending \$1.15 million for the replacement of two pick-up trucks and the additional 18 pick-up trucks, three 15-passenger vans, and seven minivans for expansion crews funded through Propositions 39 and 40 and in 2014-15, spending \$1.06 million for 23 pick-up trucks, five 15-passenger vans, two stake-side trucks, one hybrid sedan, and five mid-size SUVs. The last augmentation approved for vehicle replacement was through 2016-17 BCP, which provided \$812,000 annually for three years to replace 90 vehicles in its fleet.

Staff Recommendation. Approve as budgeted.

Issue 8: Greenwood: New Residential Center

Governor's Proposal. The Governor's budget requests \$66.607 million General Fund for the construction phase to replace the existing Greenwood Residential Center (located in El Dorado County), which was constructed in the 1980s, to address structural and functional deficiencies.

Background. *Residential Center, Greenwood: New Residential Center – \$66,607,000 General Fund for the Construction Phase.* This project includes buildings consisting of an administration building, seven dormitories, an education/recreation building, a multi-purpose with kitchen and dining room, a warehouse with a work area, and a hazardous materials storage room. Additionally, the scope of work will include related infrastructure and site work as needed. Facility will be designed based on the CCC's residential center needs and will accommodate about 100 permanent residential corpsmembers. Construction is scheduled to begin in November 2022 and will be completed May 2025.

Staff Recommendation. Approve as budgeted.

Issue 9: Mission Critical Resources

Governor's Proposal. The Governor's budget requests position authority for one Administrator Officer I (AOI), one Associate Governmental Program Analyst, two Conservationist I (CI), and one Fish Habitat Assistant for 2022-23 and ongoing to address critical staffing needs in the CCC to better serve and develop Corpsmembers. This proposal has a net zero fiscal impact.

Energy Corps Program. CCC is requesting position authority for two relief CI positions and one AOI position to meet the needs of the Energy Corps Program. Funding for the three positions will be absorbed through existing Energy GGRF expenditure authority. The proposed CI positions will provide Sacramento and Norwalk Energy Districts with relief crew supervision to cover staff illnesses and vacations, and to ensure continued crew operations, including conducting energy projects for sponsors and offering mentorship to Corpsmembers, while other staff are responding to emergencies.

The CCC is also requesting one AOI position to be located at the Sacramento Energy District. AOs are responsible for, among other things, ordering Corpsmember uniforms, PPE, and other necessary goods and materials; providing administrative support to Corpsmembers; and maintaining responsibility for the safety and supervision of special Corpsmembers working at the centers. AOs assist with ordering food and finding housing when Corpsmembers work on spike projects (an estimated 85 percent of projects). The CIs utilize Procurement Cards to purchase meals, hotel rooms, tools, and materials for the Corpsmembers while Corpsmembers are engaged on spike projects. The one AOI that the Energy Corps Program has must enter and reconcile these transactions for four Energy locations across the state, which translates to a significant amount of workload for one position and additional coordination to work across the northern and southern regions of the state. Currently, there is a backlog of purchase orders and Procurement Card reconciliations, resulting in overtime and redirection of other Energy Corps staff. Late Procurement Card payments have resulted in challenges for completing critical project and emergency response purchasing, which negatively impacts the CCC's daily operations and ability to fulfill its mission. Funding for these three positions will be redirected from the existing Energy GGRF expenditure authority, for a net zero fiscal impact.

Staff Recommendation. Approve as budgeted.

Issue 10: Resource Realignment for Communication, Outreach, Recruitment, and Enrollment (CORE)

Governor's Proposal. The Governor's budget requests to convert 20.5 Full-Time Equivalent (FTE) Special Corpsmember positions to 11 permanent civil service staff positions to align resources with workload needs. CCC requests position authority for seven Staff Services Analysts, one Associate Governmental Program Analyst, one Graphic Designer I, one Information Officer I, and one Staff Services Manager I for 2022-23 and ongoing for CCC's Communications, Outreach, Recruitment, and Enrollment (CORE). This proposal has a net zero fiscal impact.

Background. CORE is experiencing several operational challenges, including frequent turnover and inefficiencies, because the Special Corpsmember (SPCM) positions have become unreliable, an issue that has been developing for the past four years. CCC will struggle to meet its recruitment goals unless the program has stability, and the skill sets of permanent staff positions. If approved, this request will

enhance the current service level with no fiscal impact.

CCC operates multiple targeted conservation programs. The CCC now has a total of 17 Wildland Firefighting crews and six Forestry Corps crews. Historically, some of these Corpsmember positions have been difficult to fill because of the location, physical fitness requirements, and the operational necessity of Corpsmembers working 24-hour shifts during weeks away from the center when fighting fires. These specialized crews were established to improve forest health, engage in fire prevention activities, and wildland firefighting. These activities help comprise the state's climate resilience strategy, and its emergency preparedness and response. Maintaining enrollment for existing crews, such as the Energy Corps, and amplifying outreach for the specialized crews have created an increased demand on the CORE program area. It has also intensified the short and long-term need for workload efficiency to reach program enrollment goals of close to 100 percent. These goals are not being met because of inefficiencies, turnover, and lack of skillsets that are necessary to maintain successful operations and high program enrollment.

Staff Recommendation. Approve as budgeted.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION**Issue 11: Office of the State Fire Marshal, Fire and Life Safety**

Governor's Proposal. The Governor's budget requests \$2.6 million reimbursement authority increase in 2022-23, \$2.2 million ongoing, and eight permanent positions to support the Office of the State Fire Marshal's (OSFM) Fire and Life Safety (FLS) Division's increased workload related to current and planned construction by the state, and infrastructure improvements outlined in the Budget Act of 2021.

Staff Recommendation. Approve as budgeted.

Issue 12: State Fire Training Enhancement Program

Governor's Proposal. The Governor's budget requests \$914,000 California Fire and Arson Training Fund in 2022-23, \$839,000 ongoing, and four positions for the OSFM's State Fire Training Division. This request will allow for adequate staffing and funding to support the operation needs to the program to administer the California Fire Service Training and Education Program.

Staff Recommendation. Approve as budgeted.

Issue 13: Capital Outlay Proposals

Governor’s Proposal. The Governor’s budget requests funding for the several capital outlay projects as noted on the chart below:

CalFire Capital Outlay Projects Proposed for 2022-23

(In Thousands)

Project	2022-23			Total Project Cost
	Amount	Fund Source	New or Continuing	
Statewide: Replace Communications Facilities, Phase V	\$37,266	GF	Continuing	\$41,618
Hemet-Ryan AAB: Replace Facility	33,661	LRB	Continuing	37,523
Prado HB: Replace Facility	21,831	LRB	Continuing	24,600
Lake/Napa Unit Autoshop and Warehouse: Replace Facility	19,713	GF	Continuing	22,917
Potrero Forest FS: Replace Facility	14,675	GF	Continuing	17,370
Chico AAB: Infrastructure Improvements	10,605	GF	Continuing	12,491
Shasta Trinity UH/Northern Operations: Relocate Facilities	6,288	GF	Continuing	109,759
Lake Napa UH and St Helena FS: Relocate Facility	5,000	GF	New	42,714
Intermountain Conservation Camp: Replace Facility	3,831	GF	Continuing	73,895
Humboldt-Del Norte UH: Relocate Facility	3,558	GF	Continuing	57,317
Paso Robles AAB: Infrastructure Improvements	3,277	GF	Continuing	3,859
South Tahoe FS: New Facility	3,000	GF	New	16,680
Hollister AAB/Bear Valley HB: Relocate Facility	2,131	GF	Continuing	53,550
Minor Projects	2,068	GF	New	2,068
North Tahoe FS: New Facility	2,000	GF	New	15,680
Tehama Glenn UH: Relocate Facility	1,500	GF	New	63,720
Columbia HB: Replace Facility	1,228	GF	New	17,435
Howard Forest HB: Replace Facility	1,228	GF	Continuing	17,885
Higgins Corner FS: Replace Facility	789	GF	Continuing	12,029
Bear Valley FS: Relocate Facility	750	GF	New	9,594
Macdoel FS: Relocate Facility	586	GF	Continuing	11,879
Wilbur Springs FS: Relocate Facility	150	GF	New	12,214
L.A. Moran Reforestation Center Improvements	50	GF	New	5,826

Self-Generating Power in Tehama-Glenn and Fresno-Kings Units	50	GF	New	30,100
Totals	\$175,235			\$712,723

CalFire = California Department of Forestry and Fire Protection; GF = General Fund; AAB = Air Attack Base; LRB = lease-revenue bonds; HB = Helitack Base; FS = Fire Station; and UH = Unit Headquarters.

Source: Legislative Analyst’s Office (LAO)

Staff Recommendation. Approve as budgeted.

Issue 14: Enhanced Industrial Disability Leave (SB 334 and SB 1144)

Governor’s Proposal. The Governor’s budget requests \$13.8 million General Fund starting in 2022-23 and use of a four-year average methodology to annually adjust baseline funding consistent with the utilization of this benefit to support the overtime costs resulting from the implementation of SB 334 (Dodd), Chapter 857, Statutes of 2017, and SB 1144 (Dodd), Chapter 897, Statutes of 2018.

Background. SB 334 (Dodd). SB 334 extends enhanced industrial disability leave to state employees who are members of Bargaining Unit 8 (i.e. CalFire firefighters). SB 334 amends Government Code Section 19871 and adds Section 19871.3, which entitles a member of BU 8 who is temporarily disabled in the course of state employment for more than 22 days the enhanced industrial disability leave benefit based on his or her net salary for up to 52 weeks, or up to 156 weeks in the event that the injury is burn-related. Therefore, the requirements that the injury or illness be serious in nature, specifically related to an incident as opposed to a cumulative trauma or presumptive injury, and meet specific criteria for the activity the employee was engaged in during the injury have been eliminated. SB 334 entitles these same BU 8 employees to the enhanced benefit irrespective of any specific injury criteria.

SB 1144 (Dodd). SB 1144 provides a Bargaining Unit 8 state firefighter who is on Enhanced Industrial Disability Leave (with any pay raises received by active state firefighters).

Staff Recommendation. Approve as budgeted.

Issue 15: Firefighters Procedural Bill of Rights Act (SB 206)

Governor’s Proposal. The Governor’s budget requests \$1.1 million General Fund and four positions starting in 2022-23, to satisfactorily address the increased workload and fiscal impacts resulting from the implementation of SB 206 (McGuire) Chapter 722, Statutes of 2021.

Background. SB 206 (McGuire). SB 206 applies the Firefighters Procedural Bill of Rights (FBOR) to seasonal temporary appointment firefighters. FBOR was enacted in 2007, prescribing enhanced employment rights to tenured firefighters regarding political activities, interrogations, punitive actions, and administrative hearings following discipline. The FBOR was enacted to mirror the Peace Officer Bill of Rights, which provided enhanced employment rights to peace officers. While CalFire extends certain rights related to interrogation and investigations to all CalFire employees, the right to a full evidentiary hearing was not extended to temporary, seasonal employees prior to the enactment of SB 206.

Staff Recommendation. Approve as budgeted.

Issue 16: Office of Wildfire Technology Research and Development (SB 109)
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Governor's Proposal. The Governor's budget requests \$1.8 million General Fund in 2022-23, \$1.7 million ongoing, and seven positions to establish the Office of Wildfire Technology Research and Development, as specified by SB 109 (Dodd), Chapter 239, Statutes of 2021.

Background. SB 109 (Dodd). SB 109 establishes the Office of Wildfire Technology Research and Development within CalFire, as well as the Wildfire Technology Research and Development Review Advisory Board to conduct research and testing on emerging technologies to prevent, predict, and fight wildfires.

Staff Recommendation. Approve as budgeted.

3810 SANTA MONICA MOUNTAINS CONSERVANCY (SMMC)**Issue 17: Liberty Canyon Wildlife Crossing**

Governor's Proposal. The Governor's budget requests \$10 million General Fund to advance completion of the Wallis Annenberg Wildlife Bridge construction project across the 101 Freeway and Agoura Road at Liberty Canyon in the city of Agoura Hills.

The California Department of Transportation (Caltrans) and the Mountains Recreation and Conservation Authority have entered into a Memorandum of Understanding for the design and construction of the structure, with funding already secured from numerous private donations (notably \$25 million from the Wallis Annenberg Foundation) to the National Wildlife Federation, and from Wildlife Conservation Board grants.

The \$10 million will be applied to complete the Phase 2 segment of the project crossing over the Agoura Road freeway frontage road. The wildlife bridge project is a longstanding collaborative project between the Santa Monica Mountains Conservancy, Caltrans, the Mountains Recreation and Conservation Authority, the National Park Service, and the National Wildlife Federation.

The project also supports both the State of California's and the federal government's 30 by 30 conservation initiatives. This project will preserve biodiversity across the region by re-connecting an integral wildlife habitat linkage, and most critically, help save a threatened local population of mountain lions from extinction. When complete, the vegetated crossing will be the largest in the world, the first of its size and conformation in California.

Staff Recommendation. Approve as budgeted.

3855 SIERRA NEVADA CONSERVANCY (SNC)

Issue 18: Sierra Nevada Conservancy Boundary Expansion (SB 208)

Governor’s Proposal. The Governor’s budget requests \$540,000 Environmental License Plate Fund in 2022-23, \$415,000 ongoing, and three positions to implement the new workload pursuant to SB 208 (B. Dahle), Chapter 182, Statutes of 2021, which modifies the regional boundary and service area of the Conservancy.

Background. *SB 208 (B. Dahle).* SB 208 adds 490,094 acres of Shasta County, 117,248 acres of Trinity County, and 733,266 acres of Siskiyou County to SNC’s defined Region, bringing the total acres to 26,937,668 acres. The addition of Siskiyou and Trinity counties increases the number of counties in the Region from all or part of twenty-two counties to all or part of twenty-four counties. Adding these areas to SNC’s Region allows SNC to expand funding and technical assistance through the Watershed Improvement Program to more of the state’s primary watershed and increase the pace and scale of science-based, ecological restoration of forests and watersheds, making them healthy and resilient in a changing climate.

SB 208 adds more of the Pit River watershed, along with watershed areas of the Upper Sacramento and McCloud rivers, to the Region. These three watersheds flow into Shasta Lake, the largest reservoir in California, which is also added to the Region. This bill also adds the upper watershed of the Trinity River and Trinity Lake to the Region. Trinity and Shasta Lake capture, store, and distribute water for the federal Central Valley Project, which provides California with water for drinking and irrigation and produces hydroelectric power. Shasta Lake delivers about 20 percent of California’s developed water supply. These lakes, their watersheds, and surrounding forests in Siskiyou, Shasta, and Trinity counties provide many ecosystem benefits and support an abundance of year-round tourism and recreational opportunities.

Staff Recommendation. Approve as budgeted.

DISCUSSION

0555 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
0509 GOVERNOR’S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (IBANK)
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3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)
3810 SANTA MONICA MOUNTAINS CONSERVANCY (SMMC)
3845 SAN DIEGO RIVER CONSERVANCY
3855 SIERRA NEVADA CONSERVANCY (SNC)
3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
6440 UNIVERSITY OF CALIFORNIA (UC)

Issue 19: Wildfire and Forest Resilience Package and Related Community Wildfire Preparedness and Mitigation Package BCP

Governor’s Proposal. The Governor’s budget requests \$1.2 billion investment in forest health and fire prevention across two years, to build the state’s resilience to wildfires, while restoring critical watersheds and bolstering local economies.

This investment builds on the \$1.5 billion investment appropriated last session. This request includes \$800 million General Fund and \$400 million Greenhouse Gas Reduction Fund (GGRF) across two fiscal years, 2022-23 and 2023-24, with \$400 million General Fund and \$200 million GGRF annually.

The chart on the next page provides an overview of the Governor’s Wildfire and Forest Resilience Package with a description following.

Wildfire & Forest Resilience Expenditure Plan
(Dollars in Millions)

Investment Category	Department	Program	Early Action 2020-21	2021-22	2022 Governor's Budget Multi-Year Package		Total
					2022-23	2023-24	
					Resilient Forests and Landscapes	CAL FIRE	
Forest Improvement Program for Small Landowners	\$10	\$40	\$11	\$14			\$75
Forest Legacy	\$6	\$10	\$14	\$19			\$49
Nursery	\$2	\$9	\$2	\$2			\$15
Urban Forestry	\$10	\$20	\$20	\$10			\$60
Tribal Engagement	\$1	\$19	\$10	\$10			\$40
Post-Fire Reforestation and Regeneration	-	-	\$50	\$50			\$100
Various	Stewardship of State-Owned Land	\$30	\$145	\$65		\$65	\$305
Wildfire Fuel Breaks	CAL FIRE	CAL FIRE Unit Fire Prevention Projects	\$10	\$40	\$20	\$20	\$90
		Fire Prevention Grants	\$123	\$120	\$115	\$117	\$475
		Prescribed Fire and Hand Crews & Contract Counties	\$15	\$49	\$35	\$35	\$134
	California Conservation Corps	Fuel Reduction Crews	-	\$20	\$20	\$20	\$60
		Residential Centers	-	\$7	-	-	\$7
Community Hardening	Cal OES & CAL FIRE	Home Hardening	\$25	-	\$13	\$12	\$50
	CAL FIRE	Defensible Space Inspectors	\$2	\$13	\$5	\$5	\$25
	CAL FIRE & University of California	Land Use Planning and Public Education Outreach	-	\$7	\$4	\$5	\$16
Regional Capacity	Department of Conservation	Regional Forest Capacity	\$50	\$60	\$20	\$20	\$150
	Conservancies	Project Implementation in High-Risk Regions	\$69	\$139	\$35	\$35	\$278
Science-Based Management	CAL FIRE	State Demonstration Forests	-	-	\$5	\$5	\$10
		Monitoring and Research	\$3	\$20	\$7	\$8	\$38
		Prescribed Fire Liability Pilot	-	\$20	-	-	\$20
	Natural Resources Agency	Interagency Forest Data Hub	-	\$10	-	-	\$10
		LiDAR Remote Sensing	-	\$25	\$3	\$2	\$30
Air Resources Board and Water Board	Prescribed Fire and Water Permitting	-	\$4	\$4	\$4	\$12	
Economic Development of the Forest Sector	iBank	Climate Catalyst Fund	\$16	\$33	-	-	\$49
		Workforce Training	\$6	\$18	\$15	\$15	\$54
	CAL FIRE	Transportation Grants for Woody Material	-	-	\$5	\$5	\$10
	Office of Planning and Research	Market Development	\$3	-	\$2	\$2	\$7
Total			\$536	\$988	\$600	\$600	\$2,724

Source: Department of Finance

Resilient Forests and Landscapes. The Governor’s budget proposes to:

- Invest in coordinated forest health and fire prevention projects that help restore the right fire regime to the right ecosystem.
- Provide state land managers resources to better manage state-owned lands in particularly Fire probed areas.
- Expand programs that provide assistance to small non-industrial landowners.
- Provide resources to Tribes for fire resilience efforts.

These programs will be executed by several departments:

Parks. Parks oversees 300,000 acres of forestlands as well as other fire prone habitats across the state. The proposed funding would go towards fuel reduction, forest restoration, and prescribed fires, with a goal of sustaining up the delivery of up to 25,000 acres treated annually.

DFW. DFW has increased the pace and scale of activities to promote wildfire resiliency with the approval of last year’s budget — these funds have allowed procurement of heavy equipment, staff hiring, and contracting that contributed to approximately 18,000 acres treated and over 30 high-fire risk structures removed in 2021. DFW will continue to accelerate fire resiliency work in this proposed package.

CalFire. This package proposes to increase funding to existing programs as well as introduce new initiatives to address known gaps with high potential for effective fire behavior modification and community preparedness.

- Forest Health Grants. To date, Forest Health awards funding to organizations working to significantly increase fuels management, fire reintroduction, and reforestation of forestlands. The program began in 2016 and has awarded \$362 million since 2016-17.
- Private Forestland Owner Assistance/California Forest Improvement Program (CFIP). Private Forestland Owner Assistance is an umbrella for CFIP and the newly created Wildfire Resilience Block Grant (WRBG) program. WRBG allows applicants to apply for larger pulses of funding that allow them to provide technical and financial assistance to private forestland owners in their specific area of influence in ways that are the most relevant to that region and the landscape.

CFIP. CFIP enters into cost-share agreements with small landowners to encourage private and public investment in, and improved management of, state forest lands and resources. CFIP was created in 1978 and has been funded through various sources. Recently, GGRF and proposition funds have been available through the program. According to CalFire Fire and Resource Assessment Program’s Forest and Rangeland Assessment, small landowner forest parcels have accumulated the most biomass over recent decades and have received the least amount of treatment.

- California Forest Legacy. The Forest Legacy program provides funding for working forest conservation easements that protect forest land from conversion to non-forest uses. This program has been funded through GGRF since 2017. Forest Legacy also administers federal funds according to Federal Forest Legacy requirements.
- Nursery: Lewis A. Moran Reforestation Center. This center helps ensure that high quality tree seed and seedlings are made available for reforestation and recovery efforts of private,

nonindustrial landowners. The center includes the State Seed Bank and a container seedling nursery where trees are grown in greenhouses. Conifer cones are collected and processed annually.

- Urban Forestry. CalFire’s Urban & Community Forestry Program helps develop urban forests in the state by providing technical assistance to expand and improve the management of urban forests in communities with a strong emphasis on disadvantaged and low-income communities. The program was funded \$30 million General Fund in 2021 and has had proposition and GGRF funding made available in the past five years.
- Forest Health Tribal Lands Grants. CalFire Climate and Energy Program will work closely with CNRA to administer a block grant program serving tribal governments and members of tribes to address land management needs.

Protective Fuel Breaks. Emergency fuel breaks protect communities and sensitive areas against the impacts of wildfires. They enable firefighters to approach a fire, take a stand, establish containment lines, and create evacuation routes.

- CalFire: Unit Fire Prevention Projects. The CalFire Unit fire Plans contain priority fuel reduction projects unique to each CalFire unit. The plans are updated annually with the input of local Unit staff and partners. These strategic fuel breaks and reduction in hazardous fuels reduce the severity of wildfires while reducing the fire risk to vulnerable communities.
- CalFire: Fire Prevention Grants. CalFire’s Fire Prevention Grant Program provides funding for local projects in and near fire-threatened communities that focus on increasing the protection of people, structures, and communities. Qualified activities include hazardous fuels reduction, wildfire prevention planning and wildfire prevention education. These grants are made available to local agencies, resource conservation districts, fire safe councils, Native American tribes, and qualified nonprofit organizations.
- CalFire: Contract Counties. Counties can directly provide fire protection for State Responsibility Areas (SRA) within their boundaries, in lieu of CalFire. Six counties have assumed this responsibility and are referred to as “Contract Counties.” They include the Counties of Kern, Marin, Orange, Los Angeles, Santa Barbara, and Ventura. These counties assume responsibility for fire prevention and initial attack suppression on SRA land within their local jurisdiction. CalFire has essentially no physical presence in these counties and relies on state-funded county fire departments to assume the state’s mission relative to the protection of SRA. CalFire provides proportional funding for the Contract Counties to assume this mission.
- CCC: Forestry Corps. The Forestry Corps provides forestry work and post-wildfire recovery while training California youth for climate careers. Funding from the 2021 Budget is expanding this program and will provide an efficient and reliable workforce to implement fuel breaks and removal of dead and dying trees caused by drought and past wildfires in partnership with CalFire and other state, local, and federal agencies. In addition, funds will be committed to the certified local conservation corps to carry out the same focus on the local level.

Community Hardening. Investments within communities are essential to protect residents from all types of wildfires, including wind driven fires that spread embers ahead of the fire front. These include hardening home against embers, creating survivable spaces, establishing defensible space around homes,

and supporting local and regional efforts to create fire-adapted communities through improvements in local ordinances, emergency access routes, communications, smoke management, and other tools.

- CalFire: Home Hardening. Simple retrofits like fine-mesh attic vents or double-pane windows dramatically improve a home's survival in a wildfire. Education and outreach can help homeowners make the right improvements. Proposed funding will continue to implement wildfire mitigation assistance pilot program to provide financial assistance for home hardening to low-income and vulnerable populations. The state will continue to work with FEMA to pursue potential federal funding to match the state's investment.
- Defensible Space and Community Preparedness. Defensible space, as outlined in Public Resources Code Section 4291, requires all homes and buildings in the wildland to maintain clearance from dead and dying vegetation. Outreach, education, training, assistance, and research to help homeowners about these new standards will help homeowners implement the new standards.

Regional Capacity. With forest health and fire prevention grants widely distributed throughout the state, grantees often only complete one phase of a project at a time, needing to wait three to five years to begin the next phase, resulting in a patchwork of wildfire-resilient areas next to heavy fuel load areas that can have a catastrophic impact. Developing focused regional strategies and then funding a pipeline of ready-to-go projects from those strategies is intended to deliver more cohesive wildfire resilience. Funding for regionally-driven projects is also intended to establish a foundation for forest-sector businesses to start up in that watershed/region.

- DOC: Regional Forest and Fire Capacity (RFFC) Program. The RFFC Program supports local and regional efforts to coordinate and plan wildfire prevention projects. This program provides regional block grants to the highest wildfire-prone regions to develop regional plans and prepare projects that meet their highest priorities. This model enables regions and their Collaboratives to leverage federal and local resources and align their plans with project implementation dollars via multiple fund sources. The proposed funding will allow existing grantees under RFFC Program to refine project planning and expand implementation ready project pipelines as well as serve additional wildfire-prone communities beyond the 10 current RFFC regions.
- San Diego River Conservancy. San Diego River Conservancy established the Wildfire and Forest Resilience Program in May 2021. Projects limit the risk of large wildfires by reducing flammable fuel loads, providing equipment and training, and restoring ecological health in the local rivers' watershed. This includes vegetation management to reduce fuel loads around communities threatened by wildfire and to reduce the risk to people and property. In addition, the projects provide education through the Fire Safe Council of San Diego. The overall program provides grants to manage both public and private lands.
- Santa Monica Mountains Conservancy (SMMC). In the 2021 Early Action package, SMMC received \$12 million to provide immediately implementable projects to improve wildfire resilience in the Santa Monica Mountains and local communities. SMMC awarded 18 grants totaling \$12 million between May 10 and June 19, 2021. Grantees have made progress in implementing projects, but demand for assistance exceeded the funding available.
- Sierra Nevada Conservancy (SNC). SNC stewards the highest fire-risk region in the state and is also where the majority of state's water originates. SNC's boundary is expanding by two million acres, covering all or part of 24 counties at nearly 27 million acres. The boundary change brings

all of the source watersheds that feed the state's developed water supply into SNC's service area. According to the California Public Utilities Commission fire risk map, 44 percent of the state's overall elevated or extreme fire risk falls within SNC's region. SNC's Watershed Improvement Program (WIP) will continue to fund projects read to start, while supporting the planning and development of future projects to improve forest health and watershed resilience.

- State Coastal Conservancy (SCC). SCC's Wildfire Resilience Program, established in May 2021, supports local partners to develop and implement projects that improve forest health and reduce the risk of catastrophic fire in areas where people are living near wildlands. Under this program, SCC approved awards totaling \$11.4 million for 35 projects. This program supports high priority projects to limit the risk of wildfire by reducing flammable fuel loads through prescribed grazing, establishment of shaded fuel breaks, and other vegetation management activities. Targeted regional funding to SCC will reduce fire risk to communities and critical infrastructure through grants to local partners ready to implement vegetation management projects.
- California Tahoe Conservancy. The Tahoe Conservancy manages state-owned lands for wildfire and forest resilience. The Tahoe Conservancy is also implementing the Lake Tahoe Basin Forest Action Plan, which includes completing wildland-urban interface treatments across ownerships, landscape-scale forest restoration initiatives, and capacity building.

Science Based Management. The Governor's budget proposes funding to improve the predictive models and science-based approaches to support the state's forest health and fire prevention goals, including the expanded use of LiDAR and other remote sensing technology, research, and data analysis and collection methods (\$3 million in 2020-21, \$36 million in 2021-22, and \$5 million in 2022-23). Funding includes the execution of the CAL VTP application. The Air Resources Board will also have resources to facilitate the issuance of burn permits to keep pace with the increase in prescribed fires.

- CalFire: Demonstration State Forests. The Demonstration State Forest Program was established in 1946 to demonstrate reforestation of cut-over forestlands and sustainable management of second growth timber crops. Contemporary management is focused on meeting the three primary objectives: sustainable forest management; research and demonstration; and recreation. Through applied research, the State Forests contribute to scientific understanding to inform policy discussions on issues such as climate change, carbon sequestration, fire hazard reduction, watershed functioning, and fish and wildlife habitat.
- CalFire: Monitoring and Research. Forest Resource and Assessment Program (FRAP) assess the amount and extent of state forests and rangelands, analyzes conditions of those lands, and identifies alternative management and policy guidelines to achieve state goals. The program relies heavily on publicly available Forest Inventory Analysis, a long-term data set compiled by the US Forest Service, and other various data layers such as fuel density data for maps and assessments. FRAP initiated the Forest Health Research Program in 2018 to support increasing pace and scale of fuels reduction and prescribed fire reintroduction in a scientifically informed way. Forest Health Research program will invest in research needed to address substantial knowledge gaps in forest management, forest health, and wildfire science. Forest Health Research program awarded less than one third of applicants in its first two years. In addition, FRAP has responsibilities for maintaining and enhancing reporting of fuels reduction and other types of vegetation management projects in CalMapper.

- CNRA: Remote Sensing. This package proposes to build on a \$25 million investment from 2020-21 budget for remote sensing which is acquiring LiDAR and remote sensing products in coordination with federal partners such as the US Geological Survey, NASA, and the US Forest Service Pacific Southwest Research Station. Developing reliable remote sensing data sources to inform predictive and planning models helps improve wildfire resiliency.
- CARB and SWRCB: CAL VTP. The proposed funding is intended to build on previous investments that enable SWRCB to continue to fund staff implementation of a statewide water permit integrated into the CAL VTP to help prevent additional costs or paperwork for grantees and project proponents when using CAL VTP. SWRCB will also fund adaptive management strategies and research to continually improve efficiency and efficacy of the statewide water quality order so that it remains a low-cost, low administrative-burden permit for water quality. CARB is also receiving additional funds to ensure efficient oversight for prescribed fire burn permits.

Forestry Sector Economic Stimulus. Fire prevention investments can be a driver for economic growth in rural communities. However, shortages in crews and specialized equipment operators can slow the pace of projects and drive up the cost-per-acre. Low-interest lending programs and training may be able to expand the workforce to improve the pace.

- CalFire: Workforce and Business Development. Wood Products and Bioenergy Program works with the Forest Health Program to maximize climate and economic co-benefits associated with Forest Health projects. The program manages five existing workforce development and training grant awards and tracks employee not created through Forest Health and Workforce projects. Wood Products and Bioenergy is developing a statewide workforce gap assessment. To date, the five training programs working with the program have enrolled over 300 participants in workforce training curriculum. Demand for space in the program and for graduates continues to grow.
- CalFire: Biomass Transportation Subsidy. The fires of 2020 and 2021 have created a need to salvage dead trees for timber, reduce future fuel loads, and clean up lands so they can be safely replanted. This has caused a situation where there is too much dead wood and too little means to utilize it. Dead tree removal along transportation corridors is being stacked up along roadsides with no destination identified. New and expanding wood processing businesses operate on thin profit margins. A pilot transportation subsidy targeted at post-fire cleanup and a new processing capacity could reduce future costs to the state.
- OPR: Expanding Wood Markets. This package proposes to expand wood markets through pilot projects and market strategies to develop long-term contracts and mechanisms fully utilizing the material being thinned from forests. Examples of uses of the wood may include building materials, energy, fuel, or other products that will create incentives for private forest-land management and meet the state's carbon goals.

In addition to the Wildfire and Forest Resilience Package, the Governor's budget includes the following BCP related to community wildfire preparedness:

BCP: CalFire: Community Wildfire Preparedness and Mitigation Package (AB 9, AB 642, and SB 63). The Governor's budget requests \$10.096 million General Fund in 2022-23, \$8.398 million ongoing, and 29.0 positions to address the statutory requirements set forth by AB 9 (Wood), Chapter 225, Statutes

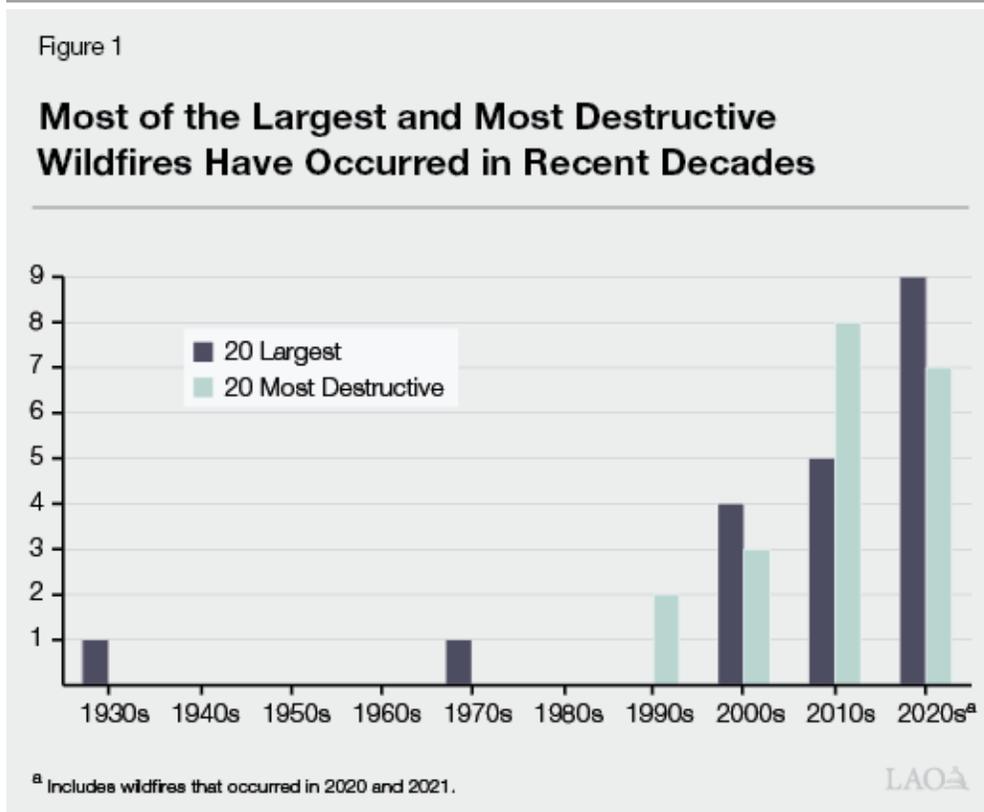
of 2021, AB 642 (Friedman), Chapter 375, Statutes of 2021, and SB 63 (Stern), Chapter 382, Statutes of 2021.

- **AB 9 (Wood).** AB 9 codifies the Regional Forest and Fire Capacity Program in the Department of Conservation, creates a deputy director of Community Wildfire Preparedness and Mitigation within the Office of the State Fire Marshal (OSFM), and transfers and delegates certain duties related to fire safety and wildfire prevention from CalFire and the Director of CalFire to the OSFM and the State Fire Marshal.
- **AB 642 (Friedman).** AB 642 makes multiple changes to state law to enhance wildland fire prevention efforts, including, among other things, incorporating and facilitating cultural burning practices, and requiring the identification of moderate and high fire hazard severity zones in local responsibility areas.
- **SB 63 (Stern).** SB 63 makes multiple changes to state law to enhance fire prevention efforts by CalFire, including, among other things, improved vegetation management, and expanding the areas where enhanced fire safety building standards apply.

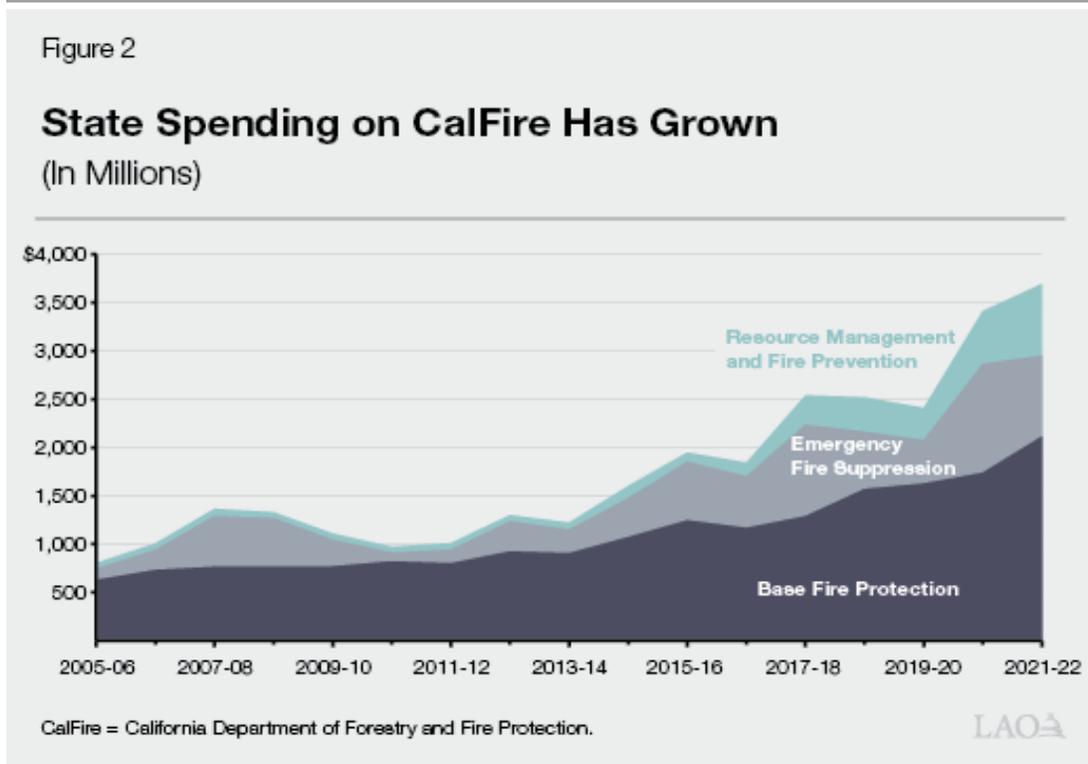
Background. According to LAO:

Wildfires in California: *Wildfires Are a Natural Part of California's Ecosystems.* Historically, significant parts of the state would burn annually, especially during the warm, dry months of the year. Many species native to California adapted to these regular, low- and moderate-intensity wildfires. These regular fires played an important role in keeping the state's forests and landscapes healthy by periodically clearing underbrush and contributing to regrowth of native plant species.

Severe Wildfires Are a Large and Growing Problem. While wildfires have potential benefits, they can also be highly problematic when they are much more severe than they would be naturally and threaten lives and property. In recent years, California has experienced a growing number of these problematic wildfires. As Figure 1 shows, most of California's largest and most destructive wildfires have occurred in recent decades. This trend has been particularly notable in the last few years, which have seen some of the worst wildfires in the state's recorded history. For example, the 2018 wildfire season included the Camp Fire in Butte County, which became the single most destructive wildfire in state history with nearly 19,000 structures destroyed and 85 fatalities, including the near-total destruction of the town of Paradise. A few key factors have contributed to the recent increase in destructive wildfires, including climate change, poor forest and land management practices, and increased development in fire-prone areas.



Recent State Funding for Wildfires. *State Spending on Wildfires Has Grown Substantially in Recent Years.* In response to recent severe wildfire seasons and growing wildfire risks, the state has augmented funding for various wildfire-related activities, including those related to wildfire response and resilience. Specifically, as shown in Figure 2, CalFire’s total funding for fire protection, resource management, and fire prevention has grown from \$800 million in 2005-06 to an estimated \$3.7 billion in 2021-22. (The resource management and fire prevention funding is generally intended to improve the state’s resilience to wildfires through reducing the likelihood that wildfires will occur and lessening the damage that wildfires cause when they do occur.) Notably, funding for resource management and fire prevention makes up a relatively small—but generally increasing—share of the department’s funding. Recent increases in this funding have been driven by two main factors. First, SB 901 (Dodd), Chapter 626, Statutes of 2018, required that \$200 million from the Greenhouse Gas Reduction Fund (GGRF) be spent on forest health and fire prevention activities annually through 2023-24. Second, the passage of two major wildfire and forest resilience packages in 2021 provided a significant amount of one-time funding for wildfire resilience, as discussed further below.



Early Action Package Provided Funding for Wildfire Resilience. On April 13, 2021, the Governor signed SB 85 (Committee on Budget and Fiscal Review), Chapter 14, Statutes of 2021, which amended the 2020-21 Budget Act to provide additional funding for a package of various wildfire and forest resilience proposals. (LAO refers to this package as the “early action” package.) As shown in Figure 3, the package included \$536 million on a one-time basis in 2020-21 for roughly two dozen different programs managed by 14 departments. (For additional information on these programs, see our February 2021 publication, *The 2021-22 Budget: Wildfire Resilience Package—Analysis of Individual Programs*.) Of the total funding for the package, \$411 million was from the General Fund and \$125 million was from GGRF. The amounts from GGRF were intended to bring total GGRF spending on forest health and prescribed fire activities to \$200 million annually, consistent with the requirements in SB 901. (The 2020-21 Budget Act provided less than the statutory direction because of uncertainty about the amount of GGRF revenues at the time the budget act was adopted in June 2020.) Most of the funding in the early action package was provided to expand existing programs rather than to create new programs. The adoption of the package through early action was intended to enable departments to start work immediately on projects rather than waiting until the passage of the 2021-22 budget. By starting work immediately, the Administration anticipated that projects would be in place roughly one fire season sooner than they would have been otherwise.

Figure 3

Previous Wildfire and Forest Resilience Package Appropriations and Commitments

Commitments as of December 2, 2021 (Dollars in Millions)

Program	Department	Early Action for 2020-21	2021-22 Budget
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		Appropriated	Percent Committed	Appropriated	Percent Committed
Resilient Forests and Landscapes		\$214	93%	\$402	4%
Forest Health Program	CalFire	\$155	100%	\$159	—
Stewardship of state-owned land	Parks	15	100	105	—
Stewardship of state-owned land	CDFW	15	100	40	39%
Forest Improvement Program	CalFire	10	80	40	—
Urban forestry	CalFire	10	—	20	—
Tribal engagement	CalFire	1	—	19	—
Forest Legacy Program	CalFire	6	100	10	—
Reforestation nursery	CalFire	2	—	9	—
Wildfire Fuel Breaks		\$148	100%	\$236	11%
Fire prevention grants	CalFire	\$123	100%	\$120	—
Prescribed fire and hand crews	CalFire	15	100	35	—
CalFire unit fire prevention projects	CalFire	10	100	40	—
Forestry Corps and residential centers	CCC	—	—	27	99%
Contract counties	CalFire	—	—	14	—
Regional Capacity		\$119	93%	\$199	4%
Regional Forest and Fire Capacity Program	DOC	\$50	90%	\$60	—
Project implementation	SNC	20	100	50	—
Project implementation	TC	1	100	36	—
Project implementation	SMMC	12	98	15	55%
Project implementation	RMC	12	71	15	—
Project implementation	SDRC	12	100	13	5
Project implementation	SCC	12	100	10	—
Science-Based Management		\$3	100%	\$79	21%
Remote sensing	CNRA	—	—	\$25	—
Monitoring, research, and management	CalFire	\$3	100%	20	82%
Prescribed Fire Liability Pilot	CalFire	—	—	20	—
Interagency data hub	CalFire	—	—	10	—

Permit efficiencies	CARB	—	—	2	—
Permit efficiencies	SWRCB	—	—	2	—
Forest Sector Economic Stimulus		\$25	12%	\$51	—
Climate Catalyst Fund and market strategy	Ibank, Go-Biz	\$16	—	\$33	—
Workforce development	CalFire, CWDB	6	—	18	—
Market development	OPR	3	100%	—	—
Community Hardening		\$27	19%	\$20	—
Home hardening	OES, CalFire	\$25	12%	—	—
Defensible space inspectors	CalFire	2	100	\$13	—
Land use planning and public education	UC ANR, CalFire	—	—	7	—
Totals		\$536	87%	\$988	7%

CalFire = California Department of Forestry and Fire Protection; Parks = Department of Parks and Recreation; CDFW = California Department of Fish and Wildlife; CCC = California Conservation Corps; DOC = Department of Conservation; SNC = Sierra Nevada Conservancy; TC = Tahoe Conservancy; SMMC = Santa Monica Mountains Conservancy; RMC = San Gabriel & Lower LA Rivers & Mountains Conservancy; SDRC = San Diego River Conservancy; SCC = State Coastal Conservancy; CNRA = California Natural Resources Agency; CARB = California Air Resources Board; SWRCB = State Water Resources Control Board; IBank = California Infrastructure and Economic Development Bank; Go-Biz = Governor's Office of Business and Economic Development; CWDB = California Workforce Development Board; OPR = Office of Planning and Research; OES = Office of Emergency Services; and UC ANR = University of California Agriculture and Natural Resources.

2021-22 Budget Provided Additional Funding for Wildfire Resilience. The 2021-22 budget—as amended in September 2021—provided a total of \$988 million on a one-time basis for various departments to implement a package of proposals focused on wildfire prevention and improving landscape health. The package included \$758 million from the General Fund and \$230 million from GGRF for roughly 30 different programs managed by 18 departments. In general, this package funded a similar mix of programs that were funded in the early action package. The 2021-22 budget also included language continuously appropriating \$200 million annually for forest health and wildfire prevention from 2022-23 through 2028-29. Additionally, the budget included language requiring the Administration to report certain information—such as a summary of projects that received funding and the average cost per project—annually on all the wildfire and forest resilience programs that were funded in the early action and 2021-22 budget packages. The first of these required reports is due to the Legislature on April 1, 2022, and reports are due annually thereafter until April 1, 2026.

Most Early Action Funding and Some 2021-22 Funding Has Been Committed. As shown in Figure 3, as of December 2021, the Administration reported that 87 percent of the funding provided in the early action package had been committed. Additionally, 7 percent of the 2021-22 funding had been committed. (Funding is considered committed when it has been allocated to specific projects or activities. However, in some cases, it can take a few years to complete the funded projects or activities.) Notably, some programs have committed a greater share of their funding to projects to date than others. Some of the programs that have been relatively slow to commit funds have been newer programs that have taken time to launch, such as the pilot program that supports home hardening retrofits and the Climate Catalyst Fund. (The home hardening retrofit program was established consistent with AB 38 (Wood), Chapter 391, Statutes of 2019.)

LAO Summary of Governor’s Budget. Proposes \$1.2 Billion Over Two Years, Including \$800 Million in New Funding. The Governor proposes \$800 million from the General Fund over two years—\$400 million annually in 2022-23 and 2023-24—to implement various efforts to improve forest health and make communities more resilient to future wildfires. This is in addition to \$200 million that is continuously appropriated from GGRF in each of these years, consistent with the 2021-22 budget package.

Largest Share of Funds for Forest Resilience and Fuel Breaks. As shown in Figure 4, roughly half of the funds over the two years—\$582 million—would support programs designed to promote healthy forests and landscapes, generally by removing hazardous fuels. Another roughly one-third of the funds—\$382 million—would support installation and maintenance of wildfire fuel breaks. The remaining funds—totaling \$236 million—are proposed for projects to provide regional capacity for forest health projects, as well as to encourage forest sector economic stimulus, science-based forest management, and community hardening. This proposed allocation of funds across program categories is similar to the approach taken in the early action and 2021-22 packages.

Figure 4

Governor’s Proposed Wildfire and Forest Resilience Package

(In Millions)

Program	Department	2022-23	2023-24	Total
Resilient Forests and Landscapes		\$292	\$290	\$582
Forest Health Program	CalFire	\$120	\$120	\$240
Post-fire reforestation	CalFire	50	50	100
Stewardship of state-owned land	CDFW	30	30	60
Stewardship of state-owned land	Parks	20	20	40
Forest Legacy Program	CalFire	14	19	33
Urban forestry	CalFire	20	10	30
Stewardship of state-owned land	CNRA	15	15	30
Forest Improvement Program	CalFire	11	14	25
Tribal engagement	CalFire	10	10	20
Reforestation nursery	CalFire	2	2	4
Wildfire Fuel Breaks		\$190	\$192	\$382
Fire prevention grants	CalFire	\$115	\$117	\$232
Prescribed fire and hand crews	CalFire	35	35	70
CalFire unit fire prevention projects	CalFire	20	20	40
Forestry Corps and residential centers	CCC	20	20	40
Regional Capacity		\$55	\$55	\$110
Regional Forest and Fire Capacity Program	DOC	\$20	\$20	\$40

Project implementation	SNC	13	12	25
Project implementation	SCC	10	10	20
Project implementation	SMMC	5	5	10
Project implementation	TC	5	5	10
Project implementation	SDRC	2	3	5
Community Hardening		\$22	\$22	\$44
Home hardening	OES, CalFire	\$13	\$12	\$25
Defensible space inspectors	CalFire	5	5	10
Land use planning and public education	UC ANR, CalFire	4	5	9
Forest Sector Economic Stimulus		\$22	\$22	\$44
Workforce development	CalFire, CWDB	\$15	\$15	\$30
Woody biomass transportation	CalFire	5	5	10
Market development	OPR	2	2	4
Science-Based Management		\$19	\$19	\$38
Monitoring, research, and management	CalFire	\$7	\$8	\$15
State demonstration forests	CalFire	5	5	10
Remote sensing	CNRA	3	2	5
Permit efficiencies	CARB	2	2	4
Permit efficiencies	SWRCB	2	2	4
Totals		\$600	\$600	\$1,200
By Fund Source				
General Fund		\$400	\$400	\$800
Greenhouse Gas Reduction Fund		200	200	400

CalFire = California Department of Forestry and Fire Protection; CDFW = California Department of Fish and Wildlife; Parks = Department of Parks and Recreation; CNRA = California Natural Resources Agency; CCC = California Conservation Corps; DOC = Department of Conservation; SNC = Sierra Nevada Conservancy; SCC = State Coastal Conservancy; SMMC = Santa Monica Mountains Conservancy; TC = Tahoe Conservancy; SDRC = San Diego River Conservancy; OES = Office of Emergency Services; UC ANR = University of California Agriculture and Natural Resources; CWDB = California Workforce Development Board; OPR = Office of Planning and Research; CARB = California Air Resources Board; and SWRCB = State Water Resources Control Board.

Most Funding Targeted to Programs Funded in Prior Packages. Most of the proposed funding would go towards programs that already received funding as part of the early action or 2021-22 budget package. However, the Governor proposes to fund a few programs that did not previously receive funding. These programs include:

- **Post-Fire Reforestation—CalFire (\$50 Million in 2022-23 and \$50 Million in 2023-24).** This funding would support the reforestation of areas affected by wildfires with the goal of reducing the likelihood of type conversion. (Type conversion is when forests do not return to their previous

condition after severe wildfires, but instead transition to other vegetation types, such as scrubs or grasses.)

- **Stewardship of State-Owned Land—California Natural Resources Agency (CNRA) (\$15 Million in 2022-23 and \$15 Million in 2023-24).** This funding would support wildfire resilience on state-owned land.
- **Woody Biomass Transportation Subsidy—CalFire (\$5 Million in 2022-23 and \$5 Million in 2023-24).** This funding would implement, on a pilot basis, a subsidy program for transporting woody biomass to encourage the transportation of dead trees to wood processing businesses.
- **State Demonstration Forests—CalFire (\$5 Million in 2022-23 and \$5 Million in 2023-24).** This funding would support state demonstration forests, which provide applied research on forest-related issues.

Funding for Most Programs Allocated Equally Between the Two Years. For most programs, the funding is proposed to be allocated roughly evenly between 2022-23 and 2023-24. Based on our discussions with the administration, it is our general understanding that all of the proposed funding for 2022-23 is expected to be committed to projects that year, and all the 2023-24 funding is expected to be committed to projects that year. Although, as previously mentioned, it could take a few years for funded projects to be completed.

LAO Comments. LAO offers its initial comments on the Governor’s wildfire and forest resilience package to inform the Legislature’s budget deliberations. LAO may have further comments as additional information from the Administration becomes available in the coming weeks.

Continued Focus on Wildfire Prevention and Mitigation Has Merit. LAO finds that increased budget support for programs that attempt to reduce the risks associated with wildfires is merited given the increasing pattern of severe wildfires in recent decades and the major consequences of these fires on local communities and the broader state. Notably, the Legislature took important steps toward addressing these risks with the passage of the early action and 2021-22 packages, as well as the continuous appropriation of GGRF for forest health and wildfire prevention through 2028-29. However, the scale of the effort that will likely be required to make the state resilient to wildfires is so large— involving treating millions of acres and better protecting millions of homes in high fire-risk areas over the coming years—that it will take additional funding to accomplish. Additional funding for these types of activities, such as proposed by the Governor, will help continue this worthwhile work.

Myriad of Risks Warrants Consideration of Multiple Strategies. The proposed package includes a mix of programs designed to reduce future wildfire risks and damages. Many of these programs could be useful in addressing the varied contributors to wildfire risk. For example, forest health and fuel break programs could reduce the risk of rapid wildfire spread, community hardening could reduce the number of properties severely damaged when wildfires do occur, and research could help the state better target future funding to the most cost-effective strategies and/or where risks are determined to be greatest.

Departments Still Implementing Funding From Prior Packages. Most of the funding proposed by the Governor would support programs that received funding in the early action and 2021-22 wildfire and forest resilience packages. In most cases, implementing departments have made significant progress in committing early action funds to projects. Specifically, as of December 2021, only \$68 million of the \$536 million provided (13 percent) was uncommitted. However, most of the 2021-22 wildfire and forest resilience package funding remains uncommitted. Notably, as of December 2021, \$920 million of the \$988 million provided in 2021-22 (93 percent) was not committed. The slower pace of committing 2021-22 funding is not unexpected given that the funding was approved less than six months ago and was envisioned to be used over a period of multiple years. However, given the significant amount of funding left uncommitted to date, a key consideration for the Legislature will be the extent to which

implementing agencies, and their partners, have capacity to administer the proposed funding and undertake the proposed program expansions in a timely manner.

Information on Outcomes Is Limited. Many of the activities proposed for funding are widely considered good practices to reduce wildfire risks, particularly reduction of hazardous fuels, defensible space, and home hardening. However, the available information on the cost-effectiveness of many programs is somewhat limited—making it difficult for the Legislature to know whether the Governor’s proposed package represents the most effective way to allocate funds for wildfire prevention and mitigation. Also, while the Administration has identified the projects to which they had committed funding as of December 2021, information on the specific outcomes achieved and the associated costs is not yet available. LAO notes that a summary of the funded projects and program costs is required to be included in the Administration’s annual report to the Legislature, the first of which is due in April 2022. Additionally, AB 38 required a report assessing the cost-effectiveness of defensible space and home hardening compared to other activities to be completed by 2024. These required reports should help inform future legislative decisions on how much to spend on various potential approaches to reducing wildfire risks.

Legislative Guidance Could Improve Implementation of Some Programs. In some cases, the programs proposed for funding could benefit from additional guidance from the Legislature to ensure that they are implemented in the most effective manner. For example, in LAO’s December 2021 report, *An Initial Review of the Regional Forest and Fire Capacity Program*, LAO found that the lack of state requirements for regional priority plans has led to a disjointed approach to the Regional Forest and Fire Capacity program and that the lack of data collection and reporting makes it difficult to evaluate the program. Accordingly, LAO recommended that the Legislature create requirements for regional priority plans and adopt evaluation and reporting requirements. Additionally, in LAO’s September 2021 report, *Reducing the Destructiveness of Wildfires: Promoting Defensible Space in California*, LAO found that defensible space inspection rates varied widely by CalFire unit (from 6 percent to 96 percent in 2019-20). Accordingly, while LAO found that providing additional ongoing staff for CalFire to conduct defensible space inspections is merited to enable the department to meet its goal of inspecting every parcel at least once every three years, LAO also found that ensuring that a staffing plan is developed would be important to make sure that the funding is allocated in a way that achieves this goal in all units.

New Programs Aimed at Addressing Important Issues, but Key Details Lacking. The proposed new programs address worthwhile areas of focus, but at the time of this analysis there was insufficient detail provided on these programs to fully evaluate their merits.

- ***Post-Fire Reforestation.*** Providing funding for reforestation would help reduce the likelihood of type conversion and promote long-term landscape health. However, the Administration has not provided at this time key details on the proposed program, such as what specific activities the funding would support, the rationale for the proposed funding amount, and the anticipated outcomes of the funding. This information is necessary for the Legislature to fully evaluate whether the proposed approach and funding amount are appropriate.
- ***CNRA State-Owned Land.*** Making state-owned land more resilient to wildfires is an important goal. However, it currently is not clear what specific types of activities and projects the proposed funding would support and how this funding would complement or duplicate efforts to steward state-owned land through other agencies, such as the Department of Parks and Recreation, Department of Fish and Wildlife, and the Tahoe Conservancy.
- ***Woody Biomass Transportation Subsidy.*** The accumulation of woody biomass, such as due to recent wildfires, is a significant issue that merits attention. This is because, in some cases, it is not economically viable to transport this woody biomass to processing facilities. However,

leaving biomass in place or burning it has significant negative impacts that extend beyond the individual property owner, including potentially elevating wildfire risks and generating additional emissions. Accordingly, it appears generally reasonable for the state to help address this issue by providing some level of financial support to incentivize the transfer of biomass to processing businesses. However, key details about how a subsidy would be implemented were lacking at the time of this analysis. For example, it is unclear who would be eligible for subsidies, how the amount of the subsidy would be determined, and how the outcomes of the pilot would be tracked and reported to the Legislature. These and other details are essential for the Legislature to effectively assess whether the specific approach and funding amounts proposed by the administration are justified.

- ***State Demonstration Forests.*** State demonstration forests are a valuable resource that helps provide research on forest-related issues. However, at the time of this analysis, it was unclear what the proposed funding would be used for, what specific outcomes would be expected, and why the proposed amount was selected.

LAO also notes that the LAO has some outstanding questions on many of the proposals in the package that received prior funding, including about (1) the outcomes that were achieved with the previous funding, (2) when the implementing department anticipates fully committing the funding, (3) the extent to which the department has capacity to utilize additional funds, and (4) the rationale for the specific amount of proposed funding.

Trade-Offs Associated With Two-Year Funding Approach. The \$800 million of new funding in the Governor’s package is proposed over a two-year period. According to the Administration, it is proposing this two-year funding approach in order to provide the certainty of multiyear funding, but also to limit ongoing General Fund commitments. It is understandable that the Administration is cautious regarding providing ongoing General Fund augmentations. Nonetheless, this funding approach also presents a couple key challenges.

First, allocating funding for 2023-24 at this time, rather than waiting until the 2023-24 budget, means that the allocation decisions would not benefit from additional information that may be gathered in the coming year. This includes additional information on the Administration’s continued progress towards committing early action and 2021-22 funding and on the outcomes achieved with those funds. Such information would be particularly important for programs that have been slow thus far to commit funding, since another year of information could provide the Legislature with a clearer sense of the program’s capacity to utilize additional funds and the results that might be expected from additional funds.

Second, some programs will require ongoing support to be effective. For example, even where effective forest treatment occurs, it is often necessary to do additional maintenance and retreatments in subsequent years to prevent too much vegetation regrowth, particularly of invasive species. Other programs areas—such as defensible space inspections—should also be considered ongoing efforts, since vegetation grows back and regular inspections are needed to ensure continued compliance with state defensible space requirements. For these types of programs, the benefit to providing the certainty of multiyear funding could merit the allocation of ongoing General Fund resources, particularly in cases where there is sufficient information on outcomes and spending rates thus far to enable the Legislature to be reasonably confident about the appropriate amount of funding to provide on an ongoing basis.

Legislative Oversight Remains Important. In recent years, the Legislature has prioritized conducting oversight activities—such as conducting legislative hearings and requiring periodic reports—on wildfire issues, including the expenditure of wildfire and forest resilience funding. LAO finds that it will be important for the Legislature to continue to conduct oversight given the (1) importance of improving wildfire resilience, (2) amount of funding that has been provided to date, and (3) value in gaining

lessons-learned to inform future funding and policy decisions. To facilitate continued oversight, it will be important for the Legislature to obtain key information from the administration going forward, including information on funded projects and the outcomes that have been achieved. The Governor is not currently proposing that the reporting requirements that were codified for those previous packages be extended to this proposed package. However, in LAO's conversation with the Administration, they expressed a commitment to report the information of the early action and 2021-22 packages for this proposed package as well.

LAO Recommendations. LAO provide its initial recommendations on the Governor's wildfire and forest resilience package to inform the Legislature's budget deliberations. LAO may have additional or modified recommendations as further information from the Administration becomes available.

Consider Funding Amounts in Context of Legislative Priorities. Given the lack of clear evidence regarding the relative effectiveness of different mitigation and prevention activities, it is difficult for the Legislature to determine whether the proposed package represents the "best" mix of programs and level of funding to address wildfire risks. For this reason, it will be particularly important for the Legislature to ensure that the total level of funding proposed for wildfire and forest resilience, as well as the mix among programs, is consistent with its priorities. In identifying its funding priorities, some of the factors that LAO recommends the Legislature consider include:

- **Emerging Information on Spending Progress and Outcomes.** The Legislature could consider focusing its allocations on programs that appear to have capacity to use additional funds—as evidenced in part by their ability to get previously appropriated funding out to projects—and are able to provide relatively compelling information on outcomes.
- **Ability to Test and Research Promising Approaches.** The Legislature could consider the extent to which the proposed funding goes to demonstration projects or pilots that could be helpful in improving the state of knowledge about effective approaches to wildfire mitigation.
- **Which Harms Would Be Mitigated.** For example, to the extent protecting homes and reducing economic costs are high priorities, the Legislature could consider dedicating more funding to community hardening. Alternatively, to the extent that mitigating damage to the environment from severe wildfires is a high priority, the Legislature could consider focusing more on improving the health of forests and landscapes.
- **Which Groups of Californians Are Most Impacted.** The Legislature might want to consider how wildfires affect different communities, how past funding has been directed, and the extent to which the proposed strategies could more equitably target new spending. For example, the Governor's plan includes funding dedicated to forest health projects on tribal lands, and the home hardening program is intended to go to lower-income households that might otherwise be less able to implement these safety improvements on their own.
- **Protecting State Assets and Responsibilities.** For example, some funding in the package is targeted to addressing risks on state-owned lands, such as state parks. The Legislature could also consider whether more funding should be spent in ways that better ensure protection of other state assets, such as highways and state buildings, or the watersheds that provide most of the water flows for the State Water Project.

Provide Statutory Guidance to Inform Program Implementation, as Appropriate. LAO recommends that the Legislature provide additional statutory guidance on the programs proposed for funding, as appropriate, through the adoption of budget trailer legislation. Some examples of specific statutory changes that would be merited include (1) adopting state requirements for regional priority plans, as well as requiring evaluation and reporting on the Regional Forest and Fire Capacity program, and (2) requiring CalFire to create a staffing plan aimed at ensuring that the department's defensible space

staff are allocated in a way that enables it to meet its goal of inspecting every parcel at least once every three years in all units.

Defer Action Until Spring to Provide Time to Secure and Assess Additional Information. LAO recommends that the Legislature defer action on the proposed package until the spring. This would provide additional time for the administration to provide information on the specifics of its proposals. Additionally, by the spring, more information may be available on the pace of agencies' spending of funding provided in previous packages, as well as on the outcomes of this spending. In particular, the Legislature should have the administration's first required report on the early action and 2021-22 packages by April. Together, this information would help the Legislature determine whether it is comfortable with the administration's proposed approach and funding levels, or whether it would like to make modifications.

Consider Potential Alternatives to Two-Year Funding Plan. Given the challenges with the administration's plan to allocate two years of funding as part of the 2022-23 budget, we recommend the Legislature consider other alternatives. For example, one alternative would be to allocate funding for only 2022-23 at this time. To the extent that the Legislature wants to provide funding for future years, it could set some amount aside in a designated fund to be allocated at a future date when additional information—such as on progress in spending the funding from prior packages and the outcomes achieved—would be available to inform allocation decisions. Additionally, the Legislature could consider providing ongoing funding for certain programs for which there is a clear ongoing need for at least a certain funding level and relatively robust information on outcomes.

Continue Oversight Activities and Require Continuation of Reporting. Given the importance of the programs involved and the level of spending proposed, LAO recommends that the Legislature continue to conduct oversight activities, such as legislative hearings, on the administration's implementation of the wildfire and forest resilience packages. This oversight will be important for holding the administration accountable for delivering results, learning what is effective to improve future implementation, and informing future spending decisions. To facilitate this continued oversight, we recommend that the Legislature extend the statutory reporting requirement for the early action and 2021-22 budget packages to the proposed package as well.

Staff Recommendation. Hold open.

0690 GOVERNOR’S OFFICE OF EMERGENCY SERVICES (OES)
3340 CALIFORNIA CONSERVATION CORPS (CCC)
3480 DEPARTMENT OF CONSERVATION (DOC)
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 20: Proposals Related to Wildfire Protection, Suppression, and Assessment

Governor’s Proposal. The Governor’s budget requests the following items related to fire suppression:

BCP: CalFire: CAD/AVL Program Hardware and Service Refresh. \$23.9 million General Fund and \$17.9 million State Emergency Telephone Number Account (SETNA) in 2022-23, \$22.5 million General Fund and \$8 million SETNA ongoing, and 43.0 positions to acquire, install, and support the Computer Aided Dispatching (CAD) program throughout the CalFire Emergency Command Centers (ECCs) and all other emergency response resources, to continue to efficiently locate and dispatch CalFire resources to emergency incidents.

BCP: CalFire: CalFire Training Centers. \$15.7 million General Fund in 2022-23 and \$272,000 General Fund ongoing to meet the increased training demand at CalFire’s Training Centers. This request will provide funding for one-time purchase of essential equipment required to meet existing demand and prepare the Training Centers for future impacts, along with ongoing amortization for some of this equipment.

BCP: CalFire: Contract County Crew and Realignment. \$25.4 million General Fund in 2022-23 and \$35.4 million ongoing to fund 12 hand crews, implemented over two years, to be utilized for vegetation management, hazardous fuel reduction projects, wildland fire suppression in the Contract Counties, and a budget adjustment to re-baseline Contract County funding commensurate with CalFire Units.

BCP: CalFire: Emergency Surge Capacity and Response Enhancements. A total of \$179.8 million General Fund in 2022-23 and \$14.6 million General Fund ongoing to increase surge capacity for wildland fire emergency response by 1) acquiring four additional S70i Fire Hawk helicopters to provide aircraft availability to help maintain 24/7 flight operations during critical fire weather conditions when frontline helicopters are due for maintenance, 2) contracting 10 additional heavy helicopters each year for three fiscal years while awaiting the federal delivery of C-130 air tankers beginning in spring 2023, and 3) adding two surge engines in each of the 21 units and each of the six contract counties as well as 10 surge capacity bulldozers to the statewide resource pool that can be staffed during critical fire conditions and resource drawdown.

BCP: OES and CalFire: Fire Integrated Real-Time Intelligence System (FIRIS). \$30 million ongoing General Fund and 31 positions (\$24.4 million and 11 positions for OES and \$5.6 million and 20 positions for CalFire) beginning in 2022-23 to establish and operate a state level mutual aid asset known as FIRIS – An All-Hazards Intelligence Platform, which enhances public safety, the mutual aid response system and situational awareness in real-time for all-hazard prediction and evaluation models, primarily for all-hazard response, to include primarily wildfires, but also mud slides, flooding, earthquakes, avalanches, urban and wilderness search and rescue events, environmental emergencies such as oil spills and hazardous material releases, preliminary and post-disaster damage assessments and fire management assistance grants.

BCP: CCC: Enhancing and Expanding CCC Fire Crews. \$8.087 million in 2022-23, \$8.969 million in 2023-24, \$8.058 million in 2024-25, \$10.292 million in 2025-26, and \$10.248 million ongoing General Fund for 18 positions and 13 full-time equivalent Corpsmembers positions to fund 10 additional hand crews (four new crews and six conversion crews) to provide vegetation management, hazardous fuel reduction projects, and wildland fire suppression, phased over four years, in partnership with CalFire. These funds are offset by a reduction of -\$1,800,000 in 2022-23 and -\$2,700,000 ongoing in Collins-Dugan Reimbursement Account.

CCC requests to transition six existing reimbursement CCC crews into Type 1 fire crews, one crew at each of the following CCC Centers: Pomona, San Diego, Monterey Bay, Fresno, Fortuna, and Redding (in 2023-24). Additionally, this proposal adds two expansion crews at the Los Pinos Center, and two crews at the new Auberry Residential Center (in 2025-26). This request includes an offset of -\$1.8 million in year one and -\$2.7 million starting in year two, and ongoing, from the Collins-Dugan Reimbursement Account to reflect that the six existing reimbursement crews will transition to being fully funded by the General Fund. In addition, this proposal requests positions and funding to support these fire crews.

BCP: DOC: Pre-Wildfire Geologic-Hazard Mitigation Planning & Post-Wildfire Hazard Identification. Eight permanent positions and an appropriation increase of \$2.713 million in 2022-23, and \$1.865 million ongoing General Fund to create a Pre-Wildfire Geologic Hazard Mitigation Planning & Post-Wildfire Hazard Identification Program. Tasks would include:

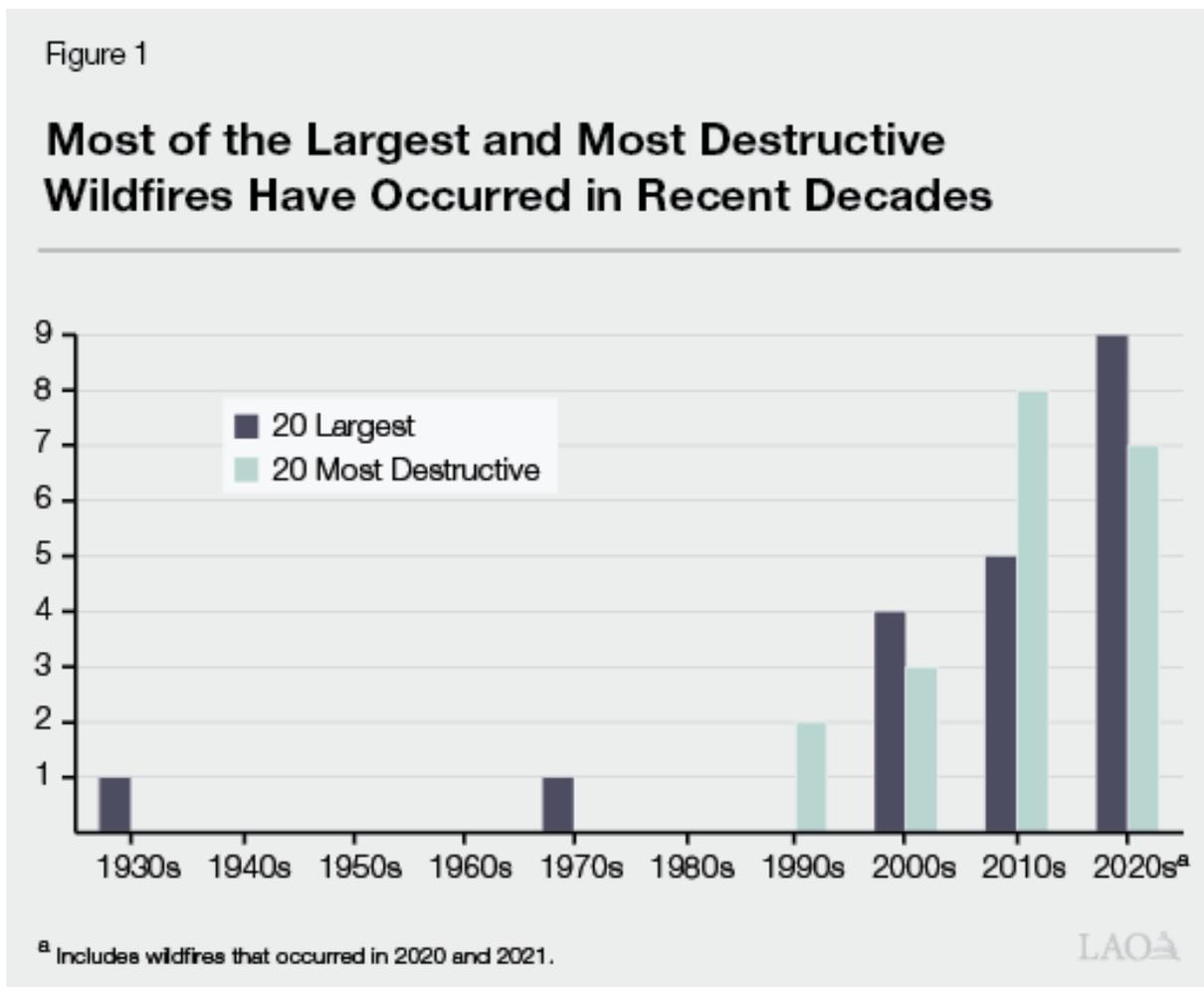
- ***Pre-Fire Mud and Debris Flow and Flooding Hazard Awareness and Planning.*** Development of maps and data that proactively show areas of post-wildfire inundation. This information can then be used by local agencies for identifying long-term mitigation measures as well as for evacuation planning, public communication, and support for prioritizing fuel treatments to help limit fire effects in the wildland urban interface.
- ***Post-Fire Watershed Emergency Assessment (WERT) focused on life/safety hazards from debris flows, flooding, rock fall, etc.*** Evaluation of post-fire conditions for rainy season hazards so that emergency mitigations can be implemented, and appropriate rain-driven evacuation plans can be developed. The burned area watershed emergency assessment provides a means of prioritizing areas of post-wildfire risk within and downstream of the burn area and development of emergency mitigation measures.
- ***Post WERT Mud and Debris Flow and Flood Hazard Emergency Planning.*** Prepare post-wildfire inundation scenario emergency evacuation planning maps. These maps will provide decision support for emergency managers so that appropriate evacuation zones can be developed, and emergency response measures can be planned rapidly following a wildfire.
- ***Burn Area Monitoring and Process Refinement.*** Post-wildfire watershed monitoring and observation data will be acquired as feedback to the development of geographic-based understanding of post-wildfire storm triggering rainfall, flood, mud and debris flow impacts statewide. Current information is only accurate in the southern portion of the state. This task will develop the information for robust statistically valid rainfall triggering mechanisms across the state.
- ***Outreach and Education.*** Community outreach and education about post-wildfire hazards will be performed to ensure that before and after a wildfire, communities understand the post-wildfire flash flood and debris flow risks and believe post-wildfire storm derived evacuation messaging. This messaging is particularly important for disadvantaged communities where there are not existing local government resources available to prepare and provide this information for local emergency responders, and for their constituents.

- Necessary Ongoing Support Materials.** The post-wildfire assessments and data development require detailed an accurate information regarding the properties of the specific burned watersheds. Items such as pre-fire LiDAR, post-fire aerial/satellite imagery and portable rainfall and small stream gauges for collection of post-fire hydrologic data provide detailed and accurate topographic, hydrologic, and post-wildfire vegetative conditions within hazardous burned watersheds.

Also, please note that the Administration has proposed \$400 million in the Governor’s January Budget Summary, but details have yet to be determined.

Background. According to the LAO:

Recent Years Have Seen Some of Largest and Most Destructive Wildfires. In recent years, California has experienced a growing number of destructive wildfires. As Figure 1 shows, most of California’s largest and most destructive wildfires have occurred in recent decades. This trend has been particularly notable in the last few years, which have seen some of the worst wildfires in the state’s recorded history. For example, the 2018 wildfire season included the Camp Fire in Butte County, which became the single most destructive wildfire in state history with nearly 19,000 structures destroyed and 85 fatalities, including the near-total destruction of the town of Paradise. A few key factors have contributed to the recent increase in destructive wildfires, including climate change, poor forest and land management practices, and increased development in fire-prone areas.



State Has Historically Focused Mostly on Reducing Wildfire Risks Through Response. The state addresses the risks of destructive wildfires through a combination of (1) prevention—reducing the likelihood that a wildfire will start, (2) mitigation—lessening the damage that wildfires cause when they do occur, and (3) response—suppressing wildfires after they start. Traditionally, the state has focused mostly on response. For example, from 2005-06 through 2020-21, LAO estimates an average of close to 90 percent of the base support budget for CalFire—the state’s lead agency for fire protection in the State Responsibility Area (SRA)—has been dedicated to fire response (rather than fire prevention or mitigation). (The SRA makes up roughly one-third of the state’s land area and consists mostly of privately owned forestlands, watersheds, and rangelands.)

State Uses Mix of Approaches, Across Multiple Agencies, to Respond to Wildfires. The state uses a variety of resources—such as fire crews, hand crews, fire engines, helicopters, and air tankers—to respond to wildfires. Most of these resources are under CalFire. However, other state departments also have resources dedicated to fire response. For example, the Office of Emergency Services (OES) maintains a fleet of fire engines that are used as part of the state’s mutual aid system. Also, in collaboration with CalFire, multiple state departments provide staff for hand crews, including the California Military Department (CMD), California Conservation Corps (CCC), and the California Department of Corrections and Rehabilitation.

Hand Crews in Wildfire Response

Hand Crews Play Important Role in Wildfire Response. Hand crews support fire response by constructing fire lines, assisting fire engine crews with deployment of fire hoses over long distances, providing logistical and operational support, and extinguishing hotspots to help contain fires. Hand crews also do fire mitigation work, such as hazardous fuels reduction and vegetation management projects, when not responding to wildfires.

Decline in Inmate Population Has Affected Availability of Hand Crews. Historically, the majority of the hand crews utilized by the California Department of Forestry and Fire Protection (CalFire) have been operated through agreements with the California Department of Corrections and Rehabilitation for use of state prison inmates. These inmates are housed at conservation camps located in or near forests throughout the state. In the past decade, the state has enacted various changes to sentencing laws that have significantly reduced the inmate population. This, in turn, has reduced the population housed at conservation camps and available to serve on inmate crews. Specifically, according to the administration, CalFire historically operated 192 inmate crews. However, the number of funded crews declined to 152 as a result of a 2020-21 budget action to consolidate the state’s conservation camps in response to inmate population declines. Furthermore, the administration reports that, as of August 2021, only 63 out of 152 authorized inmate crews were staffed.

Some Steps Taken to Offset Loss of Hand Crews. To address the decline in inmates available to staff hand crews, CalFire has partnered with other agencies, including the California Conservation Corps and the California Military Department, to provide staff for hand crews. Additionally, CalFire has received funding to hire firefighters to help address this decline. We highlight some of these recent augmentations in Figure 2 of this brief.

Some Response Resources Provide Greater Flexibility Than Others. Some of the resources used by CalFire and other agencies—such as year-round fire crews and fire engines—provide baseline capacity to fight wildfires. Other resources provide additional capacity during the peak wildfire season or larger wildfire events. (This additional capacity is sometimes referred to as “surge capacity.”) For example, CalFire regularly operates 356 fire engines, which includes 65 engines that operate on a year-round basis as well as 291 engines that operate on a seasonal basis. In addition to these engines, the department also maintains a fleet of 48 reserve fire engines to provide additional surge capacity. Furthermore, when a

fire (or other disaster) is large enough that it overwhelms a community's capacity to respond, it can request additional resources—such as fire engines or other equipment—from other governmental entities through the state's mutual aid system. The state supports the mutual aid system in a number of ways, such as by providing state-funded fire engines to local communities through the OES program mentioned previously. Currently, there are 260 engines operating as part of this program.

Base Wildfire Response Funding Has Increased Substantially in Recent Years. In response to severe wildfire seasons and growing wildfire risks, the state has augmented funding for various wildfire-related activities in recent years, including those related to wildfire response. As Figure 2 shows, the state has provided augmentations for a variety of response-related purposes, such as to support additional firefighters, hand crews, support staff, fire engines, air tankers, helicopters, and various types of new technology. Most of these augmentations have been made to CalFire's budget, but some other agencies have also received additional resources, such as CCC and CMD. As shown in the figure, the state provided some of these funds on an ongoing basis, while it provided others on a limited-term basis. Driven by augmentations such as these, CalFire's total base wildfire protection budget has grown by nearly two-thirds over the past five years alone (from \$1.3 billion in 2017-18 to \$2.1 billion in 2021-22). As shown in Figure 3, CalFire's overall budget has also increased, with its combined budget for fire protection, emergency fire suppression, and resource management and fire prevention rising by roughly 45 percent over the past five years (from \$2.5 billion in 2017-18 to \$3.7 billion in 2021-22).

Figure 2

Key State Wildfire-Response Funding Augmentations in the Last Few Years

- ***CalFire—Blackhawk Helicopters.*** \$315 million one time (General Fund) over a few years beginning in 2018-19 to replace all 12 of CalFire's helicopters, and \$14 million ongoing to support increased maintenance and staffing associated with the helicopters.
- ***CalFire and CCC—Emergency Response and Preparedness: Fire Crews.*** \$143 million (General Fund) in 2021-22, and \$124 million and 617 positions ongoing to support 16 new CalFire hand crews staffed by seasonal firefighters, eight year-round CCC hand crews, and six seasonal CCC hand crews.
- ***CalFire—Relief Staffing.*** \$85.6 million ongoing starting in 2020-21 (primarily from the General Fund) to support additional firefighting positions and fire response surge capacity. This includes: (1) \$34.2 million to support 172 permanent firefighting positions; (2) \$44 million for 378 seasonal firefighters and other surge capacity; (3) \$7.5 million for the six CalFire contract counties, pursuant to the state's existing budgeting methodology for contract counties, which is tied to CalFire's budget for fire response resources; and (4) \$1.8 million for facilities and equipment, such as purchasing vehicles. These increases are partially offset by a reduction of \$1.9 million to reflect a lower level of unplanned overtime within the department's fire protection program as a result of the higher ongoing staffing levels.
- ***CalFire—13 Year-Round Fire Engines.*** About \$40 million (mostly General Fund) in 2019-20 to purchase and staff 13 additional fire engines on a year-round basis. Includes \$8.3 million (one time) to purchase the fire engines and \$32.6 million ongoing for 131 positions.

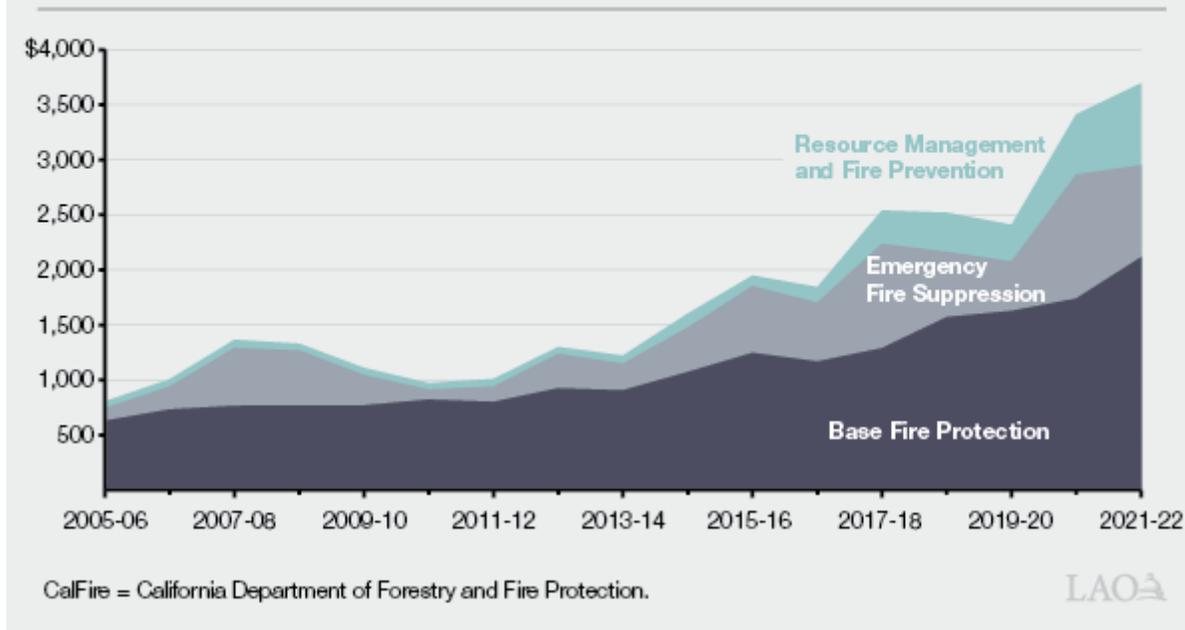
- **OES—Fire Engine Pre-Positioning.** \$25 million annually to pre-position mutual aid fire engines and other related equipment in order to decrease local response times to potentially destructive wildfires and other disasters. This funding was provided on a one-time basis in 2017-18 (GGRF) and in 2018-19 (General Fund). Funding was extended on an ongoing basis in 2019-20 (General Fund).
- **OES—110 Fire Engines.** \$25 million one time (GGRF) in 2018-19 to purchase 110 additional fire engines, and \$1.1 million ongoing to maintain and fuel the additional engines.
- **CalFire—Innovative Procurement.** \$15 million one time (General Fund) in 2019-20 for CalFire to work with vendors to test proofs of concept for various potential firefighting technology solutions.
- **CalFire—Air Tankers.** \$13 million ongoing (General Fund) beginning in 2019-20—increasing to \$50 million upon full implementation in 2023-24—for contract funding for flight crews, maintenance parts and logistics, and 50 additional positions to operate and maintain seven C-130 air tankers that CalFire expects to receive from the federal government.
- **CalFire—Heavy Fire Equipment Operator Staffing.** \$10.6 million ongoing (General Fund) beginning in 2019-20 for 34 additional heavy fire equipment operators to operate bulldozers.
- **CalFire—Wildfire Forecasting.** \$4.4 million (General Fund) in 2020-21, increasing to \$7.6 million ongoing, and 24 positions to implement the FireSIM and FireCAST wildfire forecasting technologies that were identified through the innovation procurement.
- **CalFire, OES, CMD, and CPUC—Wildfire Threat Assessment.** \$2 million (General Fund) in 2020-21, increasing to \$9.5 million in 2021-22 and ongoing (\$9.3 million General Fund and \$191,000 PUCURA) and 22 positions to establish the Wildfire Forecast and Threat Intelligence Integration Center, consistent with the requirements of Chapter 405 of 2019 (SB 209, Dodd).

CalFire = California Department of Forestry and Fire Protection; CCC = California Conservation Corps; OES = Office of Emergency Services; GGRF = Greenhouse Gas Reduction Fund; CMD = California Military Department; CPUC = California Public Utilities Commission; and PUCURA = Public Utilities Commission Utilities Reimbursement Account.

Figure 3

State Spending on CalFire Has Grown

(In Millions)



Extreme Wildfire Events Can Still Strain Response Capacity. Despite recent augmentations, extreme wildfire events can still strain resources. Resource availability can be particularly challenging when multiple large wildfires occur simultaneously, as has happened in recent years. Notably, the state has experienced several severe wildfire seasons in recent years that have challenged the state’s capacity to respond. For example, in 2020, according to data from CalFire, roughly 7,900 requests for fire engines, 900 requests for dozers, and 600 requests for helicopters could not be filled.

Governor’s Budget Includes Several Significant Response-Related Proposals. The proposed budget provides a total of more than \$920 million (mostly from the General Fund) for various wildfire response-related proposals across a few departments. Major proposals include:

- ***CalFire—Staffing and Operational Enhancements.*** The Governor proposes \$400 million ongoing General Fund to improve the health and wellness of CalFire firefighters. According to the administration, details of this proposal will be developed in consultation with the state’s firefighter associations and may be available in May.
- ***CalFire—Emergency Surge Capacity and Resource Enhancement.*** The Governor proposes \$179.8 million General Fund in 2022-23 and \$14.6 million annually thereafter for CalFire to purchase various types of reserve equipment, including four fire hawk helicopters, 54 fire engines, and ten dozers. The Governor also proposes funding for a contract that would provide CalFire with exclusive use of ten helitankers for the next three years until the state anticipates receiving federal C-130 helicopters.
- ***CalFire—Computer Aided Dispatching (CAD)/Automatic Vehicle Locator (AVL) Program Hardware and Service Refresh.*** The Governor proposes \$41.8 million (\$23.9 million General Fund and \$17.9 million State Emergency Telephone Number Account [SETNA]) in 2022-23 and roughly \$30.5 million (\$22.5 million General Fund and roughly \$8 million SETNA) annually

beginning in 2023-24, along with 43 positions, for CalFire to install AVL in the rest of its fleet, implement a five-year replacement cycle for all of its AVL equipment, and provide ongoing support for the AVL and CAD systems. (According to CalFire, 1,200 of its fleet of 3,600 resources currently have AVL installed.) CAD is CalFire’s primary dispatch system, and AVL is a system that integrates with CAD and tracks the real-time location of resources in the field.

- **CMD—Enhancing and Expanding Fire Crews: Task Force Rattlesnake.** The Governor proposes General Fund resources of \$39.9 million in 2022-23 and \$41.3 million annually thereafter and 15 State Active Duty positions to convert 13 seasonal CMD hand crews to 14 year-round hand crews.
- **OES and CalFire—Fire Integrated Real-Time Intelligence System (FIRIS).** The Governor proposes \$30 million ongoing General Fund and 31 positions for the FIRIS system, which provides real-time aerial data and predictive models to inform the state’s response to wildfires and other hazards.
- **CalFire—Contract County Crews.** The Governor proposes \$25.4 million General Fund in 2022-23 and \$35.4 million ongoing to fund 12 hand crews for contract counties (two for each of the six contract counties), as well as a rebaselining of other funding provided to contract counties. (The state funds contract counties to provide fire protection services on behalf of the department in SRA within county boundaries.)
- **CalFire—Training Centers.** The Governor proposes \$15.7 million General Fund in 2022-23 and \$272,000 ongoing for 13 new fire engines and other equipment for the Ventura Training Center and the California Fire Training Center South.
- **OES—Enhancing Fire and Rescue Mutual Aid Fire Fleet.** The Governor proposes \$11.2 million General Fund in 2022-23 and \$10.9 million ongoing, along with 11 positions, to support OES’ mutual aid fire engine program.
- **CCC—Enhancing and Expanding CCC Fire Crews.** The Governor proposes \$8.1 million General Fund in 2022-23 and \$10.2 million ongoing to support ten hand crews (four new crews and conversion of six seasonal crews to year-round), as well as an additional 18 staff positions and 13 corpsmember positions to support these crews.
- **CCC—Rightsizing Fire Crew Resources.** The Governor proposes \$1.8 million General Fund in 2022-23 and \$2 million ongoing for 13 additional corpsmembers and 11 staff to support existing CCC fire crews.
- **CalFire—Various Capital Outlay Projects.** As shown in Figure 4, the Governor proposes \$175.2 million (\$119.7 million General Fund and \$55.5 million in lease revenue bonds) in 2022-23 for various capital outlay projects, mainly focused on replacing and relocating facilities such as unit headquarters, fire stations, and air attack bases. This includes funding for both continuing phases of previously approved projects and new projects. The total estimated cost for the proposed projects is about \$713 million.

Figure 4

CalFire Capital Outlay Projects Proposed for 2022-23

(In Thousands)

Project	2022-23			Total Project Cost
	Amount	Fund Source	New or Continuing	
Statewide: Replace Communications Facilities, Phase V	\$37,266	GF	Continuing	\$41,618

Hemet-Ryan AAB: Replace Facility	33,661	LRB	Continuing	37,523
Prado HB: Replace Facility	21,831	LRB	Continuing	24,600
Lake/Napa Unit Autoshop and Warehouse: Replace Facility	19,713	GF	Continuing	22,917
Potrero Forest FS: Replace Facility	14,675	GF	Continuing	17,370
Chico AAB: Infrastructure Improvements	10,605	GF	Continuing	12,491
Shasta Trinity UH/Northern Operations: Relocate Facilities	6,288	GF	Continuing	109,759
Lake Napa UH and St Helena FS: Relocate Facility	5,000	GF	New	42,714
Intermountain Conservation Camp: Replace Facility	3,831	GF	Continuing	73,895
Humboldt-Del Norte UH: Relocate Facility	3,558	GF	Continuing	57,317
Paso Robles AAB: Infrastructure Improvements	3,277	GF	Continuing	3,859
South Tahoe FS: New Facility	3,000	GF	New	16,680
Hollister AAB/Bear Valley HB: Relocate Facility	2,131	GF	Continuing	53,550
Minor Projects	2,068	GF	New	2,068
North Tahoe FS: New Facility	2,000	GF	New	15,680
Tehama Glenn UH: Relocate Facility	1,500	GF	New	63,720
Columbia HB: Replace Facility	1,228	GF	New	17,435
Howard Forest HB: Replace Facility	1,228	GF	Continuing	17,885
Higgins Corner FS: Replace Facility	789	GF	Continuing	12,029
Bear Valley FS: Relocate Facility	750	GF	New	9,594
Macdoel FS: Relocate Facility	586	GF	Continuing	11,879
Wilbur Springs FS: Relocate Facility	150	GF	New	12,214
L.A. Moran Reforestation Center Improvements	50	GF	New	5,826
Self-Generating Power in Tehama-Glenn and Fresno-Kings Units	50	GF	New	30,100
Totals	\$175,235			\$712,723

CalFire = California Department of Forestry and Fire Protection; GF = General Fund; AAB = Air Attack Base; LRB = lease-revenue bonds; HB = Helitack Base; FS = Fire Station; and UH = Unit Headquarters.

LAO Comments. *Additional Wildfire Response Capacity, Particularly During Extreme Events, Is Merited.* There has been a pattern of increasing numbers of severe wildfires in recent years, which have strained the state’s capacity to respond. Moreover, the effects of climate change are likely to lead to growing risks of severe wildfires in the future. Accordingly, it is reasonable to provide additional resources to improve the state’s capacity to respond to future wildfires. In particular, in principle, it makes sense to enhance the availability of flexible resources that can surge when needed to respond to major wildfires.

Proposals Would Result in Very Large Increase in CalFire Base Support Budget, Mostly Ongoing. As shown in Figure 5, if the Legislature adopts all the Governor’s wildfire response-related proposals, CalFire’s total base support budget for fire protection would increase by 33 percent (from \$2.1 billion in 2021-22 to \$2.8 billion in 2022-23). This represents the largest annual increase since our office started regularly tracking this information in 2005-06. (For reference, the average annual increase has been

8 percent since 2005-06.) Also, in contrast to the Governor’s proposed wildfire and forest resilience package, most of the augmentations for wildfire response-related activities are proposed to be ongoing. (In addition to the proposed augmentations to CalFire’s base support budget, the budget also includes significant new funding for capital outlay projects.)

Figure 5

CalFire Budget Summary

(Dollars in Millions)

	2021-22 (Estimated)	2022-23 (Proposed)	Change	
			Amount	Percent
By Program				
Base Fire Protection	\$2,113	\$2,809	\$695.0	33%
Emergency Fire Suppression	838	413	-424.4	-51
Resource Management	745	414	-330.1	-44
Other ^a	68	72	4.0	6
Totals	\$3,763	\$3,708	-\$55.0	-1%

^aOther includes the Office of the State Fire Marshal, Board of Forestry and Fire Protection, and Department of Justice Legal Services.

CalFire = California Department of Forestry and Fire Protection.

Unclear to What Extent Some Proposals Would Enhance Capacity and Over What Time Frame. The concept of improving wildfire response capacity has merit. However, the extent to which some of the Governor’s proposals would expand this capacity and over what time period is unclear. For example, the largest proposal included in the Governor’s budget is \$400 million in ongoing General Fund to support the health and wellness of CalFire firefighters. While supporting firefighters is a worthy endeavor, it is unclear how this funding would be allocated, including how much would be provided to increase staffing versus increasing pay and/or benefits. If the proposed funding is used to increase compensation, it is unclear to what extent (if at all) it will result in greater response capacity. Similarly, the Governor’s budget includes a proposal to acquire new fire engines for training centers, some of which would replace older engines and some of which would increase the number of training engines available. While trainees may appreciate these new engines, it is unclear how the proposed engines would improve response capacity or provide other measurable benefits to the state.

LAO also notes that the Governor proposes to fund some activities for which it may take a few years to see benefits. Notably, the Governor proposes to acquire helicopters and other equipment, which can take substantial time to procure. For example, CalFire estimates it will take roughly one additional year to receive each additional helicopter ordered. As such, it would take roughly four years for the department to receive all four of the proposed helicopters. The department also estimates it would take up to three years to receive the additional proposed fire engines and dozers. Additionally, the various types of capital outlay projects proposed by the Governor often take at least a few years to complete and be available for use.

Some Proposed Spending Is Excluded Under 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 capital outlay appropriations from the SAL calculation. Of the roughly \$855 million proposed from the General Fund for major wildfire response-related proposals in 2022-23, the Governor excludes roughly 30 percent (\$252 million) from the SAL. This includes \$132 million for equipment and \$120 million for capital outlay projects. The remaining roughly \$603 million of General Fund—almost all of which is proposed on an ongoing basis—would likely count towards the limit. If the Legislature were to reject any of the wildfire response proposals excluded from the SAL calculation, it would generally need to repurpose the associated funding for other SAL-related purposes, such as tax reductions or an alternative excluded expenditure.

Absence of a Strategic Wildfire Plan Makes It Difficult to Assess if Proposals Are Optimal Approach. LAO continues to believe that the state would benefit from the development of a statewide strategic wildfire plan. The purpose of the plan would be to inform and guide state policymakers regarding the most effective strategies for responding to wildfires and mitigating wildfire risks. In particular, the plan should include guidance on future funding allocations to ensure the highest-priority and most cost-effective programs and activities receive funding and that the state supports an optimal balance of funding for resilience and response.

The Legislature has taken steps to attempt to secure information that would facilitate a more strategic approach to addressing wildfire risks. Specifically, as part of the 2019-20 budget package, the Legislature required CalFire and OES to conduct an assessment of the existing wildfire response capacity through state and mutual aid resources to identify gaps in capacity, cost-effective approaches, and fire response goals (required assessment). The required assessment was due on April 1, 2020, but has not been provided to date due to competing workload demands. According to CalFire, the Administration has no estimated time frame for completing this report. Absent the types of information that would be in a strategic wildfire plan and the required assessment, it is difficult for the Legislature to determine whether the proposals put forward by the Administration represent the most appropriate and cost-effective mix of approaches to meet the state's needs for fire response.

LAO Assessment of Specific Proposals. Despite the absence of a strategic wildfire plan, the Legislature must still make funding decisions and respond to the budget proposals put forward by the Governor. In order to assist the Legislature in this process, LAO assesses the Governor's specific 2022-23 wildfire response-related budget proposals, based on the information available to us at the time of the preparation of this writing. LAO finds that (1) some proposals generally appear reasonable; (2) two proposals could potentially have merit, in whole or in part, but lack important details or justification at this time; (3) some proposals assume funding will be provided in another proposal and thus the proposals should be considered together; and (4) some proposals appear not to be the most cost-effective approach to improving response capacity.

Some Proposals Generally Appear Reasonable. LAO finds that some of the Governor's proposals appear reasonable based on the information provided by the Administration at the time this brief was prepared. These proposals include the following:

- ***CalFire—Contract County Crews.*** LAO finds the proposed expansion of hand crew capacity in the state is likely merited given the recent declines in inmate crews and the importance these crews play in the state's response and resilience strategies. Notably, the proposed added capacity would be provided through the state agreeing to fund crews for contract counties, which the state has not generally done in the past. (The state did provide some one-time funding to contract counties as part of the 2021-22 wildfire and forest resilience package.) LAO finds that it is reasonable for the state to provide support for contract county hand crews because the state will

likely derive significant benefits from them. This is because the crews would conduct activities in the SRA—such as vegetation management projects and wildfire response—that are likely to reduce the likelihood of major wildfires. LAO also notes that the state already provides funding to contract counties for similar types of activities to prevent and suppress wildfires, such as for fire engines and crews. Additionally, the proposed rebaselining of funding for contract counties appears to better reflect the costs the state would likely incur if contract counties were not providing services on behalf of CalFire in the SRA.

- **CalFire—Various Capital Outlay Projects.** While the full costs of the proposed capital outlay projects will be substantial, LAO finds that the new projects would address important infrastructure needs for the department, such as replacing aging facilities that do not meet the department’s operational needs. LAO does not have concerns with the funding included in the budget for the next phases of previously approved CalFire capital outlay projects.

Additional Information or Justification Needed for Some Proposals. LAO finds that two proposals could potentially have merit in whole or in part, but lack some key information or justification at this time. These proposals are:

- **CalFire—Staffing and Operational Enhancements.** The last few years have placed significant strains on firefighters. Accordingly, it is reasonable in principle to dedicate additional funding to support their health and wellness. At this time, however, the Administration has not provided any details on what the proposed \$400 million in ongoing General Fund resources would support. This makes it impossible for the Legislature to assess whether the proposal represents the appropriate funding amount, what specific outcomes would be achieved from this funding, and whether the proposed funding would be the most cost-effective approach to improving the state’s capacity to respond to potentially destructive wildfires. Notably, \$400 million would represent a substantial increase in funding for CalFire personnel. For reference, the budget estimates that spending on CalFire personnel costs will total \$1.5 billion in 2021-22. Of this amount, about \$930 million is anticipated to be provided for salaries and \$580 million for benefits.
- **OES—Enhancing Fire and Rescue Mutual Aid Fire Fleet.** This proposal would support OES’ mutual aid fire engine program, which is an important part of the state’s ability to access surge capacity. However, at this time, it is unclear how specifically the additional funding proposed by the Governor would be used. Specifically, it is unclear to what extent the funding would be used by OES to replace existing fire engines more frequently or provide a more robust maintenance program for its engines. Without this type of basic information, it is impossible for the Legislature to evaluate what specific improvements to fire response capacity would be expected from this proposal and whether they would justify the additional costs.

Some Proposals Assume Funding Will Be Provided in Another Proposal. LAO finds that the some of the Governor’s proposals assume funding will be provided in the staffing and operational enhancements proposal. As such, it will be important for the Legislature to consider these proposals together as discussed below.

- **CalFire—Emergency Surge Capacity and Resource Enhancement.** Given the high number of unfilled requests for response-related equipment—including fire engines, helicopters, and dozers—over the past few years, LAO finds that it is reasonable for the Legislature to consider providing additional resources to increase the availability of such equipment. However, the Governor’s proposal does not account for all the operational costs associated with the proposed equipment. Specifically, according to CalFire, the costs of staffing the proposed helicopters are included as part of the staffing and operational enhancements proposal. Accordingly, it will be important for the Legislature to consider the two proposals together.

Additionally, given the complex and technical nature of decisions about the relative operational value of various types of equipment in specific wildfire conditions, it is particularly difficult to evaluate the merits of this type of proposal absent a strategic wildfire plan.

- **CCC and CMD Fire Crew Proposals.** The proposed CCC and CMD hand crews (and associated support staff, as relevant) would provide a significant increase in the resources available to assist in responding to active wildfires, as well as conducting hazardous fuel removal projects at other times. LAO expects that such an expansion would provide important value to the state. However, LAO notes that additional CalFire staffing is anticipated to be required to oversee the proposed changes to the CCC and CMD crews. According to the Administration, this additional staffing is included in the staffing and operational enhancements proposal. Given this, it will be important for the Legislature to consider the proposals together.

Some Proposals May Not Be Most Cost-Effective Approach to Improving Response Capacity. LAO has some initial concerns with the remaining proposals because they may not represent the most cost-effective approaches to improving response capacity based on the information available at the time this writing. Specifically, LAO has such concerns with the following proposals:

- **CalFire—CAD/AVL Program Hardware and Service Refresh.** While CAD and AVL provide important functionality to the department, it is not clear to us whether (1) the benefits of extending it to every CalFire resource—including every vehicle operated by any CalFire staff—outweighs the substantial cost, (2) a five-year replacement cycle is necessary, and (3) such a replacement cycle is consistent with the practices of governmental entities with this type of technology.
- **CalFire—Training Centers.** At this time, it is unclear what additional response benefits would be provided by acquiring 13 new engines for CalFire’s training facilities and whether those benefits justify the cost of the Governor’s proposal. LAO notes that the need for some or all of the proposed training engines could potentially be met by repurposing older fire engines that the department would otherwise sell. LAO does not raise concerns with the purchase of other training equipment.
- **OES and CalFire—FIRIS.** Since 2019, the state has been piloting the use of FIRIS—a system that provides real-time aerial data and predictive models to inform the state’s response to wildfires and other hazards—through an agreement with Orange County. Under this proposal, OES and CalFire would take over FIRIS from Orange County on a permanent basis and expand the level of service provided to include two planes providing 24-hour coverage each at a total cost of roughly \$30 million annually. (The Orange County pilot included two planes, one that provided 24-hour coverage and one that provided 12-hour coverage.) However, it is unclear whether this additional level of service is necessary. This is because the departments have not provided sufficient justification for why the current level of service is insufficient, particularly given that they have access to similar aerial data and capabilities through a partnership with CMD. Furthermore, while the departments did not evaluate what the cost would be to continue the existing level of service, LAO would expect it to be significantly lower than \$30 million per year given that the proposal notes that it would cost \$17 million for Orange County to continue providing the existing level of service. (According to OES, Orange County is not interested in continuing to manage this program.)

LAO Recommendations. Consider Proposals in Context of Overall Priorities. Given the size of the proposed wildfire response-related augmentations, LAO recommends that the Legislature weigh all the proposals in the context of its priorities and other budget decisions, keeping in mind the following considerations:

- ***Governor’s Wildfire Resilience Package.*** The Governor’s 2022-23 budget plan includes a total of \$800 million from the General Fund over two years (in addition to \$200 million annually from the Greenhouse Gas Reduction Fund) for various wildfire prevention and mitigation efforts. Ultimately, a key question for the Legislature will be how to balance additional resources for wildfire resilience versus response.
- ***Augmentations Provided in Recent Budgets.*** Notably, recent state budgets have provided various augmentations for wildfire response-related resources as mentioned previously, including for fire crews, hand crews, fire engines, helicopters, aircraft, and various types of technology. It will be important for the Legislature to ensure that it is comfortable that the Governor’s proposals build on, rather than duplicate, these existing resources.
- ***Priorities for Ongoing General Fund.*** It will also be important for the Legislature to consider the Governor’s wildfire response proposals in the context of its priorities for the use of ongoing General Fund resources since most of the proposed funding would be provided on an ongoing basis.
- ***SAL Implications.*** It will also be important for the Legislature to consider the implications for the SAL as it reviews these proposals. The Governor excludes roughly 30 percent of the \$855 million proposed for major wildfire response-related proposals in 2022-23 from the SAL. This includes \$132 million for equipment and \$120 million for capital outlay projects. If the Legislature were to reject any of these proposals, it would generally need to repurpose the associated funding for other SAL-related purposes, such as tax reductions or an alternative excluded expenditure.
- ***Ability to Enhance Additional Response Capacity Cost-Effectively and Expeditiously.*** Finally, given the amount of proposed funding, it will be particularly important to ensure that the mix of proposals represents the best mix of resources to improve the state’s ability to respond cost-effectively. Ideally, the Legislature would have a strategic wildfire plan to help guide these decisions. However, given the pressing nature of this issue, the Legislature could consider providing some or all of the requested resources while continuing to pursue more information from the administration to inform future decisions. To the extent it provides funding for only some resources, it could focus on the resources that have the clearest demonstrated ability to improve response capacity, are likely to provide near-term wildfire response benefits, and are least likely to change substantially based on information that would be provided in a strategic wildfire plan.

Approve Proposals That Generally Appear Reasonable. Some proposals meet clearly identified needs, include sufficient details to enable the LAO to adequately assess them, and are likely to be reasonable even in the absence of a strategic wildfire plan. Accordingly, LAO thinks it makes sense for the Legislature to approve them. These proposals include (1) CalFire’s contract county crews proposal and (2) CalFire’s various capital outlay proposals.

Withhold Action on Proposals Pending Additional Information. There are a couple proposals that may have merit in concept, but are lacking adequate details and/or justification at this time. For these proposals, LAO recommends that the Legislature withhold action pending receipt of additional information from the Administration. If the Administration does not provide sufficient information to justify their approval, LAO recommends that the Legislature reject the proposals in whole or in part. These proposals are:

- ***CalFire—Staffing and Operational Enhancements.*** There is no information available on how the proposed funding would be used and why \$400 million is the appropriate level of funding. Based on LAO’s discussion with the Administration, LAO understands that additional details on

this proposal may be available in May. Until such information is available, LAO recommends the Legislature withhold action on this proposal.

- **OES—Enhancing Fire and Rescue Mutual Aid Fire Fleet.** LAO recommends withholding action pending receipt of information on how the proposed funding would be used to support OES' fleet, as well as substantiating that the specific benefits that would be provided by this proposal justify the cost.

Withhold Action on Proposals That Assume Funding Provided in Another Proposal. LAO recommends that the Legislature withhold action on the proposals that are proposed to be staffed in part with resources included in the staffing and operational enhancements proposal.

- **CalFire—Emergency Surge Capacity and Resource Enhancement.** LAO recommends withholding action on this proposal because it would be staffed in part through resources proposed in the staffing and operational enhancements proposal. Accordingly, the Legislature will want to consider this proposal along with that proposal, the details of which are not anticipated to be available until May. Additionally, this proposal is particularly difficult to evaluate absent a strategic wildfire plan or required assessment because decisions about how to prioritize the use of various types of equipment in fire response is complex and technical. Accordingly, if the Legislature ultimately does want to provide resources in this area, it could consider approving the full requested amount or take a different approach. For example, one alternative could be to approve some of these resources in the budget year and defer action on the remaining resources to a future year. (This could potentially be done without delaying the receipt of equipment, since some equipment such as the helicopters, will take multiple years to arrive regardless.) The Legislature could make its approval of additional resources contingent on the Administration preparing the required assessment to help guide decision-making.
- **CCC and CMD Fire Crew Proposals.** LAO also recommends withholding action on the CCC and CMD fire crew proposals. LAO's understanding is that the CalFire staffing to oversee these crews is assumed to be provided as part of the staffing and operational enhancements proposal. Accordingly, the Legislature will want to consider these proposals along with that one.

Require Specific Information on Proposals That Do Not Appear Cost-Effective. There are a few proposals that do not appear to be the most cost-effective approach to improving response capacity based on the information available at the time of the preparation of this brief. Accordingly, LAO recommends that the Legislature require the administering departments to report specific information to address these concerns. To the extent that the responses are not compelling, LAO would recommend the Legislature modify or reject these proposals. These proposals are:

- **CalFire—CAD/AVL Program Hardware and Service Refresh.** LAO recommends requiring the department to report on (1) how the benefits of extending AVL to every CalFire resource—including every vehicle operated by any CalFire staff even those not directly involved in fire response—outweighs the cost of the proposal, (2) why a five-year replacement cycle is necessary, and (3) whether a five-year replacement cycle is consistent with the practices of governmental entities that use this type of technology. Such information would be important for the Legislature to determine whether to modify the proposal to provide AVL to a subset of the fleet or with a longer replacement cycle.
- **CalFire—Training Centers.** LAO recommends requiring CalFire to report on why these training engines are needed given that the department can use reserve engines or engines that would otherwise be surplus for training purposes. Specifically, the department should be able to articulate the specific consequences of not having these new engines on its capacity to respond to wildfires or identify other measurable benefits to the state. Absent a compelling rationale for

these engines, we recommend modifying the proposal to reject them. (LAO does not raise concerns with the other equipment proposed to be funded.)

- ***OES and CalFire—FIRIS.*** LAO recommends the Legislature direct OES and CalFire to report at budget hearings on an alternative to their proposal that would fund FIRIS at the current level of service, rather than the higher level of service proposed. This would provide the Legislature with important information on its options for continuing this program and allow it to assess whether there is another approach that would meet the state’s needs at a significantly lower cost.

Staff Recommendation. Hold open.

0650 GOVERNOR’S OFFICE OF EMERGENCY SERVICES (CAL OES)
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)
3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 21: Peace Officer and Law Enforcement Legislative Requirements — SB 2, SB 16, AB 26, AB 48, and AB 481

Governor’s Proposal. The Governor’s budget requests \$13.849 million General Fund in 2022-23, \$8.789 million ongoing, 28 positions, and 14 vehicles to comply with peace officer and law enforcement requirements associated with SB 2 (Bradford), Chapter 409, Statutes of 2021, SB 16 (Skinner), Chapter 402, Statutes of 2021, AB 26 (Holden), Chapter 403, Statutes of 2021, AB 48 (Lorena Gonzalez), Chapter 404, Statutes of 2021, and AB 481 (Chiu), Chapter 406, Statutes of 2021. The breakdown for each department’s request is as follows:

- CalFire requests \$7.547 million in 2022-23, \$3.565 million ongoing, seven positions, and four vehicles to comply with SB 2, AB 481, and AB 48.
- Parks requests \$3.849 million in 2022-23, \$3.215 million ongoing, 13 positions, and seven vehicles to comply with SB 2 ad SB 16.
- DFW requests \$2.035 million in 2022-23, \$1.591 million ongoing, six positions, and three vehicles to comply with SB 2, SB 16, and AB 26
- Cal OES requests \$418,000 ongoing and two positions to comply with AB 481.

Background. This package of bills address the public demand for peace officer reform. Specific components of each bill affect the departments in a variety of ways.

SB 2 (Bradford). SB 2 grants new powers to the Commission on Peace Officer Standards and Training (POST) to investigate and determine peace officer fitness and to decertify officers who engage in “serious misconduct”; and (2) makes changes to the Bane Civil Rights Act to limit immunity.

The departments must confirm all officers are POST certified, review peace officer investigations, and make recommendations for certificate suspension or revocation. This proposal includes resources for CalFire, Parks, and DFW to address the requirements of SB 2.

CalFire employs approximately 296 total peace officers that are responsible for enforcing laws related to CalFire’s forest and fire protection mission. Of the 296, 180 of CalFire’s peace officers are authorized to carry a firearm on a regular basis and are appointed under Penal Code (PC) Section 830.2, which grants law enforcement authority to state peace officers. These officers are required to be certified by POST. The remaining 116 departmental peace officers are appointed under PC Section 830.3 and conduct enforcement duties delegated to the Office of the State Fire Marshal (OSFM). SB 2 requires the peace officers appointed under Penal Code Section 830.3 to be certified by POST, which will require the officers to attend POST Regular Basic Course Academy, Field Training Program, and Continued Professional Training. CAL FIRE currently does not offer these training programs to OSFM’s peace

officers.

Parks' Law Enforcement and Emergency Services Division is comprised of roughly 600 rangers and lifeguards, both of which are peace officers with statewide jurisdiction. They are responsible for providing law enforcement and public safety throughout the state park system. The statutory changes due to SB 2 will increase the workload associated with investigations, detailed reporting, and expanded access to peace officer records. Parks cannot comply with the requirements of SB 2 within existing Parks' resources and existing staff.

DFW employs 480 sworn Wildlife Officers that have law enforcement jurisdiction throughout the state and 200 miles out to sea. They are also federally deputized to enforce certain federal laws. SB 2 requirements create an increase in reporting and requirements for the certification of DFW's peace officers, therefore increasing workload. Additionally, the bill requires DFW to report any complaints, charges, allegations, or investigations into serious misconduct by a peace officer that could render the officer's certification subject to suspension or revocation. The reporting timeline is much shorter than previously required.

SB 16 (Skinner). SB 16 expands the categories of police personnel records that are subject to disclosure under the California Public Records Act; and modifies existing provisions regarding the release of records subject to disclosure. SB 16 revises the record retention procedures to replace the 5-year minimum with a 15-year minimum for sustained findings of misconduct. Access to records, timelines, and volume will have a substantial impact on the departments' limited resources.

This proposal includes resources for Parks and CDFW to address the additional requirements imposed by SB 16. Parks currently exceeds 400 related requests per year and currently averages 15 investigations annually. Each of these investigations takes roughly six months to complete, with a team of only two investigators. SB 16 expands access to peace officer records through Public Records Act requests. The collective result of these changes will increase the number of requests, investigations, retention, reporting, and review. The department cannot comply with the requirements of SB 16 within existing Parks' resources and staff.

AB 26 (Holden). AB 26 specifies that law enforcement agency polices must: (1) mandate the reporting potential excessive force by officers; (2) prohibit retaliation against officers that report violations; (3) require that an officer who fails to intercede be disciplined up to and including the same manner as the officer who used excessive force; (4) prevent an officer who has had a finding of misconduct for use of excessive force from training other officers for three years; and (5) clarify the reporting requirements for uses of force and intervention on another officer who uses excessive force.

AB 26 requires that officers immediately intercede and report when observing perceived excessive force. This bill expands the requirements for a witness officer to go beyond reporting excessive force and would add additional requirements and consequences for an observing officer.

Due to the possible liability involved, this proposal includes resources for DFW. This proposal would support DFW's capacity to work with the Attorney General's Office on litigation arising from AB 26. Every time one of the Wildlife Officers observes another peace officer, from any other agency or department, using force, the DFW and the peace officer are exposed to potential liability. The Wildlife Officers frequently work with other law enforcement agencies. They back up outside agencies in calls for service, they execute search warrants together, and request back up in remote areas of the state.

AB 48 (Lorena Gonzalez). AB 46 places a general ban on the use of kinetic energy projectiles and

specified chemical agents by law enforcement upon public assemblies, subject to specified exemptions. AB 48 includes a component requiring monthly reporting, instead of annual reporting, of any specified use of force incidents to the Department of Justice.

This proposal includes resources for CalFire to comply with the expanded reporting requirement. The change in reporting requirement of specific use of force incidents from an annual report to a monthly report will cause an increase in workload for CalFire. CalFire does not have a centralized reporting system and historically was able to collect, review and create an annual report with existing personnel and resources. Meeting the monthly requirement for this report will require additional resources to support CalFire in collecting and reviewing statewide reports to be submitted to Department of Justice.

AB 481 (Chiu). AB 481 requires law enforcement to follow specified procedures prior to the acquisition or use of surplus federal military equipment, including obtaining approval from a local governing body. AB 481 also requires similar approval for the continued use of military equipment acquired prior to January 1, 2022.

This proposal includes resources for CalFire and Cal OES to comply with these requirements.

CalFire possesses numerous items of law enforcement-related equipment, which is now considered military equipment pursuant to AB 481, specifically UAVs, command and control vehicles, flashbang grenades, breaching apparatuses, projectile launch platforms and their associated munitions such as 40mm projectile launchers, “bean bag,” rubber bullet, and specialty impact munition (SIM) weapons. Command and control vehicles are used daily by CalFire peace officers for patrol and response to incidents. The remaining equipment listed above is issued for incidents such as the execution of arrest and search warrants, crowd control, or training purposes. CalFire does not have sufficient resources to create and implement use policies and procedures for each piece of military equipment. None of this equipment is purchased through the Department of Defense and none of this equipment has previously been considered military equipment. CalFire purchases law enforcement equipment using budgeted funds. All equipment is purchased from retail vendors and/or manufacturers of law enforcement equipment.

Cal OES is appointed by the Governor to oversee the Law Enforcement Support Office Program (1033 Program) for the state, which allows a local agency to acquire surplus property from the federal government without regard to any law requiring posting of notices or advertising, inviting, or receiving bids. Through this process, the Department of Defense may transfer surplus property, including arms and ammunition, to federal or state agencies for use in law enforcement activities, subject to specified conditions, at no cost to the acquiring agency. There are currently 274 law enforcement agencies participating in the 1033 Program.

Staff Recommendation. Hold open.

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Wednesday, February 23, 2022

9:00 a.m.

State Capitol - Room 4203

Consultant: Joanne Roy

Oversight Hearing:

**2021 Independent Emissions Market Advisory Committee (IEMAC)
Annual Report**

- I. Chair's Opening Remarks
- II. Panelists:
 - a. Dallas Burtraw, IEMAC Chair, Darius Gaskins Senior Fellow — Resources for the Future
 - b. Danny Cullenward, IEMAC Vice Chair, Policy Director — CarbonPlan
 - c. Jared Blumenfeld, Secretary, California Environmental Protection Agency (CalEPA)
 - d. Liane M. Randolph, Chair, California Air Resources Board (CARB)
 - e. Ross Brown, Principal Fiscal & Policy Analyst, Legislative Analyst's Office (LAO)
- III. Public Comment
- IV. Adjourn

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

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VOTE-ONLY

3100 EXPOSITION PARK

Issue 1: Budget Increase for Public Safety (OEPM)

Governor's Proposal. The Governor's budget requests an ongoing reimbursement authority increase of \$850,000 to account for anticipated increases in reimbursable public safety expenses arising from the opening of the Lucas Museum of Narrative Art (LMNA) and increased activity throughout the Park. The Lucas Museum of Narrative Art has expressed interest in utilizing the Department of Public Safety (DPS) Officers for security on the exterior of the Museum to create seamless exterior public safety coverage on a reimbursable basis. This increase to the department's reimbursement authority would allow the department to adequately provide public safety services. The current staffing level and reimbursement authority would be insufficient to cover the needs of LMNA. The museum is creating 11 acres of new park space that is expected to bring hundreds of thousands of visitors each year. This type of activity has not been accounted for under our current staffing levels. The DPS provides public safety services to other park entities on a reimbursable basis, so this would align with past and current practice and policy.

Background. The OEPM and LMNA entered into a lease and agreement on July 28, 2017. The museum is scheduled to open in in the next two years and will be approximately 300,000 square feet, will feature close to 100,000 square feet of gallery space, two state-of-the-art cinematic theaters, numerous dedicated spaces for learning and engagement, restaurants, retail, and event space. The LMNA is slated to bring numerous public programming and special events to Exposition Park.

Staff Recommendation. Approve as budgeted.

Issue 2: Budget Increase for Temporary Positions (OEPM)

Governor's Proposal. The Governor's budget requests \$100,000 Exposition Park Improvement Fund ongoing to support temporary positions to assist with cyclical surges in park activity due in part to lost opportunities during the COVID 19 stay at home orders and normal seasonal park activity trends. As a result of a 15-month hiatus in events and park activity, there has been a significant spike in events, visitors, museum attendance and activity throughout the Park. In addition to the surge, the Park also experiences major spikes and lulls in activity throughout the year, which create immediate short-term staffing needs. Temporary help would increase OEPMs capacity to respond to the growing needs to collect revenue and render required services on a seasonable basis.

Staff Recommendation. Approve as budgeted.

Issue 3: Peace Officers: Exposition Park (AB 483)

Governor’s Proposal. The Governor’s budget requests \$2.115 million one-time General Fund, \$265,000 ongoing General Fund, and two full-time ongoing positions for compliance with AB 483 (Jones-Sawyer), Chapter 411, Statutes of 2021, Peace officers: California Science Center and Exposition Park. These resources will support all one-time and ongoing activities and administrative support for AB 483 which grants peace officer status to security officers appointed by the Exposition Park Manager, as specified, and clarifies the training requirements for those peace officers.

OEPM’s Department of Public Safety (DPS) officers are regularly called upon to enforce state law and local ordinances. In addition, officers assist allied agencies such as the Los Angeles Police Department, Los Angeles Sheriff’s Department and California Highway Patrol with surveillance and investigation of criminal activity. Gaining peace officer status affords the DPS officers the same authorities and responsibilities as their fellow allied agencies. When public safety issues arise in and around Exposition Park, DPS officers must respond in a way that best protects the public.

Background. AB 483 (Jones-Sawyer). AB 483 grants peace officer status to security and safety officers at the California Science Center at Exposition Park, and requires these officers to complete the Commission on Peace Officer Standards and Training (POST) certified regular basic training course.

Staff Recommendation. Approve as budgeted.

3100 CALIFORNIA AFRICAN AMERICAN MUSEUM**Issue 4: Conversion of Temporary Positions to Permanent Positions**

Governor's Proposal. The Governor's budget requests authority to establish a permanent position that will fill a critical administrative role in the department. No increase in funding is being requested. The position, a Staff Services Analyst, was originally filled as a temporary appointment and will expire on November 22, 2022.. This position is responsible for performing analysis of the procurement needs of the curatorial and exhibitions departments, including managing budgets, contracts, purchase orders, and vendor agreements, and is a liaison between the accounting, curatorial/education, and executive functions of the museum.

Staff Recommendation. Approve as budgeted.

3480 DEPARTMENT OF CONSERVATION (DOC)**Issue 5: California Farmland Conservancy Program Fund — Interest Earned**

Governor’s Proposal. The Governor’s budget requests a one-time increase in expenditure authority for \$61,000 for the interest earned on the donated funds. The Division of Land Resource Protection received funds donated in 2013 to the California Farmland Conservancy Program Fund (Item 3480-001-0867). The donated amount of \$454,000 has incurred interest income, increasing the fund balance to \$515,000. Public Resources Code (PRC) Section 10230 states that the donated funds may be spent as part of the continuous appropriation. PRC Section 10230 does not include language to permit the expenditure of interest income for this item.

Staff Recommendation. Approve as budgeted.

Issue 6: Oil and Gas Wells and Facilities: Liens: Collections Unit (AB 896)

Governor’s Proposal. The Governor’s budget requests one Associate Governmental Program Associate (AGPA) and funding with a total of \$154,000 in first year and \$140,000 ongoing to impose a claim and lien upon real property owned by any oil and gas operator for nonpayment of idle well fees and estimated costs for plugging and abandoning wells and other remediation work for purposes of implementing AB 896 (Bennett), Chapter 707, Statutes of 2021.

Background. *AB 896 (Bennett).* AB 896 requires the establishment of a collections unit at the Geologic Energy Management Division (CalGEM) in DOC. The bill also expands the Supervisor’s ability to impose a claim and lien upon the real property in the state owned by any operator or responsible party of an oil or gas well under specified conditions.

Staff Recommendation. Approve as budgeted.

Issue 7: Data Integrity and Accessibility

Governor’s Proposal. The Governor’s budget requests sixteen permanent positions and funding for document remediation for CalGEM and an appropriation increase of \$3.261 million in 2022-23, and \$3.046 million ongoing Oil, Gas and Geothermal Administrative Fund to increase functionality of WellSTAR and strengthen data integrity, accessibility, reliability and consistency for internal and external use.

Staff Recommendation. Approve as budgeted.

Issue 8: Plugging and Abandoning Hazardous and Idle-Deserted Wells and Production Facilities (SB 47)

Governor's Proposal. The Governor's budget requests an increase in annual expenditure authority to plug deserted wells and decommission deserted facilities from \$2 million to \$5 million beginning in 2022-23 to implement the provisions of SB 47 (Limon), Chapter 238, Statutes of 2021. The Department also requests six permanent positions and \$150,000 in limited term annual contract expenditure authority for the 2022-23 fiscal year, with a total appropriation increase of \$3 million.

SB 47 increases the annual expenditure limit from the Oil, Gas, and Geothermal Administration Fund, the principal source of funding for CalGEM from a production fee assessed on oil and gas production in the state, for the plugging and abandonment of hazardous or idle-deserted wells to \$5 million.

Staff Recommendation. Approve as budgeted.

Issue 9: Mines Online Database (SB 854)

Governor's Proposal. Due to the execution of SB 854 (Committee on Budget and Fiscal Review), Chapter 51, Statutes of 2018, the Governor's budget requests one permanent Information Technology Specialist position and an appropriation increase of \$197,000 in 2022-23, and \$185,000 ongoing from the Surface Mining and Reclamation Account to support the web application, security, compliance, backend database, functional enhancements and GIS integration of the Mines Online Document Storage (MODS) system.

Staff Recommendation. Approve as budgeted.

Issue 10: Statewide Seismic Hazards Reduction

Governor's Proposal. The Governor's budget requests \$25.6 million General Fund in 2022-23, \$23.8 million in 2023-24, and \$3.7 million ongoing and twenty-one permanent positions to mitigate the risk of loss of life and catastrophic economic impacts of future urban earthquakes in California.

Background. The state has fallen behind in current seismic hazard zone mapping due to a lack of consistent funding. Some maps are decades old, and others have not been updated enough to reflect the current geologic state with recent historical seismic data. Absence of up-to-date seismic hazard zone maps supported by data management of statewide geologic and geotechnical reports means that cities and towns are expanding or redeveloping without foundational understanding of seismic hazards and risks thereby putting new construction in harm's way and undermining the creation of a seismically resilient state. In addition, without updated seismic hazard zone maps the state will not have all the information needed to place future sensors to record the information needed to mitigate future impacts of loss of life and property. The state can mitigate the loss of both with improved and updated maps of seismic hazards in combination with higher quality ground motion data that together form the foundation for construction of life and cost saving, reliably earthquake resilient structures and communities.

Staff Recommendation. Approve as budgeted.

3560 STATE LANDS COMMISSION**Issue 11: Bolsa Chica Lowlands Restoration Project**

Governor's Proposal. The Governor's budget requests \$2 million in 2022-23, \$2 million in 2023-24, and \$2 million in 2024-25 from the Environmental License Plate Fund for continued operations and management responsibilities for the Bolsa Chica Lowlands Restoration Project in Orange County. Operations and management costs average \$2 million annually, including required dredging, consultants, repairs, and other operational costs. The existing operations and maintenance fund for the Bolsa Chica Lowlands Restoration Project is nearly depleted and can no longer support baseline costs.

Staff Recommendation. Approve as budgeted.

Issue 12: Crocker Waterfront Clean Up

Governor's Proposal. The Governor's budget requests \$2.165 million one-time General Fund appropriation to facilitate removal of deteriorated infrastructure located on sovereign land at the Crockett Waterfront, west of the I-80 Bridge. Restoration work is underway to remove the most hazardous conditions; however, additional funding is necessary to further removal efforts and secure the site.

The \$2.165 million funding for the site will be used for removal of dilapidated infrastructure and to secure the site, which addresses the immediate and critical needs, but will not fully restore the site. The restaurant previously located on the site has been removed; however, the pile and platform that supported the restaurant still need to be removed. Permanent fencing has been installed to prevent access to the deck area, but the restaurant platform is unsafe. The proposed \$2.165 million will cover the next steps of cleanup operations, including removal of the pilings and deck that supported the restaurant, unusable timber dolphins and fender piles in the derelict marina, and associated environmental review costs. However, until the site is fully restored, or a long-term tenant is secured with the financial wherewithal to manage the property, there will be ongoing pressure for the state to continue to expend resources for restoration activities at this site.

Staff Recommendation. Approve as budgeted.

Issue 13: Risk Assessment for Leased Premises

Governor's Proposal. The Governor's budget requests \$500,000 one-time General Fund to secure a consultant to conduct a statewide risk assessment to determine the state's liability associated with the Commission's leased premises, and to establish criteria for and develop a framework to help staff calculate appropriate levels of insurance and bonding/security for leases.

The Commission lacks the expertise to conduct a risk analysis and is currently unaware of the comprehensive liability it faces. Without this knowledge, staff is unable to accurately determine insurance levels and bonding/security requirements. Establishing adequate insurance and bond/security to be borne by lessees will greatly minimize the legal liability from the use of the land and the financial burden to the State in the event that lessees are unable to meet their lease obligations regarding removal of improvements and restoration of the lease premises.

Staff Recommendation. Approve as budgeted.

Issue 14: Selby Slag Remediation

Governor's Proposal. The Governor's budget requests \$1.625 million General Fund and \$2.65 million in reimbursement authority to accept cost-sharing contributions for the preliminary plans phase of the Remedial Action Plan (RAP) at Selby Slag.

Pursuant to a 1989 consent judgment, DTSC requires remediation of extensive heavy metal contamination on a 66-acre site at Selby, Contra Costa County. The state is obligated to pay a proportionate share of the hazardous waste remediation costs; the Commission's share of preliminary plans is 38 percent (\$1.625 million). The other two parties with proportionate shares are represented as reimbursement authority, with C.S. Land, LLC contributing 20 percent (\$855,000) and ASARCO the remaining 42 percent (\$1.796 million); the Commission will recover shared costs at the beginning of the phase from DTSC and C.S. Land, LLC.

Staff Recommendation. Approve as budgeted.

3720 CALIFORNIA COASTAL COMMISSION**Issue 15: Essential Legal Resources**

Governor's Proposal. The Governor's budget requests \$275,000 General Fund ongoing to fund one Attorney III position. This position is needed to address the existing workload in the Legal Division, which has increased significantly in recent years. The Attorney III is needed to handle workload associated with litigation, which has roughly doubled since 2015, as well as review and processing of recorded documents for which there is a persistent backlog.

Staff Recommendation. Approve as budgeted.

Issue 16: Information Systems Security

Governor's Proposal. The Governor's budget requests \$128,000 one-time General Fund to procure security upgrades and associated training to address network and systems security recommendations identified by the California Military Department Cyber Network Defense Team during Independent Security Assessments in 2017 and 2020.

Staff Recommendation. Approve as budgeted.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**Issue 17: Capital Outlay Projects**

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

BCP: Colonel Allensworth SHP: Visitor Center. \$871,000 for Working Drawings. The project includes building a new visitor center to include reception area, conference/multipurpose room, cultural/interpretive room, theater room, staff offices, restrooms, and kitchen/break room.

BCP: Fort Ross SHP: Visitor and Educational Improvements. \$1.817 million for Working Drawings. The project includes construction of new cabin accommodations, demolition of existing cabins for tent camping, utility upgrades, stabilization of the Historic Lambing Barn, and adaptive rehabilitation of the historic structures for classrooms and interpretive areas.

BCP: Humboldt Redwoods State Park: Replace Founders Grove Restroom. \$190,000 from available Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Proposition 84) and \$442,000 State Park Contingent Funds for the working drawings phase of the Humboldt Redwoods SP Replace Founders Grove Restroom in Humboldt County. This project will demolish the existing restroom facility, which is currently out of service, as well as the parking lot at Founders Grove, and construct new restroom and parking facilities with the necessary infrastructure in an alternative location. The new site will also include a new water source and treatment system, and a new accessible trail connection to Founders Grove.

To accommodate the increase in visitation over recent years and anticipated future years, the capacity of both the facilities and trail need to be scaled accordingly. Parks will seek donations to cover the \$2.303 million increase in total project cost.

BCP: Lake Perris SRA: Replace Lifeguard Headquarters. \$678,000 for working drawings from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018 (Proposition 68) bond funds. The project includes constructing a new lifeguard headquarters building. Total project costs are estimated at \$12.226 million.

This project will result in demolition of the existing 45-year-old lifeguard headquarters and construct a new, multi-purpose lifeguard headquarters. The new building will be larger and provide functionalities not currently available in the existing structure such as separate male and female locker rooms for lifeguard staff, a storage room for the dive team, and medical equipment.

BCP: MacKerricher State Park: Replace Water Treatment Plant. \$2.424 million from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Proposition 84) for the construction phase of this continuing project. This project will upgrade the drinking water collection and treatment equipment at MacKerricher State Park (SP) to allow safe and reliable year-round production of potable water for the park. Due to eutrophication of Lake Cleone and coastal erosion, the park is in jeopardy of losing its existing supply of fresh water. A new source of water will be located and the water treatment plant will be upgraded to provide the park with an adequate and reliable supply of potable water.

BCP: Malakoff Diggins State Historic Park (SHP): Mine Remediation Implementation. \$3.5 million one-time General Fund to implement improvements required by the California State Water Resources Control Board (SWRCB) at Malakoff Diggins SHP for the Mine Remediation Project. Design and permitting funds were previously appropriated with the understanding that implementation funds would be needed at the conclusion of those efforts. Based on the project schedule, SWRCB approval is expected later this year, with final plans and permits in hand for construction to begin in 2022-23.

Design and permitting funds were previously appropriated with the understanding that implementation funds would be needed at the conclusion of those efforts. Based on the project schedule, SWRCB approval is expected later this year, with final plans and permits in hand for construction to begin in 2022-23. The requested funding will be used to implement interim measures that include building rock berms and a cofferdam, and installing floc logs and brush dams to help the sediment separate from the water and reduce the amount of sedimentation entering and leaving the water system below Malakoff Diggins.

BCP: McGrath State Beach (SB): Campground Relocation and Wetland Restoration. A supplemental appropriation of \$2.576 million (\$1.288 million from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund (Proposition 40) and \$1.288 million from California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act (Proposition 68)). This project will relocate the campground, maintenance yard, employee housing, campfire center, and day use parking, and replace utility infrastructure, due to yearly flooding.

BCP: Oceano Dunes State Vehicle Recreation Area (SVRA): Le Sage Bridge Replacement. \$1.159 million for preliminary plans, working drawings and construction. The project includes structural improvements and enhanced design features to the Le Sage Bridge for combined vehicle and pedestrian use.

On March 18, 2021, the California Coastal Commission (Commission) concluded that off-highway vehicle recreation at Oceano Dunes SVRA is incompatible with the Coastal Act and revised the department's Coastal Development Plan regarding off-highway vehicle use at this SVRA. Consistent with this ruling, the Commission directed Parks to phase out off-highway vehicle recreation in this SVRA over the next three years. Given the Commission's March 2021 ruling, it is not appropriate to fund this project using OHVTF. The continuation of this project remains a priority as visitors will continue to be able to drive through portions of the park for non-OHV use.

BCP: Oceano Dunes SVRA: Pismo SB Sediment Track-Out Prevention. A transfer of \$1.032 million from General Fund to Off-Highway Vehicle Trust Fund (OHVTF) for the Oceano Dunes SVRA: Pismo SB Sediment Track-Out Prevention project in San Luis Obispo County. This transfer is in response to recent Coastal Commission decisions impacting Oceano Dunes SVRA and will reimburse the OHVTF for all costs incurred developing the project.

BCP: Picacho State Recreation Area (SRA): Park Power System Upgrade. \$262,000 from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access Fund (Proposition 68) for the working drawings phase of the Picacho SRA: Park Power System Upgrade project in Imperial County. This project will evaluate the park's current and future electrical power needs, including redundant backup, and determine sustainable options for providing reliable and cost-effective electrical power at this remote location. Options to be considered include, but are not limited to, photovoltaic (PV) panels on existing buildings and/or new shade structures, replacing existing diesel generators, or other mixes of conventional and renewable electrical sources. The project includes upgrading the park's power generation and distribution system, based on the studies conducted to determine the peak demand for

current and future anticipated needs. Total project costs are estimated at \$2,886,000.

BCP: Pismo SB: Entrance Kiosk Replacement. \$793,000 from the Off-Highway Vehicle Trust Fund in 2022-23 for the construction phase of the Pismo Beach SB: Entrance Kiosk Replacement project to replace an entrance station kiosk in the North Beach Campground at Pismo State Beach. This project aims to reduce deferred maintenance by removing and replacing an entrance kiosk that is rapidly deteriorating and causing an undue burden on maintenance staff due to seasonal flooding. The entrance kiosk will be relocated to a higher elevation to prevent flood damage and ensure continued operation. The project includes replacing an entrance kiosk in the North Beach Campground at Pismo SB. Total project costs are estimated at \$1.053 million.

BCP: Railyards Protection and Maintenance. \$475,000 in 2022-23 and \$328,000 ongoing from State Parks and Recreation Fund (SPRF) to continue the rehabilitation of the Boiler Shop in the Railyards Area of Old Sacramento State Historic Park (SHP). This funding proposal would specifically be used toward infrastructure improvements, a vehicle, ongoing staff costs, maintenance, and utilities.

The 2021-22 Governor's Budget included \$22.586 million to rehabilitate the Boiler Shop in the Railyards Area of Old Sacramento SHP. As the rehabilitation process of the Boiler Shop in the Railyards Area begins in earnest, there is a need for dedicated staff and infrastructure to support the area. One-time costs include \$129,000 for small infrastructure improvements, a Caterpillar telehandler, \$312,200 for first year staffing costs, and \$33,800 for housekeeping, recurring maintenance, and utilities. Ongoing costs include \$294,200 for staff, and \$33,800 for housekeeping, recurring maintenance, and utilities.

Staff Recommendation. Approve as budgeted.

Issue 18: Human Resources Workload Support

Governor's Proposal. The Governor's budget requests \$658,000 in one-time and five positions in 2022-23 and \$620,000 ongoing from SPRF and OHV to add staff to the Department's Human Resources (HR) Section. The one-time funding request includes \$536,000 from SPRF and \$122,000 from OHV. The ongoing funding request includes \$505,000 from SPRF and \$115,000 from OHV.

The additional staff will address ongoing workload increases, enhanced reporting requirements, and complex HR processes. Specifically, these positions will be assigned to the Classification and Hiring Unit, the Peace Officer Selection Unit, and the Risk Management Unit. In recent years, Department staff has grown, and workload for the HR Section has significantly increased in both duration and number of tasks, as well as increased complexity of tasks, processes, and procedures.

Staff Recommendation. Approve as budgeted.

Issue 19: Limekiln State Park Revenue Collection and Operations

Governor's Proposal. The Governor's budget requests \$1.122 million one-time for ten permanent positions, five vehicles, and equipment costs and \$878,000 ongoing from the State Parks and Recreation Fund to operate, improve, and maintain Limekiln State Park. Funding this proposal would allow for the requested positions to perform revenue collection, increase park access by accepting statewide and district day use passes, perform interpretation and education activities, increase housekeeping and facility maintenance services, increase uniformed employee presence, reduce emergency response time, and expand camping opportunities. In addition, park staff will be able to provide water treatment, as well as natural and cultural resource maintenance and protection.

Staff Recommendation. Approve as budgeted.

Issue 20: Relocate San Diego Coast District Office

Governor's Proposal. The Governor's budget requests \$973,000 one-time and \$575,000 ongoing with an annual four percent increase from SPRF to relocate the San Diego Coast District Office. The current District site presents multiple hazards to the public, partners, and staff. In addition, the site will be subject to several decades of construction disruptions as the US Navy begins a revitalization project of its property immediately adjacent to the office site.

Staff Recommendation. Approve as budgeted.

Issue 21: Tribal Lands Acknowledgment, and Interpretation, and Exhibit Improvements

Governor's Proposal. The Governor's budget requests \$9.778 million one-time General Fund and six limited term positions to support California Native Americans' engagement and interpretation in state parks.

Tribal land acknowledgements for all 280 state parks will be addressed through new signage and improved interpretation that will better connect the public with tribal history and contemporary experiences. Approximately 20 parks will be prioritized to update and better contextualize the history of California Native Americans in existing visitor center/museum exhibits. These improvements will bring forward California Native American voices while providing bilingual access and meeting ADA requirements.

Currently, California State Parks do not adequately address California Native American historical and contemporary presence on Parks lands. The proposed State Parks Tribal Lands Acknowledgment, and Interpretation and Exhibit Improvements will help improve collaborations with tribes and better connect the public with the tribal history and contemporary experiences. This proposal includes one-time support for a five-year plan to address land acknowledgement signage in all 280 California State Parks and new exhibits at approximately 20 visitor centers/museum facilities.

Staff Recommendation. Approve as budgeted.

3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION (SF BCDC)**Issue 22: Regulatory Compliance Support**

Governor's Proposal. The Governor's budget requests two Environmental Scientist compliance staff positions to support BCDC's regulatory program, funded from the Bay Fill Clean-up Fund. This proposal references the state auditor's enforcement audit that recognized the value of compliance efforts to fulfill regulatory requirements.

Staff Recommendation. Approve as budgeted.

3825 SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY (RMC)

Issue 23: State Operations Budget Increase

Governor’s Proposal. The Governor’s budget requests \$66,000 ongoing Environmental License Plate Fund (ELPF) to increase its state operations budget in response to increased general administrative expenses.

Of the Conservancy’s 9.5 positions, 5.5 are primarily project management, two are for primarily administrative functions (e.g., office support, analytical/accounting support, etc.), and two are for major administration and operation functions, including but not limited to budget, accounting, grant/bond fund management, human resources, procurement (from bidding to contracts), information technology, and fleet management. A portion of these essential services cannot be funded through the use of General Obligation Bonds and RMC has historically funded these services through the use of ELPF, contending that these activities contribute to the preservation and protection of the environment through RMC’s mission to preserve open space and habitat in order to provide for low-impact recreation and educational uses, wildlife habitat restoration and protection, and watershed improvements.

Background. ELPF. ELPF was established in 1979 and supports various resources and environmental protection programs. The fund is primarily supported from the sale and renewal of personalized motor vehicle license plates, as well as a portion of fees on the sale and renewal of certain specialty license plates.

Public Resources Code (PRC) Section 21190 requires ELPF money to be used only to support identifiable projects and programs of specified entities, such as state agencies, and restricts the use of these funds to the following purposes:

- Control and abatement of air pollution.
- Acquisition, preservation, restoration of natural areas or ecological reserves.
- Environmental education.
- Protection of no game species and threatened and endangered plants and animals.
- Protection, enhancement, and restoration of fish and wildlife habitat and related water quality.
- The purchase of real property consisting of sensitive natural areas for the parks systems and deferred maintenance projects at state parks.
- Reduction or minimization of the effects of soil erosion and the discharge of sediment into the waters of the Lake Tahoe region, including the restoration of disturbed wetlands and stream environment zones.

Staff Comments. *Not an Allowable Use of ELPF.* Last year, Legislative Counsel determined that proposals similar to this BCP are not appropriate uses of ELPF. According to Legislative Counsel, PRC Section 21190 requires funding from ELPF needs to be tied to a project or program that has a clearly identified purpose as enumerated in the section. The license plate fund is a special trust fund — The Legislature established discreet goals for the fund. The enumerated purposes show that ELPF is not supposed to be used for General Fund purposes. This BCP relates to general operating costs.

The Administration’s interpretation of PRC Section 21190 is that if the *mission of the entity* fulfills a purpose identified in PRC Section 21190, then the use of ELPF is legal. However, this is not the most

logical or persuasive argument. The Administration does not give enough meaning to every word in the section — one has to look at all the phrases collectively and harmonize them together. For example, this interpretation does not work for the University of California (UC), which is identified as an eligible recipient. UC’s mission is not environmentally-related— UC’s mission is education. UC would be eligible for ELPF funding as long as the money would be used for a specific enumerated purpose like scientific research on the risks to California’s natural resources caused by the impacts of climate change. The Administration’s interpretation does not make sense grammatically when considering the section as a whole and how the sentences are constructed. Legislative Counsel rejects the Administration’s interpretation of PRC Section 21190.

Another concern raised by Legislative Counsel last year, which still applies to this issue, is whether the proposal supports the integrity of the fund. ELPF is essentially a trust fund and appropriations from it should meet the expectations of the people who donated the money from paying an extra fee for their license plate. Are general administrative costs considered an identifiable program or project that serves the purpose of the fund or does it breach the trust of the donator? There does not appear to be a nexus between the administrative purpose and a specific environmental project/program that benefits all the people in California. It is important to preserve the fund for trust purposes, which this proposal fails to do by proposing to use ELPF moneys for general administrative costs. They may benefit the employees and the departments, but do not benefit the public by and large.

Staff Recommendation. Reject.

DISCUSSION

3480 DEPARTMENT OF CONSERVATION (DOC)

Issue 24: California Geologic Energy Management Division (CalGEM): Mission Transformation and Oversight

Governor’s Proposal. The Governor’s budget requests 51 permanent positions phased in over three years (17 in 2022-23, 34 in 2023-24, and 51 in 2024-25) and an appropriation increase of \$5.056 million in 2022-23, \$7.561 million in 2023-24, \$10.842 million in 2024-25 and \$10.617 ongoing from the Oil, Gas and Geothermal Administrative Fund to strengthen enforcement of existing laws and regulations, limit the state’s financial liability, improve public transparency, and implement chaptered legislation.

The requested permanent positions include:

- District Operations –38 positions
 - District Field Operations –23
 - Senior Oil and Gas Engineer Supervisors — 4
 - Associate Oil and Gas Engineers — 3
 - Engineering Geologists — 16
- District Underground Injection Control (UIC) Project Review – 15
 - Associate Oil and Gas Engineers — 15
- UIC and Aquifer Exemption Compliance Oversight — 3
 - Associate Oil and Gas Engineers — 3
- Federal UGS Safety Requirements Implementation — 3
 - Associate Oil and Gas Engineers — 2
 - Associate Governmental Program Analyst — 1
- Program Support Unit — 5
- Administration Support – 2

Increased resources are requested to do the following:

- Create a more consistent field presence so that field staff oversee 100 percent Shall witnessing of tests each year and critical May witnessing associated with oil operations and UIC projects. In addition, inspect 100 percent of all oil, gas and geothermal leases (which include facilities, tanks, pipes, vessels and wells) over a three-year period.
- Regularly inspect all critical or deserted wells to help protect the health and safety of Californians and our environment.
- Conduct UIC Project by Project reviews to ensure that underground storage drinking water is protected from current oil and gas operations, including robust oversight reviews to ensure regulatory compliance by districts and headquarters.
- Develop an expanded analysis of the remaining aquifer exemptions to fulfill the commitment to U.S. Environmental Protection Agency (US EPA).

- Implement and ensure compliance with new federal safety requirements for Underground Gas Storage (UGS) in California.
- Create a high-quality workforce to ensure the division have the resources necessary to fulfill its growing mandates (implementation of new and existing regulations, reorganization of the division, improve recruitment and outreach).

Background. CalGEM. CalGEM's statutory mission is to protect public health and safety, and environmental quality, including the reduction and mitigation of greenhouse gas emissions associated with the development of hydrocarbon and geothermal resources in a manner that meets the state's energy needs. CalGEM supervises oil and gas operations, administers laws for the conservation of petroleum and geothermal resources, and ensures the safe development and recovery of the state's energy resources. CalGEM regulates onshore and offshore field operations by evaluating permit applications to drill, rework, and plug and abandon wells, and by providing permit conditions to prevent damage to state resources and protect oil field workers and surrounding communities. CalGEM also advises local governments when new development is planned over, near, or adjacent to historic oil field operations.

Several events have occurred in the past few years that have promulgated new programmatic requirements and activities aimed at strengthening CalGEM's oversight of oil and gas operations and protection of public health and the environment:

- US EPA, at CalGEM's request, conducted an independent audit and in 2011 identified shortcomings of the UIC Program that prompted CalGEM to develop a Renewal Plan. Updated in 2017 the Renewal Plan developed a strategy to revise existing regulations, adopt new regulations, modernize data management, and ensure a high-quality workforce. Among this improvement, CalGEM updated its UIC regulations, which came into effect April 1, 2019.
- Since 2015, CalGEM has been actively working to review and approve Aquifer Exemptions per the federal and state regulations in order to fulfill a commitment to the US EPA. As of September 2021, the US EPA is now requiring additional analysis be complete prior to Aquifer Exemption approvals affecting most of the remaining applications under review, and has requested California make more expedited progress on its efforts to bring the state's UIC program into full compliance with the Safe Drinking Water Act. These activities include reviewing outstanding aquifer exemptions; conducting project-by-project reviews of existing projects to ensure compliance with current regulations; and to perform ongoing periodic reviews of projects approved after existing regulations were updated.
- In response to the catastrophic gas leak at Aliso Canyon in 2016, CalGEM entered into a partnership with the federal government in 2018 to assist in implementing federal requirements for underground gas storage (UGS) safety.

These events have required CalGEM to take on additional responsibilities, for which it does not currently have sufficient resources to support. Furthermore, CalGEM conducted workload analyses and found that current staffing levels could not meet the Division's requirements regarding inspections and witnessing critical wells and other oil field operations.

LAO Comments and Recommendations. *CalGEM: Mission Transformation and Oversight.* LAO finds that most components of the proposal—particularly, the request related to the UIC program, UGS oversight, and administration support—are reasonable based on the workload estimates and the need to fulfill federal regulations and statutory requirements. However, LAO recommends the Legislature withhold action on this proposal, and require the department to provide additional information regarding two components: field operations and program support.

- ***Field Operations (23 Permanent Positions).*** In the 2021-22 budget, the Legislature approved nine field operations positions, to be phased in over three years, to increase the rate of witnessing and lease inspections. CalGEM has filled four of these positions. The proposed 2022-23 budget requests 23 additional positions to address similar workload. Because the division is still in the process of implementing the current year funding, key information about the impacts of these new resources on witnessing rates and lease inspections is still unknown. Therefore, it appears premature to approve additional resources for field operations activities before CalGEM (1) fills the previously approved positions and (2) provides data on how the new resources have improved witnessing rates and lease inspections.
- ***Program Support (5 Permanent Positions).*** The proposal provides little information on how the requested positions for program support would increase organizational and process efficiency. Specifically, the proposal does not clearly identify the gaps in current financial management, processes, and organizational development that would be addressed nor does it describe how the additional positions would address these gaps.

For these two components of this proposal, LAO recommends the Legislature direct the department to provide additional information to justify the request. Absent additional justification for these components, we would recommend the Legislature reject the proposed positions and funding related to program support and field operations.

Staff Recommendation. Hold open.

Issue 25: Oil Well Abandonment and Remediation

Governor’s Proposal. The Governor’s budget requests \$100 million General Fund in 2022-23 and \$100 million General Fund in 2023-24 to plug and abandon orphaned oil and gas wells and decommission attendant facilities that could pose a danger to life, health, water quality, wildlife, or natural resources. This funding will help mitigate the State’s potential liability, and further the Geologic Energy Management Division’s focus on public health, safety, and environmental protection.

Background. According to LAO:

California Has Over 5,000 Deserted Oil and Gas Wells. Oil and gas production in California has decreased over the past several decades. As a result, an increasing number of wells are no longer used for extraction of oil and gas. When a well reaches the end of its productive life, operators are required to plug the well and decommission associated production facilities (also known as remediation). However, there are over 5,000 deserted wells with no responsible solvent operator to appropriately remediate the well and the associated production facilities.

Deserted Wells Have Environmental, Health, and Safety Impacts. Deserted wells without proper remediation can result in negative environmental, health, and safety impacts. For example, deserted wells can leak oil and other injected fluids used for oil and gas extraction, which can contaminate nearby sources of water. In addition, deserted wells can release benzene and methane, among other air pollutants, degrading local air quality. These environmental impacts can pose health hazards, such as harm to respiratory health, to residents in nearby communities. Deserted wells can also present physical safety concerns, potentially endangering unsuspecting people and wildlife.

State Remediate About 11 Wells Annually. CalGEM is responsible for the oversight of the oil, natural gas, and geothermal industries. In the last five years, CalGEM has expended, on average, \$2 million annually from the Oil, Gas, and Geothermal Administrative Fund and the Hazardous and Idle-Deserted Well Abatement Fund to remediate roughly 11 deserted wells per year. The division identifies deserted wells to remediate by prioritizing wells that pose the highest relative risk to public health, safety, and the environment. State staff issue permits and oversee the plugging and decommissioning activities, but the division uses external contractors to implement the remediation projects.

LAO Comments. *Provides \$200 Million Over Two Years for Well Remediation.* The Governor’s budget proposes \$100 million from the General Fund in 2022-23 and \$100 million in 2023-24—total of \$200 million over two years—for CalGEM to plug wells and decommission facilities. The cost to plug a deserted well varies widely, but CalGEM’s most recent analysis found the average cost to be about \$111,000 per well. Based on this average cost, the division would be able to remediate roughly 1,800 deserted wells with the proposed funding.

Uses Contractors to Manage Projects, Investigate, and Implement Projects. CalGEM would use the total proposed funding to hire three types of external contractors: (1) \$10 million for a construction management contractor to manage the remediation projects, (2) \$20 million for a contractor to conduct financial obligations and land ownership research, and (3) \$160 million for contractors to plug wells and decommission facilities. In addition, the division will use \$10 million for department administrative costs. Existing CalGEM staff would provide oversight by issuing permits, witnessing different stages of the project, and managing contracts.

Addressing Deserted Wells Has Merit. Deserted wells have significant negative environmental, health, and safety impacts. Well remediation projects could provide important water and air quality

improvements, as well as health and safety benefits. In particular, communities near these deserted wells would benefit from these projects. Because deserted wells are concentrated in specific parts of the state, such as Los Angeles, Santa Barbara, and Ventura Counties, benefits would likely be concentrated in these geographic regions.

Request Represents a Significant Expansion of Current Well Remediation Activities Without Additional State Staff. The proposed funding is 20 times greater than the existing annual funding dedicated to well remediation and does not include additional positions for CalGEM. Furthermore, as discussed in more detail below, the state is expecting to receive a significant amount of funding from the federal government for well remediation activities. The proposal includes \$10 million for department administrative costs, but no additional positions. It is unclear how these funds will be spent and whether the funds will adequately support administration of the additional funding.

Federal Funds Available for Well Remediation, but Details Are Unclear. The federal Infrastructure Investment and Jobs Act (IIJA) includes \$4.7 billion nationwide over a five-year period for well plugging, remediation, and restoration. At the time of this analysis, the federal government had not yet issued detailed guidance about how this funding can be used. However, based on LAO's initial understanding, the funding would go to three types of grants:

- ***Initial Grants.*** Initial grants provide states up to \$25 million to accelerate well remediation work. This funding has not yet been allocated, but the federal government will accept applications later this spring.
- ***Formula Grants.*** Formula grants provide a larger amount of funding, to be allocated on a formula basis, based on the number of job losses in the state's oil and gas industry, the number of documented deserted wells, and the projected cost to remediate these wells. This funding is intended for well remediation projects. It is unclear how much funding will be available nationwide through the formula grants. Although CalGEM submitted a notice of intent for the formula grant in December 2021, the federal government has not yet provided an estimate of how much the state is expected to be eligible for. Depending on the number of states that apply for this funding, California could receive up to hundreds of millions of dollars over the next several years.
- ***Performance Grants.*** Performance grants include two types of funding categories. First, it includes regulatory improvement grants of up to \$20 million, which are intended to help support states in taking steps to strengthen their regulation and oversight of deserted wells. Second, it includes grants of up to \$30 million for states that can provide matching funds for remediation activities. Both performance grant types have not yet been allocated and it is unclear when the federal government will accept applications.

Other Ways to Pay Remediation Costs May Be More Appropriate. Under the polluter pays principle, private parties who produce pollution (such as environmental damage associated with oil and gas wells) should bear the costs of managing it to prevent damage to human health or the environment. Deserted wells have no responsible solvent operator that can pay for mitigating the environmental damages. However, it may be appropriate for the current oil and gas operators to bear at least some of the cost of remediating the environmental damages from these wells—rather than the general taxpayer through the state General Fund. In fact, as mentioned earlier, current well remediation work done by CalGEM is funded by the Oil, Gas, and Geothermal Administrative Fund and the Hazardous Idle Well Abatement Fund. The main source of revenue for both funds is fees on oil and gas operators.

LAO Recommendations. Consider Proposal in Context of Additional Guidance on Federal Funds. Additional information regarding available federal funds is expected to be available shortly. Specifically, further federal guidance regarding the amount of formula grants that the state is eligible for

is expected to be available in the coming weeks. A better understanding of the total available federal funding for well remediation activities would help the Legislature determine the degree to which additional state funding for these activities (such as proposed by the Governor) is a priority.

Consider Reducing Amount of Proposed Funding. The Governor's proposal would significantly increase the current well remediation activities overseen by CalGEM. It is unclear whether the division has the capacity to administer such a large increase in state and federal funding within existing resources, given their numerous other responsibilities for the oversight of the oil and gas industries. In addition, a significant amount of federal funding for many of these activities is expected to be available over the next few years. As a result, the Legislature might want to consider reducing the amount of funding proposed by the Governor and targeting funds instead to:

- **Well and Facility Research.** Many deserted wells still need to be researched to verify well location, assess facilities, and seek ownership documentation. The Legislature could consider focusing funding exclusively on these research activities to have a better idea of the identification, scope, and cost of well remediation projects. Under this proposal, the administration requests about \$10 million annually for such research.
- **Matching Funds for Federal Funding.** Some of the federal funds are expected to require a state match. Specifically, under the current federal guidelines, states must provide matching funds to secure up to \$30 million in performance grants. The Legislature could reduce the proposed funding to only the amount necessary to secure these available federal funds. This approach could reduce near-term state fiscal costs, allow the state to maximize available federal funding, and give the Legislature an opportunity to better evaluate the benefits and costs of the remediation activities before allocating additional state funding.

Consider Alternative Sources of Funding. Instead of funding these activities through the General Fund as proposed, the Legislature might want to consider raising fees on operators and use special funds, such as the Oil, Gas, and Geothermal Administrative Fund and the Hazardous Idle Well Abatement Fund, that are currently funding similar work. If state matching funds for federal funding is needed faster than can be generated through fee revenues, the Legislature can consider providing a General Fund loan, to be repaid by these special funds over a period of time. This would allow the state to maximize available federal funding for well remediation activities, but also ensure the polluting industry bears the cost of remediating deserted wells.

Require Reporting on Key Program Outcomes. If funding is approved, LAO recommends the Legislature adopt budget bill language requiring DOC to report annually (until the funds have been fully expended) on expenditures, contracts awarded, number of wells identified and remediated, and quantifiable benefits of remediation activities (such as greenhouse gas reductions, water quality improvements, and health outcomes), as well as federal funds awarded. Additional information on costs and benefits of well remediation work done by CalGEM would be helpful to the Legislature in determining whether any additional funding for these activities is warranted in the future.

Staff Recommendation. Hold open.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 26: California Cultural and Art Installation in Parks Program

Governor’s Proposal. The Governor’s budget requests a one-time allocation of \$50 million General Fund and seven limited-term positions for a Cultural and Art Installation in Parks program to enhance interpretive efforts in state and local parks. State Parks will partner with other organizations, such as foundations and nonprofits, to provide direct grants to artists to develop art installations in parks throughout California. Art installations will reflect the local cultural heritage and the connectivity to natural resources of state and local parks. The installations are intended to better connect the public with the cultural heritage of regions as well as provide contemporary experiences to visitors.

Art installations include, but are not limited to, the following: sculptures, multimedia such as 3D renderings or visualization, public art, poetry in parks program, paintings, ephemera, cultural performances, and other media.

The department states that this proposal will be revised to eliminate the seven positions.

Background. Within the 280 state parks, there are over 150 visitor centers and museums addressing the state’s varied cultural and historical heritage. Parks recognizes it has a responsibility to convey accurate and inclusive stories through its exhibits. Parks states that a large majority of the exhibits in these visitor centers and museums portray a one-sided approach to history excluding many other voices and cultures.

Most of the department’s visitor centers were built in the 1960s and 1980s, with many of the current exhibits being created during that period. The exhibits portray a Eurocentric view of California history and fail to include multiple viewpoints and stories, which is conveyed through the static artwork, dioramas, and cultural and historical artifacts exhibited.

The department contends that providing a more inclusive narration can be achieved through the recruitment of artists and requisition of art that more accurately reflects California’s cultural and historical heritage; and existing museum object that convey an important message or story in an artistic manner for different cultural groups should be considered. Many times, these objects cannot be displayed due to deteriorating condition and conservation is required.

Staff Comments. When asked why \$50 million (rather than a greater or lesser amount), Parks responded that “the cost to partner and manage the proposed effort is similar whether the funding is \$25 million (as noted in Alternative #2) or \$50 million as in. The preferred alternative for the proposal. The lesser amount would not be sufficient to address the scale of the needs to both replace outdated, inaccurate and incomplete cultural contexts and create new cultural heritage [and] art installations in state parks and local parks. A higher amount dedicated to the project would always be welcomed, as the needs are significant, but [it is] not practical and realistic to deliver the work within the available funding timelines and staffing.”

Parks estimates 200 art installations will be completed with the proposed funding, which is based on identified state parks’ needs and anticipation that the number of smaller-scale culture heritage and art project proposal from local parks. The department states that the majority of funding will go to state parks — Parks has the largest number of the state’s museums that interpret cultural heritage through art installations in the state. However, the number of local parks expected to receive projects has yet to be

determined and will be established with Parks partners during program development and public engagement in developing the criteria for the program

Staff Recommendation. Hold open.

Issue 27: State Parks Future Capital Investment

Governor’s Proposal. The Governor’s budget requests a \$50 million General Fund transfer to the Natural Resources and Parks Preservation Fund (NRPPF) for future capital outlay projects — potentially for acquisition, preliminary plans, working drawings, or construction to be appropriated in future budget change proposals. The capital outlay projects to be selected are intended to improve visitor experiences, build state park resources and recreational opportunities, foster better connections with under-resourced communities, and address barriers to park access.

The department is currently evaluating its infrastructure needs and will utilize a selection process to identify projects that yield the greatest benefit and best achieve the goals of this funding. Once selected, detailed scope and cost estimates will be developed for consideration by the Legislature through the annual budget process. Subsequent capital outlay appropriations will be proposed from these funds set-aside in the NRPPF, as additional funding is needed for future phases. Initial design and scoping funding may be proposed as early as this spring for inclusion in the 2022-23 Budget Act.

Note, this proposal will not impact other funds deposited in the NRPPF for other specific purposes (e.g., California Indian Heritage Center).

While the department could propose funding on a pay-as-you go basis for additional capital outlay projects, the proposed transfer is intended to ensure there are dedicated funds set-aside and available as funding is needed for subsequent project phases. This proposal provides dedicated resources to State Parks in much the same way prior General Obligation (GO) bonds have done. However, instead, this proposal utilizes one-time General Fund revenues in lieu of incurring the extra costs of paying debt service associated with GO bonds.

The impact on the support budget is currently unknown. Support budget impacts will be identified during the project selection process and will be among the factors the Legislature may choose to consider when the Department requests funding for a capital outlay project from these funds in the future.

Staff Comments. Parks manages 280 park units, over 340 miles of coastline, 970 miles of lake and river frontage, 15,000 campsites, 5,200 miles of trails, 3,195 historic buildings and more than 11,000 known prehistoric and historic archaeological sites. More than 68 million people visit these properties annually. The department states that it contains the largest and most diverse recreational, natural, and cultural heritage holdings of any state agency in the nation.

With those properties comes responsibility — Parks has a \$1.2 billion deferred maintenance backlog. The 2021 Budget Act appropriated \$185 million General Fund one-time to support critical, deferred maintenance projects throughout the state park system. The Governor’s budget does not propose any new funding for deferred maintenance. If there is not enough funding to provide necessary maintenance for Parks properties currently, does it make sense to expand? What assurances can Parks provide that new, future state parks properties will be adequately maintained?

Also, the \$50 million proposed funding would be transferred to NRPPF for *future* capital investments. Considering the significant backlog of deferred maintenance, would the \$50 million be better spent on repairing *existing* issues on Parks properties now?

Staff Recommendation. Hold open.

Issue 28: Low-Cost Accommodations Proposals

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

BCP: Pfeiffer Big Sur SP: Low-Cost Alternative Coastal Lodging (Pfeiffer). a supplemental appropriation of \$326,000 for the working drawings phase and \$1.079 million for the construction phase from State Park Contingent Funds and \$4.693 million from available California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 (Proposition 68) for the Pfeiffer Big Sur State Park (SP): Low-Cost Alternative Coastal Lodging project in Monterey County.

This continuing project includes construction of up to 15 new, lower-cost alternative lodging cabins (camping cabins and a combo building) along the coast to enhance visitor experience and increase visitation by non-traditional users within Pfeiffer Big Sur SP. A portion of funds for this project will come from the California Coastal Commission (Commission) as a donation in-lieu of mitigation fees totaling up to \$3.462 million over the next several years.

Total project costs are estimated at \$6.466 million, including preliminary plans (\$190,000), working drawings (\$504,000), and construction (\$5.772 million). The construction amount includes \$5.058 million for the construction contract, \$253,000 for contingency, \$308,000 for architectural and engineering services, \$84,000 for agency retained items, and \$69,000 for other project costs.

The current project schedule estimates preliminary plans began in July 2018 and will be completed in September 2021. The working drawings are estimated to begin in December 2021 and be completed in June 2023. Construction is scheduled to begin in September 2023 and be completed in April 2025.

BCP: Silver Strand SB: Low-Cost Accommodations. \$500,000 from California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Fund (Proposition 68) bond funds for the preliminary plans phase of the Silver Strand SB: Low-Cost Accommodations project. This new project will allow for the planning and initial development of low-cost accommodations at Silver Strand SB. The project will provide planning, development, construction, operation and maintenance of low-cost accommodations at Silver Strand SB.

Total project costs are estimated at \$6 million, including Preliminary Plans (\$500,000), Working Drawings (\$500,000), and Construction (\$5 million). The current project schedule estimates Preliminary Plans will begin in July 2022 will be completed in December 2023. The Working Drawings are estimated to begin in January 2024 and will be approved in July 2025. Construction is scheduled to begin in September 2025 and will be completed in September 2027.

Staff Comment. *Pfeiffer.* The total project cost for Pfeiffer to build 15 low-cost alternative lodging cabins is \$6.466 million, which breaks down to \$431,067 for each cabin. Parks states that there is a base cost of developing the site in preparation to receive the cabins, for items such as utilities, grading, parking, and restroom/shower facility. The nominal cost of adding one more cabin nice this baseline is established is about \$150,000. Since the project is proposing a relatively low number of cabins, the effect of a reduced denominator has more influence on the cost per cabin than the nominal subtraction of cabin cost from the overall sum.

Parks states that upon completion of preliminary plans and during design efforts, additional costs were identified, including efforts to satisfy both flood concerns and local tribal needs. More detailed mapping

of the adjacent flood plain is needed to ensure facilities are outside of the flood zone as this area is high risk. In addition, local tribes have been in contact regarding area resources and educational opportunities in signage. These items, while within original scope of the project, will expand upon through design and construction.

Parks also states that the cost for new cabins can vary significantly from location to location, but the cost at Pfeiffer is within the range of what would be expected. While the cost of the cabins alone do not change much from location to location, the cost to develop utilities, construct accessible paths of travel, and meet State Fire Marshal requirements can vary significantly from project to project.

Considering the cost per unit to develop and the potential flood risk, is this project fiscally and logistically prudent?

Silver Strand. This is a new project. The department states that it is exploring the use of cabins, trailers, and/or tents on the ocean side of the park and hike/bike camping (tents) on the bay side. Once all viable options are identified, Parks would be able to pursue one or more of these options. While a preferred option has not been identified, the initial design funding proposed would enable the department to conduct necessary studies and preliminary design efforts, regardless of which type of accommodations are pursued. The total cost will be revised as needed when funding is requested for subsequent phases of this project.

Parks states that the study will determine the actual number of facilities but at this early state, it is envisioned that 10 or more units could be possible on the beach side with additional tent spaces. This would be vetted and approved by Parks target users, stakeholders, neighbors, and regulatory agencies before being implemented.

The BCP for Silver Strand requests provisional language making the funds available for encumbrance for two years, rather than one, due to the following factors: The project site is in a coastal area and possibly in an area of natural resources sensitivity. The planning and initial development process will require coordination between multiple agencies, resulting in longer than average time requirements for studies, design, permitting, and environmental compliance. If it is discovered that the intended site of the accommodations is in an area of natural resources sensitivity, what actions/alternatives may Parks take in order to protect the natural resources?

Staff Recommendation. Hold open.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 2

Agenda

Senator Bob Wieckowski, Chair

Senator Brian Dahle

Senator Mike McGuire

Senator Henry I. Stern



Wednesday, March 2, 2022

9:00 a.m.

State Capitol - Room 4203

Consultant: James Hacker

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Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

ITEMS FOR DISCUSSION

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

Issue 1: Update on Net Energy Metering 3.0

Background. Customers who install behind-the-meter (BTM) small solar, wind, biogas, and fuel cell generation facilities to serve all or a portion of onsite electricity needs are eligible to participate in net-energy metering (NEM) tariff programs offered within electric investor-owned utility (IOUs) territories. Customers participating in a NEM tariff programs allows them to generate their own power to serve their needs directly onsite and to receive a financial credit on their electric bills for any power fed back until the electric utility system. NEM tariff programs also provide other types of financial compensation such as exemptions from certain fees and surcharges.

The current NEM program (NEM 2.0), was adopted by the CPUC in Decision (D.)16-01-044 on January 28, 2016, and is available to customers receiving electric service in PG&E, SCE and SDG&E territories. The program went into effect in SDG&E's service territory on June 29, 2016, in PG&E's service territory on December 15, 2016, and in SCE's service territory on July 1, 2017. Currently, the program provides customer-generators full retail rate credits for power exported to the grid and requires them to pay a few charges that align NEM customer costs more closely with non-NEM customer costs. Any customer-generator applying for NEM pay a one-time interconnection fee, pay non-bypassable charges on power provided through the electric utility system, and they must take service on a time-of-use (TOU) electric rate.

The LAO notes that the vast majority of BTM solar customers are enrolled in NEM. Some version of NEM has been in place since 1996, but has been modified several times since then. Under NEM, the utility effectively pays solar customers (through a bill credit) for the power they generate and exported back to the grid. Under NEM 2.0, the customer receives the full retail rate for exported power, which includes costs associated with electric generation, transmission, and distribution. For example, if a customer consumes 100 kwh of electricity from the electric utility system, but exports 70 kilowatt hours of power from their solar system back to through the electric utility system, then the customer would pay the retail rate for 30 kwh of electricity. Under NEM 2.0, much of the basic structure described above remains in place. Some of the key changes included charging new NEM customers a one-time interconnection fee and a requirement that new NEM 2.0 residential customers take service on a TOU electric rate. TOU is a rate plan in which rates vary according to the time of day and season. Higher rates are charged during typical high demand hours and lower rates are charged during low demand hours.

Recent Actions.

The Commission committed in Decision (D.) 16-01-044 to later review the NEM successor (or NEM 2.0) tariff, citing interactive and unresolved policy movements within the Commission but outside the scope of the existing proceeding. Accordingly, the Commission adopted an Order Instituting Rulemaking on August 27, 2020, to revisit the existing NEM tariff.

The major focus of this proceeding has been on the development of a successor to the existing NEM 2.0 tariff pursuant to the requirements of AB 327 (Perea), Chapter 611, Statutes of 2013. The proceeding's scope also includes the review and potential modification of all NEM tariff schedules, and issues related to consumer protection.

The Commission issued a Proposed Decision on December 13, 2021, recommending the creation of a net-billing tariff that would succeed the existing tariff. The Proposed Decision stated that NEM must be modernized to incentivize customers to install energy storage paired with BTM solar to help California meet its net-peak demand (i.e., peak demand minus large-scale wind and solar output) and ensure electric service reliability. Overall, the Proposed Decision modifies the compensation structure under the NEM tariff and includes a bill credit for Net Billing customers to ensure customers can pay for a solar plus storage energy system in 10 years or less through electric bill savings.

Next Steps. The Proposed Decision was originally scheduled to be heard on January 27, 2022 at a CPUC Voting Meeting. However, after robust public engagement, the vote on the Proposed Decision was delayed. The CPUC has yet to set a subsequent date to decide on the Proposed Decision, or to issue modifications to the Proposed Decision.

Staff Recommendation: Informational Only.

**3360 CALIFORNIA ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION
3900 CALIFORNIA AIR RESOURCES BOARD****Issue 2: Zero Emission Vehicle Package**

Governor’s Budget. The budget includes \$6.1 billion (\$3.5 billion General Fund, \$1.5 billion from Proposition 98, \$676 million Greenhouse Gas Reduction Fund, and \$383 million Federal Funds) over five years for additional investments in zero emission vehicles. This is on top of the 2021 Budget Act commitment of \$3.9 billion towards ZEV acceleration through 2023-24. This brings the total investment to \$10 billion over six years. These additional investments include:

- **Low-Income Zero-Emission Vehicles and Infrastructure:** \$256 million for low-income consumer purchases, and \$900 million to expand affordable and convenient ZEV infrastructure access in low-income neighborhoods. These investments will focus on planning and deploying a range of charging options to support communities, including grid-friendly high-power fast chargers and at-home charging.
- **Heavy-Duty Zero-Emission Vehicles and Supporting Infrastructure:** \$935 million to add 1,000 zero-emission short-haul (drayage) trucks and 1,700 zero-emission transit buses; \$1.5 billion Proposition 98 to support school transportation programs, including advancing electric school buses in a coordinated effort between educational, air pollution, and energy agencies; \$1.1 billion for zero-emission trucks, buses, and off-road equipment and fueling infrastructure; and \$400 million to enable port electrification.
- **Zero-Emission Mobility:** \$419 million to support sustainable community-based transportation equity projects that increase access to zero-emission mobility in low-income communities. This includes supporting clean mobility options, sustainable transportation and equity projects, and plans that have already been developed by communities that address mobility. These locally driven projects continue to be a direct response to critical mobility needs identified by community-based organizations and residents working on the front lines to lift up priority populations.
- **Emerging Opportunities:** \$200 million to invest in demonstration and pilot projects in high carbon-emitting sectors, such as maritime, aviation, rail, and other off-road applications, as well as support for vehicle grid integration at scale. These investments will help maintain California’s role as the hub of ZEV market creation and innovation, creating economic development opportunities, while accelerating zero-emission solutions in hardest-to-reach segments of the transportation system.

These investments, including those appropriated in the 2021-22 budget, are summarized below.

General Fund, Unless Noted Otherwise (In Millions)

Program	Department	2021-22 Package	Proposed 2022-23 Package				Total
		Total	2022-23	2023-24	2024-25	2025-26	
Light-Duty Vehicles							
Clean Vehicle Rebate Project	CARB	\$525	—	—	—	—	—
Clean Cars 4 All and Other Equity Projects	CARB	400	\$171 ^a	\$50	\$35	—	\$256
Transportation Equity, Mobility, and SCS Pilots	CARB, CalSTA	—	65	130	134	\$90	419
ZEV Fueling Infrastructure Grants	CEC	300	100	220	210	70	600
Equitable At-Home Charging	CEC	—	60	100	90	50	300
Transportation Package ZEV ^b	CalSTA	407	77	77	77	76	383 ^c
Heavy-Duty and Off-Road Vehicles							
Drayage Trucks & Infrastructure	CARB, CEC	\$535	—	\$200	\$170	\$105	\$475
Transit Buses and Infrastructure	CARB, CEC	290	—	200	160	100	460
School Buses and Infrastructure	CARB, CEC, CDE	450	\$1,500	—	—	—	1,500
Clean Trucks, Buses, and Off-Road Equipment	CARB, CEC	700	700 ^d	200	165	35	1,100
Ports	CARB, CEC	—	—	100	200	100	400
Near-Zero Heavy-Duty Trucks	CARB	45	—	—	—	—	—
Emerging Opportunities	CARB, CEC	—	20	50	86	44	200
Other							
ZEV Consumer Awareness	GO-Biz	\$5	—	—	—	—	—
ZEV Manufacturing Grants	CEC	250	—	—	—	—	—
Totals		\$3,907	\$2,693	\$1,327	\$1,327	\$746	\$6,093
^a Includes \$76 million Greenhouse Gas Reduction Fund.							
^b Includes federal funds.							
^c Includes \$76 million in 2026-27.							
^d Includes \$600 million Greenhouse Gas Reduction Fund.							
ZEV = zero-emission vehicle; CARB = California Air Resources Board; SCS = Sustainable Communities Strategies; CalSTA = California State Transportation Agency; CEC = California Energy Commission; CDE = California Department of Education; and GO-Biz = Governor's Office of Business and Economic Development.							

(Source: Legislative Analyst's Office)

Background. Since 2006, California has set several important goals to reduce greenhouse gas (GHG) emissions and address the threat posed by the global climate crisis and to the public health of Californians. These goals have predominantly been set via Executive Order, rather than legislation. These include:

- Reducing GHG emissions to 40 percent below 1990 levels by 2030.
- Reducing short-lived climate pollutant emissions, such as methane, to 40 to 50 percent below 2013 levels by 2030.

- Achieving a carbon-neutral economy by 2045.
- Setting specific goals to boost the supply of ZEVs and charging and fueling stations, including:
 - Putting at least 1.5 million ZEVs on the road by 2025.
 - Installing 200 hydrogen-fueling stations and 250,000 battery-electric vehicle chargers, including 10,000 direct-current or fast chargers, by 2025.
 - Putting 5 million ZEVs on the road by 2030.

Executive Order N-79-20 set additional and specific zero-emission vehicle targets, including:

- 100 percent of in-state sales of new passenger cars and trucks by 2035
- 100 percent of the state's fleet of medium- and heavy-duty vehicles in the state by 2045 where feasible and by 2035 for drayage trucks
- 100 percent of the state's fleet of off-road vehicles and equipment operations by 2035, where feasible.

The state has historically pursued these goals with a combination of regulations, grant programs for infrastructure (such as the CEC's Clean Transportation Program and CARB's Heavy Vehicle Infrastructure Program (HVIP)), by rebates for individual purchases of zero emission vehicles, such as the Clean Vehicle Rebate Program (CVRP), and CARB's Heavy Vehicle Incentive Program (HVIP). These programs have operated parallel efforts by regulated utilities and private interests to expand ZEV infrastructure, including ratepayer-funded efforts at Investor-Owned Utilities, settlement agreements (like Electrify America's investments funded by the Volkswagen emissions settlement), and private investment (like Tesla's charging network).

The 2021-22 budget included \$2.7 billion for a variety of programs related to zero emission vehicles. This was intended to be the first year of a three-year, \$3.9 billion investment. Total investments included:

- \$500 million for the Clean Trucks, Buses, and Off-Road Equipment program at the California Air Resources Board, which funds heavy-duty and off-road vehicles and equipment, such as heavy-duty trucks and cargo-handling equipment at ports. This included at least \$25 million for the Clean Off-Road Equipment program. The budget included language prohibiting the use of these funds to displace workers. This funding was intended to be spent over multiple years.
- \$150 million in 2021-22, and a total of \$400 million over three years, for the Clean Cars 4 All program, which provides financial assistance for purchases of used zero and near zero emission vehicles.
- \$525 million for the Clean Vehicle Rebate Project, which provides financial assistance for purchases of new light-duty zero-emission vehicles. This included \$10 million in rebates for e-bike purchases. This is intended to provide multiple years of funding for the CVRP.
- \$475 million in 2021-22, and a three-year total of \$1.275 billion, for targeted investments in zero-emission drayage trucks, transit buses, and school buses and related infrastructure. This included \$65 million in 2021-22 for a pilot project for expanded use of zero-emission drayage trucks at California ports.

- \$500 million for investments in zero-emission vehicle charging and fueling infrastructure, split between light duty and medium / heavy duty vehicle infrastructure.
- \$125 million in 2021-22 and \$125 million in 2022-23 for grants to companies involved in the ZEV manufacturing supply chain.
- \$407 million, from a variety of funding sources, for additional investments in zero emission transit equipment and infrastructure. This funding will be allocated through the existing Transit and Intercity Rail Capital Program.
- \$50 million for near-zero truck replacement, to provide financial incentives to replace aging medium and heavy-duty trucks with new near-zero emission trucks.

Staff Comments. The Administration has proposed a significant expansion of the state’s investments in zero-emission vehicles. Most of the proposed funding would continue and/or expand existing programs, such as heavy-duty and off-road programs, ZEV fueling infrastructure programs, and programs focused on cleaner vehicles and mobility for low-income households and disadvantaged communities (also known as transportation equity programs). The most significant new programs and programmatic changes proposed by the Governor include:

- ***School Bus Program (\$1.5 Billion Proposition 98 General Fund)***. This program would provide competitive grants to school districts to replace nonelectric school buses with electric buses and purchase related infrastructure.
- ***ZEV Fueling Infrastructure Grants (\$600 Million General Fund)***. The proposal includes a total of \$600 million over four years—with \$100 million in 2022-23—for electric vehicle (EV) charging infrastructure. Unlike last year’s ZEV package, this proposal would prioritize fast chargers.
- ***Federal Funding for ZEV Infrastructure (\$383 Million Federal Funds)***. The proposal includes federal funding available to California through the federal Infrastructure Investment and Jobs Act (IIJA) enacted in November 2021. Specifically, it includes \$383 million for five years from the National Electric Vehicle Infrastructure Formula Program, which is intended to support fueling infrastructure along designated alternative fuel corridors, such as along the Interstate Highway System.
- ***Equitable At-Home Charging (\$300 Million General Fund)***. The proposal includes a total of \$300 million over four years—with \$60 million in 2022-23—for EV charging infrastructure at multi-unit dwellings and low-income, single-family homes. The funds would be used for Level 2 charging stations and electrical panel upgrades. (Level 2 charging stations provide about 14-35 miles of driving range per hour of charging.)
- ***Potential Sustainable Communities Strategies (SCS) Pilots***. As part of the proposed funding for SCS pilots and other equity programs, CARB would consider creating a new pilot program that would incentivize transportation agencies to prioritize projects that reduce vehicle miles traveled (VMT), rather than roadway expansion projects. The proposed budget does not provide funding explicitly for this pilot project, but CARB would consider it as part of its typical Low Carbon Transportation Investment Plan process after the budget is adopted.

Over two-thirds of the proposed funding would support heavy-duty vehicle programs. (This includes the \$1.5 billion for electric school buses.) A majority of the funding in the 2021-22 ZEV package was also targeted at such programs. Under the Governor’s plan, about 62 percent of the

combined \$10 billion total from both ZEV packages would go to heavy-duty vehicle programs. Funding for light-duty vehicles would be targeted to transportation equity and mobility programs, as well as fueling infrastructure. No new funding would be allocated to the state’s main ZEV rebate program, the Clean Vehicle Rebate Project (CVRP), but \$100 million would be available to support higher CVRP rebate amounts for low- and moderate-income households.

The proposed funding would support a variety of vehicles, EV charging stations, off-road equipment, and other projects. The table below lays out the estimated outcomes from these investments. The estimated amounts are subject to uncertainty because (1) the final allocations will depend on decisions made by departments about how to allocate the funding to specific subprograms or projects and (2) actual deployment amounts could also depend on which technologies are actually purchased. For example, the number of vehicles supported through the clean truck and bus vouchers depends on which technologies businesses and governments ultimately choose to purchase with the vouchers.

Estimated Number of Vehicles, Chargers, and Projects Supported With Proposed Funding

(In Millions)

Program	Amount	Estimated Deployment
Light-Duty		
ZEV Fueling Infrastructure	\$600	5,000 DC fast chargers
Transportation Equity, Mobility, and SCS Pilots	419	100 projects ^a
Equitable At-Home Charging	300	28,000 Level 2 MUD chargers; 50,000 home chargers
Vehicle Rebates for Low-Income Consumers	100	20,400 vehicles
Financing Assistance for Low-Income Consumers	80	12,300 vehicles
Clean Cars 4 All	76	6,600 vehicles
Heavy-Duty and Off-Road		
Clean Trucks, Buses, and Off-Road Equipment	\$600	4,100 vehicles and equipment
Transit Buses and Infrastructure	320	1,600 buses
Ports	250	860 pieces of off-road equipment
Drayage Trucks and Infrastructure	225	1,000 trucks
Emerging Opportunities	100	10 projects ^a
^a Each project may fund multiple vehicles and equipment.		
Source: California Air Resources Board and Energy Commission.		
SCS = Sustainable Communities Strategies; ZEV = zero-emission vehicle; and MUD = multi-unit dwellings.		

Source: Legislative Analyst’s Office

Additionally, the federal Infrastructure Investment and Jobs Act (IIJA) contains significant new funding for zero emission vehicle charging and fueling infrastructure. Funding for one of the programs—\$383 million to Caltrans through the National Electric Vehicle Infrastructure Formula Program—is already part of the Governor’s proposed budget. According to recently released federal guidance, the state must submit a plan to the federal government describing how funding will be used. The other two charging and fueling infrastructure grant programs are competitive programs and detailed federal guidance is not yet available. For all programs, the federal government will only pay for a portion of the costs, with the remainder coming from other private or public sources. Additional state funding for charging infrastructure, above and beyond what was approved in 2021-22, would increase the state’s chances of effectively competing for this funding.

Lastly, the Department of Finance estimates that \$260 million of the proposed 2022-23 spending in the Governor’s ZEV package is for activities that are excludable from the State Appropriations Limit. If the Legislature were to approve a lower amount of spending on the proposed 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.

LAO Comments.

Mobile Source Emission Programs Aim to Achieve Different Policy Goals... The state has a wide variety of mobile source incentive programs. These programs aim to achieve one or more different policy goals, including: (1) near-term GHG reductions; (2) near-term air pollution reductions; (3) advancements in zero-emission technologies, which could have longer-term GHG and air quality benefits; and/or (4) ensuring program benefits are distributed equitably across different areas and populations, often with a focus on reducing pollution in areas that are disproportionately low-income and/or have poor air quality. All four of these are reasonable policy goals. However, in many cases, the Legislature will have to balance the trade-offs between these goals when determining how to prioritize funding across different programs. In addition, some programs might have other policy goals, such as increasing mobility.

...And Degree of Effectiveness Varies Between Programs. As shown below, the degree to which mobile source incentive programs achieve each policy goal varies by program. For example, some programs are more cost-effective at reducing GHGs, while other programs are more cost-effective at reducing air pollution. Furthermore, some programs do more to promote zero-emission technological advancements that can help meet long-term emissions goals, while others do more to target funding in ways that benefit low-income and disadvantaged communities.

Mobile Source Program Effectiveness Varies Between Program and Policy Goal

Program	GHG Cost-Effectiveness (\$/Ton) ^a	Air Pollution Cost-Effectiveness (\$/Weighted Ton) ^a	Technology Advancement ^b	Benefiting Priority Populations ^c
Transportation Equity				
Low-Income Financing Assistance	\$830	\$538,000	Low-Medium	84%
Clean Cars 4 All	920	438,000	Low-Medium	97
Clean Mobility in Schools	2,450	235,000	Low-Medium	100
Clean Mobility Options	11,400	4,122,000	Low-Medium	100
Sustainable Transportation Equity Project	5,050	4,845,000	Low-Medium	100
Heavy-Duty and Off-Road ZEVs				
Clean Truck and Bus Vouchers (HVIP)	\$350	\$96,200	Medium	63%
Off-road Equipment Vouchers (CORE)	1,710	481,000	Medium	73
Demo/Pilots	18,800	110,000	Medium-High	100
Heavy-Duty Retirement and Replacement				
FARMER	\$1,679	\$8,979	Low	70%
Carl Moyer	1,670 ^d	11,700	Low	N/A
AB 617 Incentives	1,661	12,486	Low-Medium	94
^a CARB estimate. ^b LAO estimate. ^c Administration's estimate. ^d LAO estimate based on average of FARMER and AB 617 incentives.				
GHG = greenhouse gas; ZEV = zero-emission vehicle; HVIP = Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project; CORE = Clean Off-Road Equipment; FARMER = Funding Agricultural Replacement Measures for Emission Reductions; N/A= not available; CARB = California Air Resources Board; and AB 617 = Chapter 136 of 2017 (AB 617, C. Garcia).				

Mobile Source Emission Reduction Programs Are Relatively Costly Approaches to Near-Term GHG Emission Reductions. Of the programs listed earlier in Figure 6, the most cost-effective program for reducing near-term GHGs is the Clean Truck and Bus Voucher Program with estimated costs of \$350 per ton. The other incentive programs have costs close to or exceeding \$1,000 per ton. By comparison, other state programs are likely more cost-effective. For example, current cap-and-trade allowance prices are about \$30 per ton and Low Carbon Fuel Standard credits are about \$150 per ton. (In our view, these allowance and credit prices are a reasonable proxy for the marginal costs of near-term GHG emission reductions from these programs.) Also, according to the administration's estimates, other GGRF funded incentive programs, such as methane reduction programs, cost less than \$100 per ton.

Heavy-Duty Retirement and Replacement Programs Are Relatively Cost-Effective Approach for Air Pollution Reductions. The most cost-effective programs for reducing near-term local criteria pollutants appear to be the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program, the Carl Moyer Program, and AB 617 incentives (also known as Community Air Protection incentives). Estimated costs to reduce a weighted ton of criteria pollution ranges from \$8,979 to \$12,486 per ton in these programs, compared to costs ranging from the hundreds

of thousands of dollars to millions of dollars per ton for most other programs. These programs largely provide funding to retire older, high-polluting engines and replace them with cleaner fossil fuel engines (such as natural gas), rather than focusing on zero-emission technologies such as battery electric and fuel cells. Each of these programs would receive funding under the Governor's budget, but they would not receive additional funding as part of the proposed ZEV package.

The cost-effectiveness estimates for GHGs and air pollution reductions illustrate some of the important trade-offs the Legislature faces when determining its budget priorities for programs intended to reduce emissions. Of the programs analyzed in this report, the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) would achieve the greatest GHG reductions, but the heavy-duty retirement and replacement programs would achieve the greatest air pollution reductions. Notably, in the near term, none of the programs would cost-effectively reduce both GHGs *and* air pollution.

Programs Promoting Technological Advances Could Help Achieve Long-Term Emission Reductions. Some programs aim to help advance ZEV technologies, which could help achieve long-run GHG and air pollution reduction goals. Also, in our view, policies that attempt to promote research, development, and demonstration of new technologies is a reasonable role for government. This is because, without such support, the private sector would tend to underinvest in these activities and cleaner technologies might not reach the commercial market in a timely manner (or at all).

Unfortunately, it is difficult to assess these technology benefits quantitatively. In general, heavy-duty and off-road technologies are farther behind in technological and market development than light-duty ZEVs, so there is greater potential for technological advancement. In our view, pilot and demonstration projects generally have the most potential technological benefits because they are supporting early-stage technologies and projects that very likely would not otherwise be funded by the private sector.

Role of Transportation Equity Programs in Achieving Policy Goals Is Unclear. Compared to other mobile source programs, it is unclear whether the transportation equity programs achieve any of the Legislature's policy goals effectively. First, transportation equity programs appear to be a relatively costly way to reduce both local pollution and GHGs. Second, most of these programs focus on light-duty vehicle and mobility programs which, in our view, only have modest potential to drive technological advancements—likely less than some of the heavy-duty ZEV programs. Finally, although the vast majority of funding from these programs goes to projects that benefit low-income and disadvantaged communities, the percentage is not significantly more than some of the other programs. For example, the AB 617 incentive program allocates 94 percent of funds to projects that benefit priority populations and achieves criteria pollutant reductions much more cost-effectively than the transportation equity programs.

LAO Recommendations:

Consider Whether Different Mix of Spending Better Achieves Legislative Priorities. Ultimately, budget allocations for mobile source programs will depend on how the Legislature prioritizes different policy goals. In determining its priorities, we recommend the Legislature consider such factors as:

- ***Near-Term GHG Reductions.*** To the extent near-term GHG reductions are a priority, HVIP is one of the most cost-effective mobile source incentive programs. However, overall, the GHG reduction costs for mobile source incentive programs are relatively high, and the Legislature might want to consider relying on other programs for the most cost-effective GHG reductions, including regulatory programs (such as cap-and-trade) or other spending programs that have lower costs (such as methane reduction programs).
- ***Near-Term Local Air Pollution Reductions.*** To the extent total near-term reductions in local air pollution are a priority, then heavy-duty retirement and replacement programs such as Carl Moyer and FARMER are most cost-effective.
- ***Technology Advancement.*** To the extent *long-term* GHG and air pollution reductions are a priority, then the Legislature could target funding to programs that focus on advancing ZEV technologies in their early stages of market development. For example, it could prioritize funding for heavy-duty pilots and demonstration projects and vouchers for heavy-duty vehicles and off-road equipment.
- ***Air Quality Benefits in Disadvantaged Communities.*** If a priority is ensuring air quality improvements mostly accrue to disadvantaged and low-income communities, then the Legislature could target funds to programs that reduce criteria pollutants cost-effectively *and* where the vast majority of the spending benefits low-income and disadvantaged communities, such as the AB 617 incentive program.

Direct Administration to Provide More Detail on New Programs. We recommend the Legislature direct the administration to report at budget hearings on the details of the new programs that are being proposed, including the Equitable At-Home Charging program and potential SCS pilots. For example, how will the Equitable At-Home Charging program target renters? How will the potential SCS pilots be different from other programs aimed at reducing VMT? Additional detail could help the Legislature better evaluate the merits of the proposed programs.

Consider Delaying Funding for Infrastructure Until Administration Develops Plan to Best Leverage Federal Funds. We recommend the Legislature direct the administration to report this spring on its plan for ensuring state funding for EV charging infrastructure will complement new federal funding. This includes a description of how, if at all, state funding can be used to leverage federal funding for EV charging infrastructure or fill in the major gaps in federal funding. So far, there is limited detail available from the federal government about how some of the new programs will be implemented. If there is still insufficient detail at the time the Legislature needs to adopt a budget to meet its constitutional requirement to pass a budget, the Legislature could delay additional state funding for light-duty ZEV infrastructure until more details are available and the administration develops a clear strategy.

Direct Administration to Report on Program Evaluation Strategies. To ensure the Legislature has good information about the net effects of its mobile source programs, we recommend the Legislature direct the administration to report at budget hearings about current efforts to improve its program evaluation efforts. This report should include an update on efforts to more accurately assess the effects of individual programs in light of the interactions and overlap between regulatory and incentive programs. To the extent the Legislature authorizes funding to create new programs or expand existing programs, we recommend requiring the administration to develop a plan for program evaluation prior to implementing the program and awarding the funds. We recognize that

this would likely delay project implementation slightly but would greatly improve the quality of information available to the Legislature in future years to help inform future budget and policy decisions.

Consider Trade-Offs of Multiyear Funding Commitments. We recommend the Legislature consider the trade-offs associated with over \$3 billion in multiyear General Fund commitments proposed by the Governor. On the one hand, these commitments can provide market certainty and make it easier for departments to design and administer programs. On the other hand, they have the potential to reduce future legislative oversight and create General Fund pressures in future years. It is also worth noting that the 2021-22 budget package already included 2023-24 funding commitments for many of these same ZEV-related programs. To the extent the Legislature provides additional multiyear funding, we recommend it prioritize out-year funding for programs that can help provide market signals to businesses making long-term investment decisions, such as heavy-duty and off-road voucher incentives.

Staff Recommendation: Hold Open

0540 CALIFORNIA NATURAL RESOURCES AGENCY
0650 GOVERNOR’S OFFICE OF PLANNING AND RESEARCH
3360 CALIFORNIA ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION
3560 STATE LANDS COMMISSION
3860 DEPARTMENT OF WATER RESOURCES
3900 CALIFORNIA AIR RESOURCES BOARD
8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

Issue 3: Clean Energy Investments

Governor’s Budget. The budget includes more than \$2 billion (\$2.035 billion General Fund over two years, \$1.5 million Energy Resources Programs Account in 2022-23, \$2.6 million Public Utilities Commission Utilities Reimbursement Account ongoing) for a Clean Energy Investment Plan that will spur additional innovation and deployment of clean energy technologies in the energy system. This includes:

- **Long Duration Storage:** \$380 million General Fund over two years to invest in long duration storage projects throughout the state to support grid reliability. This investment will help with resilience in the face of emergencies, including wildfires, and provide a decarbonized complement to intermittent renewables, which will provide the state with additional energy storage options during periods of low renewable power availability.
- **Green Hydrogen:** \$100 million General Fund in 2022-23 to advance the use and production of green hydrogen, in which electricity is used to split water into oxygen and hydrogen. Green hydrogen is critical to the decarbonization of California’s economy and achieving carbon neutrality.
- **Industrial Decarbonization:** \$210 million General Fund over two years to accelerate industrial sector decarbonization. There are over 40,000 industrial facilities in California, employing over 1.2 million people. This funding will provide a grant program for the purchase and deployment of commercially available advanced technologies and equipment to decarbonize this sector while focusing on reducing criteria pollutants in disadvantaged communities.
- **Food Production Investment:** \$85 million General Fund in 2022-23 to accelerate the adoption of energy technologies at California food production facilities. Grants will be provided to California food producers to install energy efficiency and renewable energy technologies that will reduce operating costs, as well as climate emissions.
- **Offshore Wind Infrastructure:** \$45 million General Fund in 2022-23 to create the Offshore Wind Energy Deployment Facility Improvement Program, which will invest in activities to advance the capabilities of deploying offshore wind energy in federal waters off California in the areas of facility planning and development.
- **Oroville Pump Storage:** \$240 million General Fund over two years to build a temperature management project to address temperature issues at the Oroville Dam that will allow a pump-storage project to operate at greater capacity for the benefit of the statewide electrical grid.

- **Energy Modeling to Support California’s Energy Transition:** \$7 million General Fund in 2022-23 to support improvements to energy modeling activities, such as electricity system models to determine what types of electricity generation resources need to be built to meet state clean energy goals while maintaining reliability. Updating these models to reflect climate change impacts will improve state energy planning and policy development.
- **Equitable Building Decarbonization:** Older buildings with minimal insulation, air gaps, and non-existent or low-performing space heating and cooling are not equipped to adequately withstand extreme heat and protect occupants. The Budget includes \$962.4 million General Fund over two years for critical investments, including:
 - \$622.4 million General Fund over two years for a statewide low-income direct-install building retrofit program, including funding for replacement of fossil fuel appliances with electric appliances, energy-efficient lighting, and building insulation and sealing.
 - \$300 million General Fund over two years for consumer rebates for building upgrades, such as replacement of fossil fuel equipment with electric appliances.
 - \$40 million General Fund over two years to accelerate the adoption of ultra-low-global warming potential refrigerants.

These investments are summarized below:

Energy Package

(Dollars in Millions)

Department	Program	Fiscal Year 2022-23	Fiscal Year 2023-24	Two-Year Total
California Energy Commission	Incentives for Long Duration Storage Projects	\$140	\$240	\$380
	Green Hydrogen Grants for Green Electrolytic Hydrogen	\$100		\$100
	Industrial Decarbonization	\$110	\$100	\$210
	Food Production Investment Program	\$85		\$85
	Equitable Building Decarbonization	\$322.6	\$599.8	\$922.4
	Offshore Wind Infrastructure	\$45		\$45
	Energy Modeling to Support California's Energy Transition	\$7		\$7
Air Resources Board	Equitable Building Decarbonization - Accelerating Adoption of Ultra-Low Global Warming Potential Refrigerants	\$20	\$20	\$40
Department of Water Resources	Oroville Pump Storage	\$100	\$140	\$240
Various	Resources to Support Offshore Wind Generation and Energy Reliability	\$8.2	\$1.5	\$9.7
Total		\$937.8	\$1,101.3	\$2,039.1

Background. Chapter 488 of 2006 (AB 32, Núñez/Pavley) established the goal of limiting GHG emissions statewide to 1990 levels by 2020. In 2016, Chapter 249 (SB 32, Pavley) extended the limit to 40 percent below 1990 levels by 2030. Emissions have decreased since AB 32 was enacted and were below the 2020 target in 2019. However, the rate of reductions needed to reach the SB 32 target are much greater than the state has achieved to date.

The administration has also established long-term GHG goals. On September 10, 2018 Governor Brown issued Executive Order B-55-18 which established a statewide goal of achieving carbon neutrality by 2045—meaning annual GHG emissions are equal to or less than carbon dioxide sequestered or stored. Reducing net GHG emissions to near (or below) zero is also known as deep decarbonization. Notably, the Legislature has not adopted long-term statewide deep decarbonization goals in law. However, as discussed below, the Legislature has established specific long-term decarbonization goals in certain sectors, such as the electricity sector.

Over the last decade, the electricity sector has been the primary driver of statewide GHG emission reductions. Reductions from the electricity sector mostly reflect a changing mix of resources used to generate electricity—primarily large increases in renewables (solar and wind) along with a decline in coal generation. A wide variety of factors have contributed to this shift, including

technological advancements, changing economic conditions, federal policies, and state policies. Notably, emissions from other sectors—including residential and commercial buildings, industrial facilities, and high global warming potential products (such as refrigerants)—have remained relatively steady or increased over the last several years.

Chapter 312 of 2018 (SB 100, de León) established a state policy of providing 100 percent of retail electricity with zero-carbon resources by 2045. 59 percent of retail electricity sales came from zero-carbon resources in 2020, including 36 percent from resources that qualify as renewable under the state’s Renewable Portfolio Standards, such as onshore wind and solar photovoltaic.

California commercial and residential buildings generated nearly 100 million tons of emissions in 2018—or nearly one-quarter of annual statewide emissions. The three main categories of GHG emissions from buildings are:

- **Combustion.** Emissions from burning fossil fuels on site—primarily natural gas—largely related to space heating and water heating.
- **Refrigerants.** Leakage of certain types of refrigerants, such as hydrofluorocarbons, found in supermarket refrigeration and air conditioning units.
- **Electricity Generation.** Indirect emissions from the electricity system that generates the electricity for buildings.

Historically, state efforts to reduce emissions from buildings has focused on improving the energy efficiency of buildings and appliances. For example, the California Energy Commission (CEC) develops energy efficiency building codes and standards for new buildings. Additionally, utilities operate programs using ratepayer funds—totaling at least several hundred million dollars annually—that aim to promote energy efficient appliances and buildings. The California Department of Community Services and Development (CSD) administers a wide variety of other programs that provide energy efficiency upgrades for low-income households, including the state Low-Income Weatherization Program and the federal Weatherization Assistance Program. Finally, we note that the state supports energy efficiency activities at state buildings, schools, and universities.

In recent years, state efforts have increasingly focused on electrification as a key strategy for reducing emissions from buildings. This strategy aims to promote the use of electric appliances—such as heat pumps—instead of natural gas furnaces and water heaters. For example, Chapter 378 of 2018 (SB 1477, Stern) authorized the California Public Utilities Commission (CPUC) to develop the Building Initiative for Low-Emissions Development (BUILD) Program to encourage the installation of electric appliances in new, low-income residential housing in investor-owned utility (IOU) territories. CPUC designated CEC as the program administrator. Senate Bill 1477 directed CPUC to support BUILD with \$80 million from revenue collected from cap-and-trade allowances that are given to IOUs and then subsequently sold at auctions. (We describe the state’s overall cap-and-trade program in more detail later in this section.) In addition, a variety of other program, planning, and regulatory efforts have begun to focus on electrification as a key strategy for long-term building decarbonization.

The 2021-22 budget included \$172 million for various energy-related activities, including programs intended to promote building electrification, planning and permitting renewable energy projects, and activities intended to promote electric reliability. This included \$75 million General

Fund to CEC to expand the BUILD program to new market rate residential buildings in all areas of the state, including publicly owned utility territories.

The state administers relatively few GHG emissions reduction programs for industrial sources. The main emission reduction program for industrial sources is the cap-and-trade program, which covers about 75 percent of statewide GHG emissions, including transportation, natural gas, electricity production, and industrial sources. Under this program, a limited number of permits to emit GHGs are issued, and “covered entities” can buy and sell allowances. The program relies on market incentives—reflected through permit prices—and flexibility to encourage the lowest-cost emission reduction activities.

Staff Comments. The Governor’s proposal includes the following components:

Long-Duration Storage Projects. The proposed budget includes a total of \$380 million General Fund (\$140 million in 2022-23 and \$240 million in 2023-24) for demonstrations and early-stage deployment of long-duration storage technologies—defined as technologies that can store energy for eight hours or more—that are on the verge of commercialization. According to the administration, the goal of the program is to help support the advancement of promising technologies from the demonstration phases to commercial deployment in the next five to ten years. Examples of technologies that might receive funding include flow batteries (batteries that use a different chemical process than traditional batteries), thermal storage, and compressed air technologies. (Pumped hydroelectric storage and lithium-ion batteries would not be eligible technologies because they are not considered emerging technologies.)

The proposed program would be implemented in two phases. The first phase would include 12 to 16 demonstration projects ranging from three megawatts (MW) to five MW of capacity. The second phase would include fewer projects—roughly seven to ten—but most projects would range from five MW to ten MW. Some projects will also focus on much longer durations in the range of 20 to 100 hours. For context, a recent analysis from the state’s energy agencies found that there is a need for a minimum of about 1,000 MW of long-duration storage by 2030 and 4,000 MW by 2045 to meet the state’s SB 100 goals of 100 percent zero-carbon electricity.

Green Hydrogen Projects. The proposed budget includes \$100 million General Fund in 2022-23 to advance green hydrogen technology and explore different end uses. Green hydrogen is produced by splitting water into hydrogen and oxygen using renewable electricity. The administration estimates that the funding would support 10 to 15 commercial demonstration projects. About two-thirds of the funding would focus on lowering the cost of electrolyzers used to produce green hydrogen. Other eligible projects include those that demonstrate the use of green hydrogen for industrial activities, power plants, and energy storage. The administration has proposed trailer bill language that limits eligible projects to those that produce electrolytic hydrogen for delivery or use in California, and emits zero or de minimis amounts of greenhouse gases on a lifecycle basis. The legislature may want to consider the extent to which that definition captures the types of projects the legislature would like to fund. Additionally, there is potentially significant federal funding available for green hydrogen “hubs.” This funding represents a potentially strategic investment that could make the state more competitive for those federal grant funds.

Industrial Decarbonization. The Governor proposes a total of \$210 million General Fund (\$110 million in 2022-23 and \$100 million in 2023-24) to deploy advanced technologies or develop novel strategies to reduce emissions at industrial facilities. According to the administration, eligible projects could include electrification of heating processes that now use natural gas, energy efficiency projects, and deploying carbon capture for use in products (such as concrete). Carbon capture projects with geologic storage and petroleum and gas production facilities would be ineligible.

Food Production Investment Program. The Governor's proposal includes \$85 million for the CEC's Food Production Investment Program (FPIP). FPIP provides grants to California food producers to install energy efficiency and renewable energy technologies in food processing plants that will reduce operating costs and GHG emissions. There are a total 7,262 food and beverage processing facilities in California emitting about 3.2 million MT CO₂e annually. FPIP has administered a total of \$116 million in funding since its creation, with no additional funds allocated since 2018. FPIP has funded 50 grant awards at 66 project sites. Fifty-six of these sites are in and benefitting disadvantaged or low-income communities. Approximately half of these project sites are in the San Joaquin Valley. The investment made previously in FPIP are estimated to lead to a reduction of 164,000 MT CO₂e per year. This translates to a lifetime reduction of 3.3 million MT CO₂e per year and a cost per metric ton of \$35 a ton assuming a conservative 20-year project lifetime.

Equitable Building Decarbonization. The Governor's budget provides a total of \$922.4 million General Fund over two years (\$323 million in 2022-23 and \$600 million in 2023-24) to CEC for two new residential building decarbonization programs. These two programs include (1) \$622.4 million for a program to directly install energy efficient and electric appliances in low- and moderate-income households and (2) \$300 million for a statewide rebate program for electric appliances that replace natural gas appliances.

Under the direct install program, contractors would undertake a variety of energy efficiency and building electrification changes (such as heat pumps or electrical panel and wiring upgrades) at no cost for eligible households. Eligible households would include households in disadvantaged communities (as measured in CalEnviroScreen), at or below 80 percent of statewide median income, or with income limits of moderate or below as identified by the California Housing and Community Development. CEC estimates that the program could reach 13,000 to 274,000 existing buildings at an estimated cost ranging from \$2,000 to \$40,000 per building. The statewide rebate program would provide incentives to purchase electric appliances, such as heat pump space and water heaters. Based on estimated costs of \$1,000 to \$8,000 per building, about 40,000 to 313,000 buildings would receive rebates under this program.

Low Global Warming Potential Refrigerants. The proposal includes \$40 million to expand the existing program to accelerate the deployment of next generation ultra-low GWP refrigerants in existing building equipment. Most refrigeration and air conditioning systems deployed in California utilize high GWP refrigerants that are so potent that their leakage and disposal make up roughly 3-4 percent of the state's GHG inventory. This program received \$1 million in the 2019-20 budget, which allowed ARB to support 15 projects to reduce high-GWP refrigerant usage in

grocery stores. The Administration has indicated that there are roughly 4,000-5,000 refrigeration systems across the state that could be eligible for funding.

Oroville Pump Storage Project. The Governor proposes a total of \$240 million General Fund (\$100 million in 2022-23 and \$140 million in 2023-24) to modify the Oroville Dam complex so it can use its existing pump back operations to provide long-duration energy storage without adverse impacts on spawning salmon in the Feather River. Funding would support the planning, design, permitting, and construction of the modifications necessary for the dam to use its existing 480 MW pumping capacity. The proposed funding would also support the construction of a flow control facility with a potential for an additional 20 MW hydroelectric generation.

Offshore Wind. The proposal includes \$45 million for a program to make investments in facility planning and development activities that will advance the capabilities of deploying offshore wind energy in federal waters off California. The program will include three categories that target different phases of preparing waterfront facilities in California to support offshore wind energy development:

1. Developing individual or regional facility retrofit concepts and investment plans.
2. Supporting final design, engineering, environmental studies and review, as well as construction of retrofits.
3. Providing cost share funding to applicants that apply for and receive a federal award that includes activities consistent with those identified above. This would apply to funding for both the development of concepts and plans as well as actual project development.

The Administration has indicated that the intent is to provide roughly \$5 million for the development of concepts and plans, and \$40 million for project funding.

Other Proposals. The proposal includes \$4.1 million to implement AB 525 to develop a strategic plan for offshore wind energy development in federal waters off the coast of California. The funds would support the CEC, Ocean Protection Council, State Lands Commission, and the Governor's Office of Planning and Research.

The budget also includes \$3 million to support actions that expand energy supply and storage in California directed by studies and assessments by the CEC, CPUC, and the California Independent System Operator (CAISO). This funding would be budgeted to DWR to provide consultation for engineering support to perform comprehensive site assessments, site prioritization, site selection, and site outreach to inform decisions as to the capability and practicality of making clean power generation commercially available to mitigate energy shortages.

LAO Comments.

Package Generally Targets a Reasonable Set of Activities to Promote Deep Decarbonization. In our view, the Governor's proposed package reflects a reasonable set of activities to help the state achieve deep decarbonization. First, funding would support key areas where substantial technological progress could help lower the cost of achieving long-term GHG goals. This includes technologies that can provide zero-carbon electricity at times when renewable resources are not

sufficient to meet electricity demand (such as long-duration storage and green hydrogen) and technologies that can help reduce emissions from industrial activities (such as green hydrogen and carbon capture and storage). In general, we think there is a reasonable policy argument for government funding to promote the development of newer technologies because the private sector will likely underinvest in these activities. One-time state funding to support demonstration projects to explore different technology options as proposed by the Governor could help advance these technologies, which in turn could help the state achieve some of its long-term GHG goals at lower cost. In addition, since these technologies could also be used in jurisdictions outside of California, any advancements and cost reductions could have broader GHG benefits if these low-carbon technologies get adopted in other jurisdictions.

The other largest pieces of funding—the equitable building decarbonization programs—target one of the largest sources of statewide GHG emissions. Furthermore, these programs would focus on *existing* buildings, which represents the vast majority of building-related emissions and pose some of the most significant challenges to building decarbonization. For example, the long lifespan and slow turnover of major appliances in buildings means a transition to newer technologies in existing buildings can take decades. As a result, some near-term actions could be important for meeting long-term GHG goals.

Allocating State General Fund, Rather Than Ratepayer Funds, Has Merit. Many of state’s clean energy programs historically have been paid for by IOU ratepayers through higher electricity rates, even though some of the primary goals of these programs (such as GHG reductions) accrue to the broader public. We think there is a strong rationale for using General Fund for programs that aim to provide broad societal benefits. Additionally, the costs for clean energy programs are one factor that contributes to California’s relatively high retail electricity rates. (There are many other factors that impact electricity rates, which we do not discuss in this brief.) Electricity rates in California are more than twice as much as the estimated marginal social costs of providing electricity in California, even after accounting for environmental damages. These higher rates have a variety of adverse effects, including:

- ***High Electricity Rates Discourage Electrification.*** As discussed above, one strategy for deep decarbonization is electrification, including switching from natural gas appliances to electric appliances. Household and business decisions about appliance purchases depend, in part, on how much they would have to pay for electricity to operate the electric appliances. As a result, high electricity rates can discourage adoption of electric appliances.
- ***Electricity Rates Are a Regressive Approach to Raising Revenue.*** On average, lower-income households tend to spend a greater share of their income on electricity than higher-income households. As a result, collecting revenue through electricity rates is a relatively regressive approach to funding clean energy programs.

Balancing Long-Term Benefits Against Near-Term Priorities. Much of the proposed funding is focused on activities intended to meet long-term, deep decarbonization goals. Although the proposed programs could have merit in the long run, some of these newer technologies and projects might take at least five to ten years to be commercially available, and even longer to become cost-competitive. Some ultimately may not ever achieve commercial viability. As a result, the GHG reduction benefits are likely to be relatively modest over the next several years. The Legislature will want to balance the potential long-term benefits of the programs in the Governor’s

package with other near- and medium-term priorities. For example, some alternative spending options include:

- ***Programs Aimed at Meeting 2030 GHG Goals.*** The state’s 2030 GHG goals will be difficult to meet. The Legislature could redirect some of the proposed funding to other programs that likely do more to help meet the state’s 2030 goals, such as methane reduction programs. In determining whether to prioritize General Fund resources for these such programs, the Legislature will want to consider the availability of other fund sources such as the Greenhouse Gas Reduction Fund.
- ***Other Energy-Related Programs.*** The Legislature could prioritize funding for other energy-related issues, such as grid resilience and reliability.
- ***Other Statewide Priorities.*** There might be other near-term statewide issues outside of the energy and climate policy area that the Legislature considers a higher priority use of General Fund.

Significant Federal Funding Available for Similar Activities. The federal Infrastructure Investment and Jobs Act (IIJA) that was enacted in November 2021 includes funding for a wide range of energy-related activities. Notably, there is a significant amount of funding available for clean hydrogen hubs, carbon capture demonstration projects, industrial emissions demonstration projects, long-duration storage demonstrations, and energy efficiency activities in low-income households. In many cases, detailed federal guidance about how the funding can be used and how it will be allocated is not yet available. As a result, it is unclear how the Governor’s clean energy package strategically targets funding in a way that best complements the federal IIJA funding. For example, are there opportunities to use state funding to leverage federal funds in a way that helps further the state’s goals? Some of the major federal programs—such as funding to prevent outages and enhance grid resilience—require a state match, but the Governor’s budget does not allocate funding for the state match. Another question is: Are there key gaps in federal funding that state funding can help fill? The Legislature might want to direct the administration to develop a strategy for using state funds in a way that best complements federal funding.

Expanding Scope of Certain Programs Could Improve Outcomes. The Governor’s proposal targets certain types of technologies and sectors, while excluding others. For example, although long-duration storage and green hydrogen could be important technologies needed to meet the state’s SB 100 goals, other technologies that could potentially achieve similar goals would not receive funding under the proposal, such as geothermal energy. As another example, carbon capture projects that store carbon in products (such as cement) would be eligible for the industrial decarbonization program, but carbon capture projects with geologic storage would not. Finally, the proposal provides funding to an existing program for GHG reduction projects at food processing facilities, instead of making that funding available to a broader set of industrial facilities.

Limiting the types of eligible projects and sectors that qualify for funding creates a risk that the funds are not used to support the most promising emission-reduction projects and technologies. A more technology- and sector-neutral approach can be especially important when there is uncertainty about which technologies will prove to be most feasible and cost-effective in the long run. The Legislature could consider modifying the programs and funding in ways that make a broader range of technologies and businesses eligible for the funding, while directing the

administration to select projects based on their potential to help achieve long-term GHG reductions in a cost-effective manner. For example, the Legislature could create a program that focuses on a broad range of technologies that help the state achieve its SB 100 goals, which could include long-duration storage and hydrogen power, as well as other technologies such as geothermal. Also, it could shift funding from the Food Production Incentive Program to the broader industrial decarbonization program, plus expand eligibility to include other technologies such as carbon capture with geologic storage. This could provide greater flexibility to fund the mix of industrial decarbonization projects that have the most GHG-reduction potential.

Reporting Requirements Needed to Facilitate Legislative Oversight. The administration does not propose any formal reporting to the Legislature on program outcomes. We recommend the Legislature consider adopting requirements that the administration report annually on key program outcomes, such as estimated emission reductions, technological progress, key lessons learned, and key challenges. The Legislature could use this information when making future policy and budget decisions in this area, including whether to continue any of the proposed programs after the two-year funding expires.

Some Proposed Spending Is Excluded from State Appropriation 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—from the SAL calculation. The Department of Finance estimates that \$644.5 million of the proposed spending is for activities that are excludable from the SAL. In constructing its final clean energy package, we recommend the Legislature be mindful of SAL considerations. For example, if the Legislature were to approve a lower amount of spending on the proposed 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.

Staff Recommendation: Hold Open.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION**Issue 4: ALJ Division Management and Proceeding Support**

Governor’s Budget. The budget includes \$1,223,000 ongoing from various special funds for eight (8.0) permanent positions to address deficiencies in management resources and proceeding support for the Administrative Law Judge (ALJ) Division.

Background. The CPUC sets utility rates and services; resolves consumer complaints; and establishes policies to implement state policies, promote safety, and protect customers of investor-owned electric, gas, communications, and water utilities; and regulated transportation carriers. To do this, the CPUC’s Administrative Law Judge (ALJ) Division conducts formal proceedings, similar to a court system, and bears two basic responsibilities: (1) conduct hearings consistent with due process to develop a complete evidentiary record to support proposed decisions, and (2) administer the CPUC decision-making process, including receiving and docketing formal filings, transcribing hearings, maintaining formal files, managing the CPUC Meeting agenda, preparing and serving CPUC decisions, and generally coordinating the decision-making process so that the CPUC satisfies the Open Meeting Act and other statutory requirements. Proceedings brought before Administrative Law Judges must be completed within statutorily defined time periods.

The CPUC also has enforcement (citation and revocation) programs to quickly deter misbehavior or illegal conduct by utilities and other regulated entities to ensure the employees of utilities and the public are properly protected from the hazards of providing utility and regulated transportation services. A cited entity may appeal a citation, and such appeals must be heard by an CPUC administrative law judge (ALJ) within timeframes set by statute or the CPUC. As part of its efforts to increase enforcement activity, the CPUC passed a new enforcement policy in 2020-21, delegating additional enforcement authority to the staff level, and increasing the likelihood of additional appeals.

Staff Comments. This proposal includes the following positions:

- One (1.0) permanent full-time Assistant Chief Administrative Law Judge (ACALJ)
- One (1.0) permanent full-time Staff Services Manager (SSM) I
- One (1.0) permanent full-time SSM II Four
- (4.0) permanent full-time Associate Governmental Program Analyst (AGPA)
- One (1.0) permanent full-time Legal Secretary

Under the direction of the Chief ALJ, the Assistant Chief Administrative Law Judges (ACALJ) directly supervise ALJs, manage designated portfolios of subject areas, and oversee relevant support functions in ALJ Division. In addition to the Chief ALJ, ALJ Division management currently includes seven ACALJs. The current seven ACALJs (six permanent authorized and one limited-term) manage 46 permanent authorized ALJs, 12 limited-term ALJs, and 8 retired annuitant (RA) ALJs working on a half-time basis. In addition to ALJ supervision, ACALJs oversee proceedings in designated subject areas and one or more administrative functions through staff managers in the division.

In the last five years, ALJ Division has experienced significant turnover due to recruitment and retention issues. In 2020-21 alone, there was a 20 percent turnover in rank-and-file ALJs, requiring extensive time spent on recruitment, hiring, and training. The PUC has also indicated that turnover amongst ALJs has approached 20 percent in recent years, which has impacted the division's ability to provide manage the numerous proceedings in which it is involved or oversees.

Within the last three years, 30 ALJs have been hired, resulting in an increased need for day-to-day management and review of work product, as well as increased time spent on hiring. As vacant positions have been filled within the Division, the shortage of management and support resources has resulted in the necessity for overtime hours to manage the workload.

The Administration included a version of this proposal as part of the 2020-21 budget, but it was withdrawn due to the unfolding pandemic. This proposal is basically identical to the withdrawn 2020-21 proposal.

Staff Recommendation: Hold Open.

Issue 5: Authorization for Permanent Funding of Key Limited-Term Positions in Support of Energy Policy Statutes

Governor’s Budget. The budget includes \$4,124,000 in ongoing funding from the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) to convert 19.5 existing limited-term to permanent positions to continue implementing numerous statutes concerning microgrids, bioenergy, energy efficiency, and storage including interconnection of storage.

Background. In fiscal year 2019-20, the CPUC received authorization to hire 19.5 limited-term positions through June 30, 2022, to implement numerous statutes concerning microgrids, bioenergy, energy efficiency, and energy storage including the interconnection of storage. These statutes include:

Microgrids Statutes

- Chapter 566, Statutes of 2018 (SB 1339)—Supports microgrid commercialization by reducing barriers to microgrid deployment without shifting costs between ratepayers and giving highest priority to system, public, and worker safety.

Bioenergy Statutes

- Chapter 739, Statutes of 2018 (SB 1440)—Supports the development of a market for biomethane by requiring consideration of a biomethane procurement program for California’s gas Investor-Owned Utilities (IOUs).
- Chapter 598, Statutes of 2018 (AB 3187)—Supports the in-state production and distribution of biomethane by facilitating prudent and reasonable IOU infrastructure investments necessary for biomethane producers to interconnect to California’s gas pipeline system.
- Chapter 395, Statutes of 2016 (SB 1383)—Supports short-lived climate pollutant (SLCP) reduction efforts by encouraging the development of dairy biomethane pilot projects as an alternative to fossil natural gas procurement, as well as other related measures.
- Chapter 571, Statutes of 2016 (AB 2313)—Supports greenhouse gas (GHG) reduction efforts by ensuring continued monetary incentives for biomethane projects.
- Chapter 368, Statutes of 2016 (SB 859)—Supports biomass procurement from high hazard zone areas and inter-agency actions to mitigate wildfire threats to life and property.

Energy Efficiency (EE) Statutes

- Chapter 562, Statutes of 2018 (SB 1131)—Supports energy savings through the development of rules, review timelines, and metrics for customized projects.

Energy Storage Statutes

- Chapter 680, Statutes of 2016 (AB 33)—Supports research on potential long duration energy storage technologies to support reliability, reduce GHG emissions, and integrate renewable energy generation in the electric grid.
- Chapter 681, Statutes of 2016 (AB 2868)—Supports programs and investments to accelerate the procurement of distributed energy storage resources.

- Chapter 469, Statutes of 2010 (AB 2514)—Supports the establishment of energy procurement targets to achieve grid reliability, GHG reduction, and renewable integration, as well as a study to evaluate California’s energy storage procurement framework and mandate.

Staff Comments. The 2019-20 budget provided 31 limited term positions for a wide variety of energy-related statutes, including those described above. After the implementation of those positions, the administration has determined that twelve of the requested positions were genuinely limited term in nature. The remaining 19.5 positions requested here reflect workload that the PUC believes is likely ongoing in nature.

Staff Recommendation: Hold Open.

Issue 6: Communications Licensing and Compliance Section Permanent Position Authority

Governor’s Budget. The budget includes \$286,000 for fiscal year 2022-23 and \$284,000 ongoing funding from the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) to convert two (2.0) temporary blanket positions to permanent in the CPUC Licensing and Compliance Section (L&C).

Background. The PUC Communications Division (CD) is responsible for seeing that telephone corporations (carriers) in California meet and comply with the obligation to provide California consumers safe and reliable telephone service at reasonable rates pursuant to Public Utilities (Pub. Util.) Code section (§) 451. Among other things, carriers must obtain the appropriate authority to operate in California and comply with all Pub. Util. Code provisions, and CPUC Rules, General Orders (GO), and Decisions applicable to providing approved services. The Licensing and Compliance Section was established within CD to implement and oversee all licensing and compliance related activities for telephone corporations in California.

Staff Comments. The PUC has indicated that several changes in the telecommunications space are driving increased workload for the Division. These include the sunset of PUC 710, which brought interconnected VOIP under the PUC’s jurisdiction, as well as an increase in telecommunications mergers and acquisitions. The PUC has met this workload by administratively creating two positions out of the Commission’s budgetary “blanket.” PUC has indicated that the workload is likely to be ongoing, and funding positions through the budget poses challenges for hiring and oversight. This is generally reasonable, but the Legislature should consider the extent to which the workload is likely to be both consistent and ongoing, and whether making the positions limited term to better assess ongoing workload is appropriate.

Staff Recommendation. Hold Open.

Issue 7: Information Technology Services Division—Security Enhancements

Governor’s Budget. The budget includes \$1,858,000 from various special funds (Distributed Administration) for ten (10.0) new permanent full-time positions in the Information Security Office (ISO) to improve its cyber security posture; consolidate enterprise information technology security, risk, and compliance activities; achieve compliance with State Administrative Manual (SAM) 5300 requirements; and address issues identified by both the State Auditor and by Independent Security Assessments performed by the California Military Department and California Department of Technology’s (CDT) Office of Information Security.

Background. Over the last five years, following the state’s “cloud first” policy, the CPUC has migrated multiple applications from CPUC-run data centers to cloud-hosted environments. The CPUC has also expanded to several additional new office locations and decentralized its operations and network. During the COVID response, the CPUC adapted to support a nearly 100 percent telework workforce and moved to an online meeting format for all public meetings, resulting in additional network complexity and an increased attack surface to be monitored.

In recent years, the world has experienced increasingly sophisticated cyber security attacks, especially as many state actors have started openly participating in developing and distributing new tools and methodologies. Attacks have escalated and been distributed through commercial products such as SolarWinds, Microsoft Exchange, and Pulse VPN which are all products the CPUC uses. New state policies and legislation such as the California Information Privacy Act must be evaluated and addressed.

Staff Comments. The PUC has indicated that updates to state security policies and standards, expansions of CPUC programs and staffing, migration of systems and data to cloud-hosted services, support for expanded telework and virtual meetings due to the COVID response, along with the escalation and increasing complexity of attack vectors, have outpaced the bandwidth of current CPUC security and network staff to keep pace. Additionally, the State Auditor, CDT’s Office of Information Security, and the California Military Department have all released security-related findings in recent audits and security assessments of the CPUC.

The PUC has indicated that this proposal would create a new Chief Security Officer position in the Information Security Office (ISO) to oversee security, risk, and compliance issues; increase the number of ISO resources from four (4.0) to ten (10.0) staff; and increase the number of Network and Security Section resources from five (5.0) to eight (8.0) staff. These resources will be responsible for maintaining the CPUC network in San Francisco, Sacramento, and Los Angeles; addressing security audit findings; and securing the enterprise.

The Administration included a version of this proposal as part of the 2020-21 budget, but it was withdrawn due to the unfolding pandemic. This proposal includes all of the resources originally requested in 2020-21, plus one additional position due to increased workload estimates.

Staff Recommendation: Hold Open.

Issue 8: Physical and Cyber Security Section

Governor’s Budget. The budget includes \$638,000 from the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) for three permanent full-time positions to augment the capabilities of a CPUC safety and cybersecurity utility regulatory group in response to significant increases in global cyber threats and attacks, and in support of Chapter 327, Statutes of 2009 (SB 17).

Background. Cybersecurity broadly refers to the ability to protect information and communication systems and the data on those systems from damage or exploitation. Cybersecurity is foundational to modernizing the electrical grid by deploying "smart" devices, communication networks, and control systems. There are a variety of federal requirements around the cyber and physical security of utility infrastructure. Additionally, there are a number of state requirements related to cyber and physical security. Senate Bill 17 (Padilla), Chapter 327, Statutes of 2009 requires the development of Smart Grid Deployment Plans that include security considerations. Chapter 886, Statutes of 2018 (SB 327) and Chapter 860, Statutes of 2018 (AB 1906) mandated that, beginning in 2020, all manufacturers of connected devices in California must equip them with reasonable security features to protect data against unauthorized access, misuse, and destruction. Chapter 7, Statutes of 2020 (AB 89), the Budget Act of 2020, includes funding for the California Cybersecurity Integration Center.

In 2018, the CPUC Utility Cyber Security Branch integrated the Risk Assessment and Safety Advisory Section (RASA) to align cybersecurity efforts with ongoing global assessments of utility risks. These efforts included workshops in support of Public Safety Power Shutoff (PSPS), Emergency Response, Pole and Conduit Database, Physical Security threats, the State Emergency Plan, Wildfire Safety, the Safety Model Assessment Proceeding, the Risk Assessment Mitigation Phase (RAMP) and multiple exercises in conjunction with the IOUs, CalOES, the Department of Homeland Security, and the Department of Energy.

Staff Comments. For the CPUC to implement the requirements SB 699, the Physical and Cyber Security Section needs to review the physical security protocols that safeguard IOU information, equipment, IT infrastructure, and facilities. One of the core objectives is to ensure physical security standards supplement technology-oriented cybersecurity countermeasures by expanding exercises, increasing coordination with state and federal agencies, and providing more apparent assessment metrics to gauge progress.

The PUC has indicated that the requested positions would allow the Commission to be more proactive and engaged in cybersecurity issues at Investor-Owned Utilities, including through rate cases, related proceedings, compliance, and coordination efforts.

The Administration included a version of this proposal as part of the 2020-21 budget, but it was withdrawn due to the unfolding pandemic. This proposal includes all of the resources originally requested in 2020-21, plus one additional position due to increased workload estimates.

Staff Recommendation: Hold Open.

Issue 9: Strengthen Internal Operations Core

Governor’s Budget. The budget includes s \$1,696,000 from various special funds (Distributed Administration) for position authority and funding to convert eight (8.0) existing full-time blanket positions, one (1.0) existing full-time intermittent position, and one (1.0) existing full-time temporary position to permanent to strengthen its internal operations core and improve support, oversight, and reporting of the Accounting Services Section, Human Resources Division, and Legal Division.

Background. The CPUC implements its mandated regulatory responsibilities and funds its operations by collecting user fees and surcharges from various carriers and providers. The CPUC also imposes fines and penalties (which are paid to the General Fund) for violations of Public Utilities Code and other applicable laws and regulations. In addition, the CPUC manages many utility related projects mandated by the CPUC to improve and deliver safe, affordable, and efficient utility services to Californians through reimbursable contracts and, in turn, the CPUC receives reimbursements from these providers. All of this required careful financial management and controls.

The Director of the HR Division, which is currently an administratively-created position, is responsible for all policy development, administration, and maintenance and overall HR operations of the CPUC’s workforce. The HR Division plans, directs, and organizes all issues related to employee salaries and benefits, job classifications, exams, recruitment, classification and hiring, and position control, as well as performance management, health and safety, learning and development, diversity and equity initiatives in the employee life cycle, and labor relations.

Prior to February 2020, the CPUC had one attorney dedicated to employment issues. That attorney often worked 50 hours per week advising managers on numerous personnel issues, as well as the Equal Employment Opportunity (EEO) Office and the Department of Fair Employment Housing (FEHA) on discrimination, harassment, and retaliation complaints; monitoring employment related investigations; advising the CPUC HR Division on medical and reasonable accommodations issues; providing in-person training to CPUC managers; and overseeing the work performed by outside counsel on state and federal court litigation. An additional attorney position was created administratively in 2020 to address workload issues.

The CPUC engages in significant public service contracting, awarding millions of dollars each year to outside consultants. Every valid public contract is required to follow state contracting rules, including the Public Contract Code, State Contracting Manual, and State Administrative Manual (SAM), as well as the CPUC’s own internal policies and procedures. A 2016 state audit recommended the CPUC change the way it oversees its public contracting practices to ensure it receives the best value for its services contracts. It specifically found “that the CPUC often does not follow state requirements or best practices when it issues and oversees its own contracts for services” and fails to ensure that it obtains the best value in cases where competitive bidding is not required. As a result, the CPUC administratively established an attorney position to handle increased contracting workloads.

Staff Comments. Given the increase in workload at the PUC in recent years, driven by legislation, market conditions, wildfires, and other external factors, additional resources are generally reasonable. PUC has already administratively created most of the resources requested here. While keeping those positions within the Commission’s budgetary “blanket” is an option, it creates issues around oversight and administrative / overhead costs. As such, some level of permanent resources is reasonable. This request is an opportunity for the Legislature to assess the Commission’s overall administrative organization and the appropriate level of permanent resources needed to support that organization.

Staff Recommendation: Hold Open.

Issue 10: Transportation Licensing and Enforcement Branch

Governor’s Budget. The budget includes \$2,264,000 from the Public Utilities Commission Transportation Reimbursement Account (Fund 0461) including \$1,482,000 for fiscal year 2022-23 and \$1,473,000 ongoing for eight (8.0) new permanent full-time positions, and position authority and funding to convert one(1.0) existing full-time blanket position to a permanent position; \$673,000 one-time funding for contracts and equipment; and \$109,000 for fiscal year 2022-23 and ongoing for subscription licensing costs for the Consumer Protection and Enforcement Division transportation branch.

Background. The CPUC has regulatory authority over passenger transportation safety, including licensing, rate regulation, enforcement, and rulemaking authority over passenger carriers that provide prearranged transportation. Public Utilities (Pub. Util.) Code §5352 directs the CPUC to fulfill a variety of responsibilities, including, among other things, timely enforcement against illegal carriers, education and outreach to local law enforcement agencies and stakeholders, timely processing of permit applications, electronic filing of permit documents, and dedicated staff to answer the carrier assistance hotline.

The Transportation Enforcement Branch (TEB) achieves its primary mission of transportation public and passenger safety primarily through its safety assurance functions. Safety assurance includes investigating complaints, performing field checks for compliance, conducting joint inspections with law enforcement partners (e.g., local law enforcement, airport ground transportation enforcement, the California Highway Patrol, and District Attorney offices), taking enforcement action, and ensuring corrective actions for documented compliance and safety issues.

The Transportation Licensing and Analysis Branch (TLAB) performs transportation carrier licensing and analysis functions. The TLAB Analysis section provides technical and advisory support to Commissioners, Administrative Law Judges, and all levels of agency management on transportation matters. The TLAB Licensing section analyzes carrier applications, manages changes to carrier operations, communicates with carriers, and issues authorities, certificates, and permits to carriers that meet state requirements.

Staff Comments. Beginning in March 2020, passenger demand reportedly dropped by more than 90 percent across the entire passenger carrier industry. In addition, California experienced an unprecedented 20 percent decline in legally permitted carriers, as many carriers suspended operations or left the industry completely. As COVID restrictions continue to change across the state, Commission staff has observed increasing passenger demand and expects the demand to continue at an increasing pace. Along with this trend, staff and law enforcement partners are already seeing, statewide, an increasing number of illegal operations, more carriers re-entering the industry, and new carriers applying for operating permits for the first time.

Transportation Network Companies (such as Uber and Lyft) and autonomous vehicle (AVs) companies continue to evolve their products, business models, technologies, and policies. They

have significantly more capacity than the CPUC or other public agencies to conduct analysis and effectively use data to illustrate their positions both in meetings and in formal comments submitted in the course of CPUC rulemakings.

Both of these trends suggest that additional staff at the PUC is reasonable. The Administration included a version of this request in the 2020-21 budget, which was withdrawn due to the evolving covid-19 pandemic. That original request was for 14 perm positions. This request reduces that by five positions but includes additional contracts, equipment, and license costs due to increased technical workload.

Staff Recommendation: Hold Open.

Issue 11: Utility Audit Requirements

Governor’s Budget. The budget includes trailer bill language making changes to the PUC’s audit requirements for regulated utilities, and changes to the approach those audits must follow.

Background. The Utility Audits Branch (UAB) performs a variety of external audits and attestation engagements of energy, telecommunication, and water and sewer utility companies under the general authority outlined in the Public Utilities (PU) Code Sections 314, 314.5, and 314.6. The UAB performs most of its audit services for purposes of assisting the CPUC in safeguarding various ratepayer funded programs and protecting ratepayer’s interests. The UAB performs most of its audits and attestation engagements in accordance with generally accepted government auditing standards (GAGAS) which requires that the Branch plans and performs the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for any findings and conclusions based on audit objectives.

The Branch performs a variety of audits across a number of regulated entities. These include:

- Energy Procurement Quarterly Compliance reports, related to energy procurements by investor-owned utilities.
- Balancing Account audits to ensure revenue collection from utility ratepayers is appropriate and consistent with PUC direction.
- Energy Efficiency program audits.
- Audits of water, sewer, and communication utilities.
- Audits of utility service providers to ensure that the utilities are conforming with diversity requirements per Utility Supplier Diversity Program General Order (GO) 156.

Staff Comments. Under current law, CPUC is required to audit utilities for regulatory purposes within certain schedules, depending on utility type, and number of households served. Current law also puts certain requirements on audits of balancing accounts and allows CPUC to prioritize audits based on certain criteria. CPUC has indicated that the current static time period within which CPUC needs to conduct financial audits of all the stationary utilities is infeasible, would require a massive increase in auditing staff and resources, and does not conform with modern financial auditing practices which is to conduct these types of audits based on a risk-focused approach of the regulated entities. In this case, the stationary utilities.

The proposed trailer bill language streamlines or eliminates much of these requirements in favor of “risk-based” approaches that can be applied beyond the current criteria. While some streamlining is likely desirable, the Legislature may want to consider how far that streamlining should go, and how the CPUC’s audit functions fit into the broader regulatory role the Commission plays.

Staff Recommendation: Hold Open.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 2

Agenda

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Wednesday, March 2, 2022
9:00 a.m.
State Capitol - Room 4203

Consultant: James Hacker

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Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

ITEMS FOR DISCUSSION

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

Issue 1: Update on Net Energy Metering 3.0

Background. Customers who install behind-the-meter (BTM) small solar, wind, biogas, and fuel cell generation facilities to serve all or a portion of onsite electricity needs are eligible to participate in net-energy metering (NEM) tariff programs offered within electric investor-owned utility (IOUs) territories. Customers participating in a NEM tariff programs allows them to generate their own power to serve their needs directly onsite and to receive a financial credit on their electric bills for any power fed back until the electric utility system. NEM tariff programs also provide other types of financial compensation such as exemptions from certain fees and surcharges.

The current NEM program (NEM 2.0), was adopted by the CPUC in Decision (D.)16-01-044 on January 28, 2016, and is available to customers receiving electric service in PG&E, SCE and SDG&E territories. The program went into effect in SDG&E's service territory on June 29, 2016, in PG&E's service territory on December 15, 2016, and in SCE's service territory on July 1, 2017. Currently, the program provides customer-generators full retail rate credits for power exported to the grid and requires them to pay a few charges that align NEM customer costs more closely with non-NEM customer costs. Any customer-generator applying for NEM pay a one-time interconnection fee, pay non-bypassable charges on power provided through the electric utility system, and they must take service on a time-of-use (TOU) electric rate.

The LAO notes that the vast majority of BTM solar customers are enrolled in NEM. Some version of NEM has been in place since 1996, but has been modified several times since then. Under NEM, the utility effectively pays solar customers (through a bill credit) for the power they generate and exported back to the grid. Under NEM 2.0, the customer receives the full retail rate for exported power, which includes costs associated with electric generation, transmission, and distribution. For example, if a customer consumes 100 kwh of electricity from the electric utility system, but exports 70 kilowatt hours of power from their solar system back to through the electric utility system, then the customer would pay the retail rate for 30 kwh of electricity. Under NEM 2.0, much of the basic structure described above remains in place. Some of the key changes included charging new NEM customers a one-time interconnection fee and a requirement that new NEM 2.0 residential customers take service on a TOU electric rate. TOU is a rate plan in which rates vary according to the time of day and season. Higher rates are charged during typical high demand hours and lower rates are charged during low demand hours.

Recent Actions.

The Commission committed in Decision (D.) 16-01-044 to later review the NEM successor (or NEM 2.0) tariff, citing interactive and unresolved policy movements within the Commission but outside the scope of the existing proceeding. Accordingly, the Commission adopted an Order Instituting Rulemaking on August 27, 2020, to revisit the existing NEM tariff.

The major focus of this proceeding has been on the development of a successor to the existing NEM 2.0 tariff pursuant to the requirements of AB 327 (Perea), Chapter 611, Statutes of 2013. The proceeding's scope also includes the review and potential modification of all NEM tariff schedules, and issues related to consumer protection.

The Commission issued a Proposed Decision on December 13, 2021, recommending the creation of a net-billing tariff that would succeed the existing tariff. The Proposed Decision stated that NEM must be modernized to incentivize customers to install energy storage paired with BTM solar to help California meet its net-peak demand (i.e., peak demand minus large-scale wind and solar output) and ensure electric service reliability. Overall, the Proposed Decision modifies the compensation structure under the NEM tariff and includes a bill credit for Net Billing customers to ensure customers can pay for a solar plus storage energy system in 10 years or less through electric bill savings.

Next Steps. The Proposed Decision was originally scheduled to be heard on January 27, 2022 at a CPUC Voting Meeting. However, after robust public engagement, the vote on the Proposed Decision was delayed. The CPUC has yet to set a subsequent date to decide on the Proposed Decision, or to issue modifications to the Proposed Decision.

Staff Recommendation: Informational Only.

**3360 CALIFORNIA ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION**
8660 CALIFORNIA PUBLIC UTILITIES COMMISSION**Issue 2: Zero Emission Vehicle Package**

Governor’s Budget. The budget includes \$6.1 billion (\$3.5 billion General Fund, \$1.5 billion from Proposition 98, \$676 million Greenhouse Gas Reduction Fund, and \$383 million Federal Funds) over five years for additional investments in zero emission vehicles. This is on top of the 2021 Budget Act commitment of \$3.9 billion towards ZEV acceleration through 2023-24. This brings the total investment to \$10 billion over six years. These additional investments include:

- **Low-Income Zero-Emission Vehicles and Infrastructure:** \$256 million for low-income consumer purchases, and \$900 million to expand affordable and convenient ZEV infrastructure access in low-income neighborhoods. These investments will focus on planning and deploying a range of charging options to support communities, including grid-friendly high-power fast chargers and at-home charging.
- **Heavy-Duty Zero-Emission Vehicles and Supporting Infrastructure:** \$935 million to add 1,000 zero-emission short-haul (drayage) trucks and 1,700 zero-emission transit buses; \$1.5 billion Proposition 98 to support school transportation programs, including advancing electric school buses in a coordinated effort between educational, air pollution, and energy agencies; \$1.1 billion for zero-emission trucks, buses, and off-road equipment and fueling infrastructure; and \$400 million to enable port electrification.
- **Zero-Emission Mobility:** \$419 million to support sustainable community-based transportation equity projects that increase access to zero-emission mobility in low-income communities. This includes supporting clean mobility options, sustainable transportation and equity projects, and plans that have already been developed by communities that address mobility. These locally driven projects continue to be a direct response to critical mobility needs identified by community-based organizations and residents working on the front lines to lift up priority populations.
- **Emerging Opportunities:** \$200 million to invest in demonstration and pilot projects in high carbon-emitting sectors, such as maritime, aviation, rail, and other off-road applications, as well as support for vehicle grid integration at scale. These investments will help maintain California’s role as the hub of ZEV market creation and innovation, creating economic development opportunities, while accelerating zero-emission solutions in hardest-to-reach segments of the transportation system.

These investments, including those appropriated in the 2021-22 budget, are summarized below.

General Fund, Unless Noted Otherwise (In Millions)

Program	Department	2021-22 Package	Proposed 2022-23 Package				Total
		Total	2022-23	2023-24	2024-25	2025-26	
Light-Duty Vehicles							
Clean Vehicle Rebate Project	CARB	\$525	—	—	—	—	—
Clean Cars 4 All and Other Equity Projects	CARB	400	\$171 ^a	\$50	\$35	—	\$256
Transportation Equity, Mobility, and SCS Pilots	CARB, CalSTA	—	65	130	134	\$90	419
ZEV Fueling Infrastructure Grants	CEC	300	100	220	210	70	600
Equitable At-Home Charging	CEC	—	60	100	90	50	300
Transportation Package ZEV ^b	CalSTA	407	77	77	77	76	383 ^c
Heavy-Duty and Off-Road Vehicles							
Drayage Trucks & Infrastructure	CARB, CEC	\$535	—	\$200	\$170	\$105	\$475
Transit Buses and Infrastructure	CARB, CEC	290	—	200	160	100	460
School Buses and Infrastructure	CARB, CEC, CDE	450	\$1,500	—	—	—	1,500
Clean Trucks, Buses, and Off-Road Equipment	CARB, CEC	700	700 ^d	200	165	35	1,100
Ports	CARB, CEC	—	—	100	200	100	400
Near-Zero Heavy-Duty Trucks	CARB	45	—	—	—	—	—
Emerging Opportunities	CARB, CEC	—	20	50	86	44	200
Other							
ZEV Consumer Awareness	GO-Biz	\$5	—	—	—	—	—
ZEV Manufacturing Grants	CEC	250	—	—	—	—	—
Totals		\$3,907	\$2,693	\$1,327	\$1,327	\$746	\$6,093
^a Includes \$76 million Greenhouse Gas Reduction Fund.							
^b Includes federal funds.							
^c Includes \$76 million in 2026-27.							
^d Includes \$600 million Greenhouse Gas Reduction Fund.							
ZEV = zero-emission vehicle; CARB = California Air Resources Board; SCS = Sustainable Communities Strategies; CalSTA = California State Transportation Agency; CEC = California Energy Commission; CDE = California Department of Education; and GO-Biz = Governor's Office of Business and Economic Development.							

(Source: Legislative Analyst's Office)

Background. Since 2006, California has set several important goals to reduce greenhouse gas (GHG) emissions and address the threat posed by the global climate crisis and to the public health of Californians. These goals have predominantly been set via Executive Order, rather than legislation. These include:

- Reducing GHG emissions to 40 percent below 1990 levels by 2030.
- Reducing short-lived climate pollutant emissions, such as methane, to 40 to 50 percent below 2013 levels by 2030.

- Achieving a carbon-neutral economy by 2045.
- Setting specific goals to boost the supply of ZEVs and charging and fueling stations, including:
 - Putting at least 1.5 million ZEVs on the road by 2025.
 - Installing 200 hydrogen-fueling stations and 250,000 battery-electric vehicle chargers, including 10,000 direct-current or fast chargers, by 2025.
 - Putting 5 million ZEVs on the road by 2030.

Executive Order N-79-20 set additional and specific zero-emission vehicle targets, including:

- 100 percent of in-state sales of new passenger cars and trucks by 2035
- 100 percent of the state's fleet of medium- and heavy-duty vehicles in the state by 2045 where feasible and by 2035 for drayage trucks
- 100 percent of the state's fleet of off-road vehicles and equipment operations by 2035, where feasible.

The state has historically pursued these goals with a combination of regulations, grant programs for infrastructure (such as the CEC's Clean Transportation Program and CARB's Heavy Vehicle Infrastructure Program (HVIP)), by rebates for individual purchases of zero emission vehicles, such as the Clean Vehicle Rebate Program (CVRP), and CARB's Heavy Vehicle Incentive Program (HVIP). These programs have operated parallel efforts by regulated utilities and private interests to expand ZEV infrastructure, including ratepayer-funded efforts at Investor-Owned Utilities, settlement agreements (like Electrify America's investments funded by the Volkswagen emissions settlement), and private investment (like Tesla's charging network).

The 2021-22 budget included \$2.7 billion for a variety of programs related to zero emission vehicles. This was intended to be the first year of a three-year, \$3.9 billion investment. Total investments included:

- \$500 million for the Clean Trucks, Buses, and Off-Road Equipment program at the California Air Resources Board, which funds heavy-duty and off-road vehicles and equipment, such as heavy-duty trucks and cargo-handling equipment at ports. This included at least \$25 million for the Clean Off-Road Equipment program. The budget included language prohibiting the use of these funds to displace workers. This funding was intended to be spent over multiple years.
- \$150 million in 2021-22, and a total of \$400 million over three years, for the Clean Cars 4 All program, which provides financial assistance for purchases of used zero and near zero emission vehicles.
- \$525 million for the Clean Vehicle Rebate Project, which provides financial assistance for purchases of new light-duty zero-emission vehicles. This included \$10 million in rebates for e-bike purchases. This is intended to provide multiple years of funding for the CVRP.
- \$475 million in 2021-22, and a three-year total of \$1.275 billion, for targeted investments in zero-emission drayage trucks, transit buses, and school buses and related infrastructure. This included \$65 million in 2021-22 for a pilot project for expanded use of zero-emission drayage trucks at California ports.

- \$500 million for investments in zero-emission vehicle charging and fueling infrastructure, split between light duty and medium / heavy duty vehicle infrastructure.
- \$125 million in 2021-22 and \$125 million in 2022-23 for grants to companies involved in the ZEV manufacturing supply chain.
- \$407 million, from a variety of funding sources, for additional investments in zero emission transit equipment and infrastructure. This funding will be allocated through the existing Transit and Intercity Rail Capital Program.
- \$50 million for near-zero truck replacement, to provide financial incentives to replace aging medium and heavy-duty trucks with new near-zero emission trucks.

Staff Comments. The Administration has proposed a significant expansion of the state’s investments in zero-emission vehicles. Most of the proposed funding would continue and/or expand existing programs, such as heavy-duty and off-road programs, ZEV fueling infrastructure programs, and programs focused on cleaner vehicles and mobility for low-income households and disadvantaged communities (also known as transportation equity programs). The most significant new programs and programmatic changes proposed by the Governor include:

- ***School Bus Program (\$1.5 Billion Proposition 98 General Fund)***. This program would provide competitive grants to school districts to replace nonelectric school buses with electric buses and purchase related infrastructure.
- ***ZEV Fueling Infrastructure Grants (\$600 Million General Fund)***. The proposal includes a total of \$600 million over four years—with \$100 million in 2022-23—for electric vehicle (EV) charging infrastructure. Unlike last year’s ZEV package, this proposal would prioritize fast chargers.
- ***Federal Funding for ZEV Infrastructure (\$383 Million Federal Funds)***. The proposal includes federal funding available to California through the federal Infrastructure Investment and Jobs Act (IIJA) enacted in November 2021. Specifically, it includes \$383 million for five years from the National Electric Vehicle Infrastructure Formula Program, which is intended to support fueling infrastructure along designated alternative fuel corridors, such as along the Interstate Highway System.
- ***Equitable At-Home Charging (\$300 Million General Fund)***. The proposal includes a total of \$300 million over four years—with \$60 million in 2022-23—for EV charging infrastructure at multi-unit dwellings and low-income, single-family homes. The funds would be used for Level 2 charging stations and electrical panel upgrades. (Level 2 charging stations provide about 14-35 miles of driving range per hour of charging.)
- ***Potential Sustainable Communities Strategies (SCS) Pilots***. As part of the proposed funding for SCS pilots and other equity programs, CARB would consider creating a new pilot program that would incentivize transportation agencies to prioritize projects that reduce vehicle miles traveled (VMT), rather than roadway expansion projects. The proposed budget does not provide funding explicitly for this pilot project, but CARB would consider it as part of its typical Low Carbon Transportation Investment Plan process after the budget is adopted.

Over two-thirds of the proposed funding would support heavy-duty vehicle programs. (This includes the \$1.5 billion for electric school buses.) A majority of the funding in the 2021-22 ZEV package was also targeted at such programs. Under the Governor’s plan, about 62 percent of the

combined \$10 billion total from both ZEV packages would go to heavy-duty vehicle programs. Funding for light-duty vehicles would be targeted to transportation equity and mobility programs, as well as fueling infrastructure. No new funding would be allocated to the state’s main ZEV rebate program, the Clean Vehicle Rebate Project (CVRP), but \$100 million would be available to support higher CVRP rebate amounts for low- and moderate-income households.

The proposed funding would support a variety of vehicles, EV charging stations, off-road equipment, and other projects. The table below lays out the estimated outcomes from these investments. The estimated amounts are subject to uncertainty because (1) the final allocations will depend on decisions made by departments about how to allocate the funding to specific subprograms or projects and (2) actual deployment amounts could also depend on which technologies are actually purchased. For example, the number of vehicles supported through the clean truck and bus vouchers depends on which technologies businesses and governments ultimately choose to purchase with the vouchers.

Estimated Number of Vehicles, Chargers, and Projects Supported With Proposed Funding

(In Millions)

Program	Amount	Estimated Deployment
Light-Duty		
ZEV Fueling Infrastructure	\$600	5,000 DC fast chargers
Transportation Equity, Mobility, and SCS Pilots	419	100 projects ^a
Equitable At-Home Charging	300	28,000 Level 2 MUD chargers; 50,000 home chargers
Vehicle Rebates for Low-Income Consumers	100	20,400 vehicles
Financing Assistance for Low-Income Consumers	80	12,300 vehicles
Clean Cars 4 All	76	6,600 vehicles
Heavy-Duty and Off-Road		
Clean Trucks, Buses, and Off-Road Equipment	\$600	4,100 vehicles and equipment
Transit Buses and Infrastructure	320	1,600 buses
Ports	250	860 pieces of off-road equipment
Drayage Trucks and Infrastructure	225	1,000 trucks
Emerging Opportunities	100	10 projects ^a
^a Each project may fund multiple vehicles and equipment.		
Source: California Air Resources Board and Energy Commission.		
SCS = Sustainable Communities Strategies; ZEV = zero-emission vehicle; and MUD = multi-unit dwellings.		

Source: Legislative Analyst’s Office

Additionally, the federal Infrastructure Investment and Jobs Act (IIJA) contains significant new funding for zero emission vehicle charging and fueling infrastructure. Funding for one of the programs—\$383 million to Caltrans through the National Electric Vehicle Infrastructure Formula Program—is already part of the Governor’s proposed budget. According to recently released federal guidance, the state must submit a plan to the federal government describing how funding will be used. The other two charging and fueling infrastructure grant programs are competitive programs and detailed federal guidance is not yet available. For all programs, the federal government will only pay for a portion of the costs, with the remainder coming from other private or public sources. Additional state funding for charging infrastructure, above and beyond what was approved in 2021-22, would increase the state’s chances of effectively competing for this funding.

Lastly, the Department of Finance estimates that \$260 million of the proposed 2022-23 spending in the Governor’s ZEV package is for activities that are excludable from the State Appropriations Limit. If the Legislature were to approve a lower amount of spending on the proposed 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.

LAO Comments.

Mobile Source Emission Programs Aim to Achieve Different Policy Goals... The state has a wide variety of mobile source incentive programs. These programs aim to achieve one or more different policy goals, including: (1) near-term GHG reductions; (2) near-term air pollution reductions; (3) advancements in zero-emission technologies, which could have longer-term GHG and air quality benefits; and/or (4) ensuring program benefits are distributed equitably across different areas and populations, often with a focus on reducing pollution in areas that are disproportionately low-income and/or have poor air quality. All four of these are reasonable policy goals. However, in many cases, the Legislature will have to balance the trade-offs between these goals when determining how to prioritize funding across different programs. In addition, some programs might have other policy goals, such as increasing mobility.

...And Degree of Effectiveness Varies Between Programs. As shown below, the degree to which mobile source incentive programs achieve each policy goal varies by program. For example, some programs are more cost-effective at reducing GHGs, while other programs are more cost-effective at reducing air pollution. Furthermore, some programs do more to promote zero-emission technological advancements that can help meet long-term emissions goals, while others do more to target funding in ways that benefit low-income and disadvantaged communities.

Mobile Source Program Effectiveness Varies Between Program and Policy Goal

Program	GHG Cost-Effectiveness (\$/Ton) ^a	Air Pollution Cost-Effectiveness (\$/Weighted Ton) ^a	Technology Advancement ^b	Benefiting Priority Populations ^c
Transportation Equity				
Low-Income Financing Assistance	\$830	\$538,000	Low-Medium	84%
Clean Cars 4 All	920	438,000	Low-Medium	97
Clean Mobility in Schools	2,450	235,000	Low-Medium	100
Clean Mobility Options	11,400	4,122,000	Low-Medium	100
Sustainable Transportation Equity Project	5,050	4,845,000	Low-Medium	100
Heavy-Duty and Off-Road ZEVs				
Clean Truck and Bus Vouchers (HVIP)	\$350	\$96,200	Medium	63%
Off-road Equipment Vouchers (CORE)	1,710	481,000	Medium	73
Demo/Pilots	18,800	110,000	Medium-High	100
Heavy-Duty Retirement and Replacement				
FARMER	\$1,679	\$8,979	Low	70%
Carl Moyer	1,670 ^d	11,700	Low	N/A
AB 617 Incentives	1,661	12,486	Low-Medium	94
^a CARB estimate.				
^b LAO estimate.				
^c Administration's estimate.				
^d LAO estimate based on average of FARMER and AB 617 incentives.				
GHG = greenhouse gas; ZEV = zero-emission vehicle; HVIP = Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project; CORE = Clean Off-Road Equipment; FARMER = Funding Agricultural Replacement Measures for Emission Reductions; N/A= not available; CARB = California Air Resources Board; and AB 617 = Chapter 136 of 2017 (AB 617, C. Garcia).				

Mobile Source Emission Reduction Programs Are Relatively Costly Approaches to Near-Term GHG Emission Reductions. Of the programs listed earlier in Figure 6, the most cost-effective program for reducing near-term GHGs is the Clean Truck and Bus Voucher Program with estimated costs of \$350 per ton. The other incentive programs have costs close to or exceeding \$1,000 per ton. By comparison, other state programs are likely more cost-effective. For example, current cap-and-trade allowance prices are about \$30 per ton and Low Carbon Fuel Standard credits are about \$150 per ton. (In our view, these allowance and credit prices are a reasonable proxy for the marginal costs of near-term GHG emission reductions from these programs.) Also, according to the administration's estimates, other GGRF funded incentive programs, such as methane reduction programs, cost less than \$100 per ton.

Heavy-Duty Retirement and Replacement Programs Are Relatively Cost-Effective Approach for Air Pollution Reductions. The most cost-effective programs for reducing near-term local criteria pollutants appear to be the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program, the Carl Moyer Program, and AB 617 incentives (also known as Community Air Protection incentives). Estimated costs to reduce a weighted ton of criteria pollution ranges from \$8,979 to \$12,486 per ton in these programs, compared to costs ranging from the hundreds

of thousands of dollars to millions of dollars per ton for most other programs. These programs largely provide funding to retire older, high-polluting engines and replace them with cleaner fossil fuel engines (such as natural gas), rather than focusing on zero-emission technologies such as battery electric and fuel cells. Each of these programs would receive funding under the Governor's budget, but they would not receive additional funding as part of the proposed ZEV package.

The cost-effectiveness estimates for GHGs and air pollution reductions illustrate some of the important trade-offs the Legislature faces when determining its budget priorities for programs intended to reduce emissions. Of the programs analyzed in this report, the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) would achieve the greatest GHG reductions, but the heavy-duty retirement and replacement programs would achieve the greatest air pollution reductions. Notably, in the near term, none of the programs would cost-effectively reduce both GHGs *and* air pollution.

Programs Promoting Technological Advances Could Help Achieve Long-Term Emission Reductions. Some programs aim to help advance ZEV technologies, which could help achieve long-run GHG and air pollution reduction goals. Also, in our view, policies that attempt to promote research, development, and demonstration of new technologies is a reasonable role for government. This is because, without such support, the private sector would tend to underinvest in these activities and cleaner technologies might not reach the commercial market in a timely manner (or at all).

Unfortunately, it is difficult to assess these technology benefits quantitatively. In general, heavy-duty and off-road technologies are farther behind in technological and market development than light-duty ZEVs, so there is greater potential for technological advancement. In our view, pilot and demonstration projects generally have the most potential technological benefits because they are supporting early-stage technologies and projects that very likely would not otherwise be funded by the private sector.

Role of Transportation Equity Programs in Achieving Policy Goals Is Unclear. Compared to other mobile source programs, it is unclear whether the transportation equity programs achieve any of the Legislature's policy goals effectively. First, transportation equity programs appear to be a relatively costly way to reduce both local pollution and GHGs. Second, most of these programs focus on light-duty vehicle and mobility programs which, in our view, only have modest potential to drive technological advancements—likely less than some of the heavy-duty ZEV programs. Finally, although the vast majority of funding from these programs goes to projects that benefit low-income and disadvantaged communities, the percentage is not significantly more than some of the other programs. For example, the AB 617 incentive program allocates 94 percent of funds to projects that benefit priority populations and achieves criteria pollutant reductions much more cost-effectively than the transportation equity programs.

LAO Recommendations:

Consider Whether Different Mix of Spending Better Achieves Legislative Priorities. Ultimately, budget allocations for mobile source programs will depend on how the Legislature prioritizes different policy goals. In determining its priorities, we recommend the Legislature consider such factors as:

- ***Near-Term GHG Reductions.*** To the extent near-term GHG reductions are a priority, HVIP is one of the most cost-effective mobile source incentive programs. However, overall, the GHG reduction costs for mobile source incentive programs are relatively high, and the Legislature might want to consider relying on other programs for the most cost-effective GHG reductions, including regulatory programs (such as cap-and-trade) or other spending programs that have lower costs (such as methane reduction programs).
- ***Near-Term Local Air Pollution Reductions.*** To the extent total near-term reductions in local air pollution are a priority, then heavy-duty retirement and replacement programs such as Carl Moyer and FARMER are most cost-effective.
- ***Technology Advancement.*** To the extent *long-term* GHG and air pollution reductions are a priority, then the Legislature could target funding to programs that focus on advancing ZEV technologies in their early stages of market development. For example, it could prioritize funding for heavy-duty pilots and demonstration projects and vouchers for heavy-duty vehicles and off-road equipment.
- ***Air Quality Benefits in Disadvantaged Communities.*** If a priority is ensuring air quality improvements mostly accrue to disadvantaged and low-income communities, then the Legislature could target funds to programs that reduce criteria pollutants cost-effectively *and* where the vast majority of the spending benefits low-income and disadvantaged communities, such as the AB 617 incentive program.

Direct Administration to Provide More Detail on New Programs. We recommend the Legislature direct the administration to report at budget hearings on the details of the new programs that are being proposed, including the Equitable At-Home Charging program and potential SCS pilots. For example, how will the Equitable At-Home Charging program target renters? How will the potential SCS pilots be different from other programs aimed at reducing VMT? Additional detail could help the Legislature better evaluate the merits of the proposed programs.

Consider Delaying Funding for Infrastructure Until Administration Develops Plan to Best Leverage Federal Funds. We recommend the Legislature direct the administration to report this spring on its plan for ensuring state funding for EV charging infrastructure will complement new federal funding. This includes a description of how, if at all, state funding can be used to leverage federal funding for EV charging infrastructure or fill in the major gaps in federal funding. So far, there is limited detail available from the federal government about how some of the new programs will be implemented. If there is still insufficient detail at the time the Legislature needs to adopt a budget to meet its constitutional requirement to pass a budget, the Legislature could delay additional state funding for light-duty ZEV infrastructure until more details are available and the administration develops a clear strategy.

Direct Administration to Report on Program Evaluation Strategies. To ensure the Legislature has good information about the net effects of its mobile source programs, we recommend the Legislature direct the administration to report at budget hearings about current efforts to improve its program evaluation efforts. This report should include an update on efforts to more accurately assess the effects of individual programs in light of the interactions and overlap between regulatory and incentive programs. To the extent the Legislature authorizes funding to create new programs or expand existing programs, we recommend requiring the administration to develop a plan for program evaluation prior to implementing the program and awarding the funds. We recognize that

this would likely delay project implementation slightly but would greatly improve the quality of information available to the Legislature in future years to help inform future budget and policy decisions.

Consider Trade-Offs of Multiyear Funding Commitments. We recommend the Legislature consider the trade-offs associated with over \$3 billion in multiyear General Fund commitments proposed by the Governor. On the one hand, these commitments can provide market certainty and make it easier for departments to design and administer programs. On the other hand, they have the potential to reduce future legislative oversight and create General Fund pressures in future years. It is also worth noting that the 2021-22 budget package already included 2023-24 funding commitments for many of these same ZEV-related programs. To the extent the Legislature provides additional multiyear funding, we recommend it prioritize out-year funding for programs that can help provide market signals to businesses making long-term investment decisions, such as heavy-duty and off-road voucher incentives.

Staff Recommendation: Hold Open

0540 CALIFORNIA NATURAL RESOURCES AGENCY
0650 GOVERNOR’S OFFICE OF PLANNING AND RESEARCH
3360 CALIFORNIA ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION
3560 STATE LANDS COMMISSION
3860 DEPARTMENT OF WATER RESOURCES
3900 CALIFORNIA AIR RESOURCES BOARD
8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

Issue 3: Clean Energy Investments

Governor’s Budget. The budget includes more than \$2 billion (\$2.035 billion General Fund over two years, \$1.5 million Energy Resources Programs Account in 2022-23, \$2.6 million Public Utilities Commission Utilities Reimbursement Account ongoing) for a Clean Energy Investment Plan that will spur additional innovation and deployment of clean energy technologies in the energy system. This includes:

- **Long Duration Storage:** \$380 million General Fund over two years to invest in long duration storage projects throughout the state to support grid reliability. This investment will help with resilience in the face of emergencies, including wildfires, and provide a decarbonized complement to intermittent renewables, which will provide the state with additional energy storage options during periods of low renewable power availability.
- **Green Hydrogen:** \$100 million General Fund in 2022-23 to advance the use and production of green hydrogen, in which electricity is used to split water into oxygen and hydrogen. Green hydrogen is critical to the decarbonization of California’s economy and achieving carbon neutrality.
- **Industrial Decarbonization:** \$210 million General Fund over two years to accelerate industrial sector decarbonization. There are over 40,000 industrial facilities in California, employing over 1.2 million people. This funding will provide a grant program for the purchase and deployment of commercially available advanced technologies and equipment to decarbonize this sector while focusing on reducing criteria pollutants in disadvantaged communities.
- **Food Production Investment:** \$85 million General Fund in 2022-23 to accelerate the adoption of energy technologies at California food production facilities. Grants will be provided to California food producers to install energy efficiency and renewable energy technologies that will reduce operating costs, as well as climate emissions.
- **Offshore Wind Infrastructure:** \$45 million General Fund in 2022-23 to create the Offshore Wind Energy Deployment Facility Improvement Program, which will invest in activities to advance the capabilities of deploying offshore wind energy in federal waters off California in the areas of facility planning and development.
- **Oroville Pump Storage:** \$240 million General Fund over two years to build a temperature management project to address temperature issues at the Oroville Dam that will allow a pump-storage project to operate at greater capacity for the benefit of the statewide electrical grid.

- **Energy Modeling to Support California’s Energy Transition:** \$7 million General Fund in 2022-23 to support improvements to energy modeling activities, such as electricity system models to determine what types of electricity generation resources need to be built to meet state clean energy goals while maintaining reliability. Updating these models to reflect climate change impacts will improve state energy planning and policy development.
- **Equitable Building Decarbonization:** Older buildings with minimal insulation, air gaps, and non-existent or low-performing space heating and cooling are not equipped to adequately withstand extreme heat and protect occupants. The Budget includes \$962.4 million General Fund over two years for critical investments, including:
 - \$622.4 million General Fund over two years for a statewide low-income direct-install building retrofit program, including funding for replacement of fossil fuel appliances with electric appliances, energy-efficient lighting, and building insulation and sealing.
 - \$300 million General Fund over two years for consumer rebates for building upgrades, such as replacement of fossil fuel equipment with electric appliances.
 - \$40 million General Fund over two years to accelerate the adoption of ultra-low-global warming potential refrigerants.

These investments are summarized below:

Energy Package

(Dollars in Millions)

Department	Program	Fiscal Year 2022-23	Fiscal Year 2023-24	Two-Year Total
California Energy Commission	Incentives for Long Duration Storage Projects	\$140	\$240	\$380
	Green Hydrogen Grants for Green Electrolytic Hydrogen	\$100		\$100
	Industrial Decarbonization	\$110	\$100	\$210
	Food Production Investment Program	\$85		\$85
	Equitable Building Decarbonization	\$322.6	\$599.8	\$922.4
	Offshore Wind Infrastructure	\$45		\$45
	Energy Modeling to Support California's Energy Transition	\$7		\$7
Air Resources Board	Equitable Building Decarbonization - Accelerating Adoption of Ultra-Low Global Warming Potential Refrigerants	\$20	\$20	\$40
Department of Water Resources	Oroville Pump Storage	\$100	\$140	\$240
Various	Resources to Support Offshore Wind Generation and Energy Reliability	\$8.2	\$1.5	\$9.7
Total		\$937.8	\$1,101.3	\$2,039.1

Background. Chapter 488 of 2006 (AB 32, Núñez/Pavley) established the goal of limiting GHG emissions statewide to 1990 levels by 2020. In 2016, Chapter 249 (SB 32, Pavley) extended the limit to 40 percent below 1990 levels by 2030. Emissions have decreased since AB 32 was enacted and were below the 2020 target in 2019. However, the rate of reductions needed to reach the SB 32 target are much greater than the state has achieved to date.

The administration has also established long-term GHG goals. On September 10, 2018 Governor Brown issued Executive Order B-55-18 which established a statewide goal of achieving carbon neutrality by 2045—meaning annual GHG emissions are equal to or less than carbon dioxide sequestered or stored. Reducing net GHG emissions to near (or below) zero is also known as deep decarbonization. Notably, the Legislature has not adopted long-term statewide deep decarbonization goals in law. However, as discussed below, the Legislature has established specific long-term decarbonization goals in certain sectors, such as the electricity sector.

Over the last decade, the electricity sector has been the primary driver of statewide GHG emission reductions. Reductions from the electricity sector mostly reflect a changing mix of resources used to generate electricity—primarily large increases in renewables (solar and wind) along with a decline in coal generation. A wide variety of factors have contributed to this shift, including

technological advancements, changing economic conditions, federal policies, and state policies. Notably, emissions from other sectors—including residential and commercial buildings, industrial facilities, and high global warming potential products (such as refrigerants)—have remained relatively steady or increased over the last several years.

Chapter 312 of 2018 (SB 100, de León) established a state policy of providing 100 percent of retail electricity with zero-carbon resources by 2045. 59 percent of retail electricity sales came from zero-carbon resources in 2020, including 36 percent from resources that qualify as renewable under the state’s Renewable Portfolio Standards, such as onshore wind and solar photovoltaic.

California commercial and residential buildings generated nearly 100 million tons of emissions in 2018—or nearly one-quarter of annual statewide emissions. The three main categories of GHG emissions from buildings are:

- **Combustion.** Emissions from burning fossil fuels on site—primarily natural gas—largely related to space heating and water heating.
- **Refrigerants.** Leakage of certain types of refrigerants, such as hydrofluorocarbons, found in supermarket refrigeration and air conditioning units.
- **Electricity Generation.** Indirect emissions from the electricity system that generates the electricity for buildings.

Historically, state efforts to reduce emissions from buildings has focused on improving the energy efficiency of buildings and appliances. For example, the California Energy Commission (CEC) develops energy efficiency building codes and standards for new buildings. Additionally, utilities operate programs using ratepayer funds—totaling at least several hundred million dollars annually—that aim to promote energy efficient appliances and buildings. The California Department of Community Services and Development (CSD) administers a wide variety of other programs that provide energy efficiency upgrades for low-income households, including the state Low-Income Weatherization Program and the federal Weatherization Assistance Program. Finally, we note that the state supports energy efficiency activities at state buildings, schools, and universities.

In recent years, state efforts have increasingly focused on electrification as a key strategy for reducing emissions from buildings. This strategy aims to promote the use of electric appliances—such as heat pumps—instead of natural gas furnaces and water heaters. For example, Chapter 378 of 2018 (SB 1477, Stern) authorized the California Public Utilities Commission (CPUC) to develop the Building Initiative for Low-Emissions Development (BUILD) Program to encourage the installation of electric appliances in new, low-income residential housing in investor-owned utility (IOU) territories. CPUC designated CEC as the program administrator. Senate Bill 1477 directed CPUC to support BUILD with \$80 million from revenue collected from cap-and-trade allowances that are given to IOUs and then subsequently sold at auctions. (We describe the state’s overall cap-and-trade program in more detail later in this section.) In addition, a variety of other program, planning, and regulatory efforts have begun to focus on electrification as a key strategy for long-term building decarbonization.

The 2021-22 budget included \$172 million for various energy-related activities, including programs intended to promote building electrification, planning and permitting renewable energy projects, and activities intended to promote electric reliability. This included \$75 million General

Fund to CEC to expand the BUILD program to new market rate residential buildings in all areas of the state, including publicly owned utility territories.

The state administers relatively few GHG emissions reduction programs for industrial sources. The main emission reduction program for industrial sources is the cap-and-trade program, which covers about 75 percent of statewide GHG emissions, including transportation, natural gas, electricity production, and industrial sources. Under this program, a limited number of permits to emit GHGs are issued, and “covered entities” can buy and sell allowances. The program relies on market incentives—reflected through permit prices—and flexibility to encourage the lowest-cost emission reduction activities.

Staff Comments. The Governor’s proposal includes the following components:

Long-Duration Storage Projects. The proposed budget includes a total of \$380 million General Fund (\$140 million in 2022-23 and \$240 million in 2023-24) for demonstrations and early-stage deployment of long-duration storage technologies—defined as technologies that can store energy for eight hours or more—that are on the verge of commercialization. According to the administration, the goal of the program is to help support the advancement of promising technologies from the demonstration phases to commercial deployment in the next five to ten years. Examples of technologies that might receive funding include flow batteries (batteries that use a different chemical process than traditional batteries), thermal storage, and compressed air technologies. (Pumped hydroelectric storage and lithium-ion batteries would not be eligible technologies because they are not considered emerging technologies.)

The proposed program would be implemented in two phases. The first phase would include 12 to 16 demonstration projects ranging from three megawatts (MW) to five MW of capacity. The second phase would include fewer projects—roughly seven to ten—but most projects would range from five MW to ten MW. Some projects will also focus on much longer durations in the range of 20 to 100 hours. For context, a recent analysis from the state’s energy agencies found that there is a need for a minimum of about 1,000 MW of long-duration storage by 2030 and 4,000 MW by 2045 to meet the state’s SB 100 goals of 100 percent zero-carbon electricity.

Green Hydrogen Projects. The proposed budget includes \$100 million General Fund in 2022-23 to advance green hydrogen technology and explore different end uses. Green hydrogen is produced by splitting water into hydrogen and oxygen using renewable electricity. The administration estimates that the funding would support 10 to 15 commercial demonstration projects. About two-thirds of the funding would focus on lowering the cost of electrolyzers used to produce green hydrogen. Other eligible projects include those that demonstrate the use of green hydrogen for industrial activities, power plants, and energy storage. The administration has proposed trailer bill language that limits eligible projects to those that produce electrolytic hydrogen for delivery or use in California, and emits zero or de minimis amounts of greenhouse gases on a lifecycle basis. The legislature may want to consider the extent to which that definition captures the types of projects the legislature would like to fund. Additionally, there is potentially significant federal funding available for green hydrogen “hubs.” This funding represents a potentially strategic investment that could make the state more competitive for those federal grant funds.

Industrial Decarbonization. The Governor proposes a total of \$210 million General Fund (\$110 million in 2022-23 and \$100 million in 2023-24) to deploy advanced technologies or develop novel strategies to reduce emissions at industrial facilities. According to the administration, eligible projects could include electrification of heating processes that now use natural gas, energy efficiency projects, and deploying carbon capture for use in products (such as concrete). Carbon capture projects with geologic storage and petroleum and gas production facilities would be ineligible.

Food Production Investment Program. The Governor's proposal includes \$85 million for the CEC's Food Production Investment Program (FPIP). FPIP provides grants to California food producers to install energy efficiency and renewable energy technologies in food processing plants that will reduce operating costs and GHG emissions. There are a total 7,262 food and beverage processing facilities in California emitting about 3.2 million MT CO₂e annually. FPIP has administered a total of \$116 million in funding since its creation, with no additional funds allocated since 2018. FPIP has funded 50 grant awards at 66 project sites. Fifty-six of these sites are in and benefitting disadvantaged or low-income communities. Approximately half of these project sites are in the San Joaquin Valley. The investment made previously in FPIP are estimated to lead to a reduction of 164,000 MT CO₂e per year. This translates to a lifetime reduction of 3.3 million MT CO₂e per year and a cost per metric ton of \$35 a ton assuming a conservative 20-year project lifetime.

Equitable Building Decarbonization. The Governor's budget provides a total of \$922.4 million General Fund over two years (\$323 million in 2022-23 and \$600 million in 2023-24) to CEC for two new residential building decarbonization programs. These two programs include (1) \$622.4 million for a program to directly install energy efficient and electric appliances in low- and moderate-income households and (2) \$300 million for a statewide rebate program for electric appliances that replace natural gas appliances.

Under the direct install program, contractors would undertake a variety of energy efficiency and building electrification changes (such as heat pumps or electrical panel and wiring upgrades) at no cost for eligible households. Eligible households would include households in disadvantaged communities (as measured in CalEnviroScreen), at or below 80 percent of statewide median income, or with income limits of moderate or below as identified by the California Housing and Community Development. CEC estimates that the program could reach 13,000 to 274,000 existing buildings at an estimated cost ranging from \$2,000 to \$40,000 per building. The statewide rebate program would provide incentives to purchase electric appliances, such as heat pump space and water heaters. Based on estimated costs of \$1,000 to \$8,000 per building, about 40,000 to 313,000 buildings would receive rebates under this program.

Low Global Warming Potential Refrigerants. The proposal includes \$40 million to expand the existing program to accelerate the deployment of next generation ultra-low GWP refrigerants in existing building equipment. Most refrigeration and air conditioning systems deployed in California utilize high GWP refrigerants that are so potent that their leakage and disposal make up roughly 3-4 percent of the state's GHG inventory. This program received \$1 million in the 2019-20 budget, which allowed ARB to support 15 projects to reduce high-GWP refrigerant usage in

grocery stores. The Administration has indicated that there are roughly 4,000-5,000 refrigeration systems across the state that could be eligible for funding.

Oroville Pump Storage Project. The Governor proposes a total of \$240 million General Fund (\$100 million in 2022-23 and \$140 million in 2023-24) to modify the Oroville Dam complex so it can use its existing pump back operations to provide long-duration energy storage without adverse impacts on spawning salmon in the Feather River. Funding would support the planning, design, permitting, and construction of the modifications necessary for the dam to use its existing 480 MW pumping capacity. The proposed funding would also support the construction of a flow control facility with a potential for an additional 20 MW hydroelectric generation.

Offshore Wind. The proposal includes \$45 million for a program to make investments in facility planning and development activities that will advance the capabilities of deploying offshore wind energy in federal waters off California. The program will include three categories that target different phases of preparing waterfront facilities in California to support offshore wind energy development:

1. Developing individual or regional facility retrofit concepts and investment plans.
2. Supporting final design, engineering, environmental studies and review, as well as construction of retrofits.
3. Providing cost share funding to applicants that apply for and receive a federal award that includes activities consistent with those identified above. This would apply to funding for both the development of concepts and plans as well as actual project development.

The Administration has indicated that the intent is to provide roughly \$5 million for the development of concepts and plans, and \$40 million for project funding.

Other Proposals. The proposal includes \$4.1 million to implement AB 525 to develop a strategic plan for offshore wind energy development in federal waters off the coast of California. The funds would support the CEC, Ocean Protection Council, State Lands Commission, and the Governor's Office of Planning and Research.

The budget also includes \$3 million to support actions that expand energy supply and storage in California directed by studies and assessments by the CEC, CPUC, and the California Independent System Operator (CAISO). This funding would be budgeted to DWR to provide consultation for engineering support to perform comprehensive site assessments, site prioritization, site selection, and site outreach to inform decisions as to the capability and practicality of making clean power generation commercially available to mitigate energy shortages.

LAO Comments.

Package Generally Targets a Reasonable Set of Activities to Promote Deep Decarbonization. In our view, the Governor's proposed package reflects a reasonable set of activities to help the state achieve deep decarbonization. First, funding would support key areas where substantial technological progress could help lower the cost of achieving long-term GHG goals. This includes technologies that can provide zero-carbon electricity at times when renewable resources are not

sufficient to meet electricity demand (such as long-duration storage and green hydrogen) and technologies that can help reduce emissions from industrial activities (such as green hydrogen and carbon capture and storage). In general, we think there is a reasonable policy argument for government funding to promote the development of newer technologies because the private sector will likely underinvest in these activities. One-time state funding to support demonstration projects to explore different technology options as proposed by the Governor could help advance these technologies, which in turn could help the state achieve some of its long-term GHG goals at lower cost. In addition, since these technologies could also be used in jurisdictions outside of California, any advancements and cost reductions could have broader GHG benefits if these low-carbon technologies get adopted in other jurisdictions.

The other largest pieces of funding—the equitable building decarbonization programs—target one of the largest sources of statewide GHG emissions. Furthermore, these programs would focus on *existing* buildings, which represents the vast majority of building-related emissions and pose some of the most significant challenges to building decarbonization. For example, the long lifespan and slow turnover of major appliances in buildings means a transition to newer technologies in existing buildings can take decades. As a result, some near-term actions could be important for meeting long-term GHG goals.

Allocating State General Fund, Rather Than Ratepayer Funds, Has Merit. Many of state’s clean energy programs historically have been paid for by IOU ratepayers through higher electricity rates, even though some of the primary goals of these programs (such as GHG reductions) accrue to the broader public. We think there is a strong rationale for using General Fund for programs that aim to provide broad societal benefits. Additionally, the costs for clean energy programs are one factor that contributes to California’s relatively high retail electricity rates. (There are many other factors that impact electricity rates, which we do not discuss in this brief.) Electricity rates in California are more than twice as much as the estimated marginal social costs of providing electricity in California, even after accounting for environmental damages. These higher rates have a variety of adverse effects, including:

- ***High Electricity Rates Discourage Electrification.*** As discussed above, one strategy for deep decarbonization is electrification, including switching from natural gas appliances to electric appliances. Household and business decisions about appliance purchases depend, in part, on how much they would have to pay for electricity to operate the electric appliances. As a result, high electricity rates can discourage adoption of electric appliances.
- ***Electricity Rates Are a Regressive Approach to Raising Revenue.*** On average, lower-income households tend to spend a greater share of their income on electricity than higher-income households. As a result, collecting revenue through electricity rates is a relatively regressive approach to funding clean energy programs.

Balancing Long-Term Benefits Against Near-Term Priorities. Much of the proposed funding is focused on activities intended to meet long-term, deep decarbonization goals. Although the proposed programs could have merit in the long run, some of these newer technologies and projects might take at least five to ten years to be commercially available, and even longer to become cost-competitive. Some ultimately may not ever achieve commercial viability. As a result, the GHG reduction benefits are likely to be relatively modest over the next several years. The Legislature will want to balance the potential long-term benefits of the programs in the Governor’s

package with other near- and medium-term priorities. For example, some alternative spending options include:

- ***Programs Aimed at Meeting 2030 GHG Goals.*** The state’s 2030 GHG goals will be difficult to meet. The Legislature could redirect some of the proposed funding to other programs that likely do more to help meet the state’s 2030 goals, such as methane reduction programs. In determining whether to prioritize General Fund resources for these such programs, the Legislature will want to consider the availability of other fund sources such as the Greenhouse Gas Reduction Fund.
- ***Other Energy-Related Programs.*** The Legislature could prioritize funding for other energy-related issues, such as grid resilience and reliability.
- ***Other Statewide Priorities.*** There might be other near-term statewide issues outside of the energy and climate policy area that the Legislature considers a higher priority use of General Fund.

Significant Federal Funding Available for Similar Activities. The federal Infrastructure Investment and Jobs Act (IIJA) that was enacted in November 2021 includes funding for a wide range of energy-related activities. Notably, there is a significant amount of funding available for clean hydrogen hubs, carbon capture demonstration projects, industrial emissions demonstration projects, long-duration storage demonstrations, and energy efficiency activities in low-income households. In many cases, detailed federal guidance about how the funding can be used and how it will be allocated is not yet available. As a result, it is unclear how the Governor’s clean energy package strategically targets funding in a way that best complements the federal IIJA funding. For example, are there opportunities to use state funding to leverage federal funds in a way that helps further the state’s goals? Some of the major federal programs—such as funding to prevent outages and enhance grid resilience—require a state match, but the Governor’s budget does not allocate funding for the state match. Another question is: Are there key gaps in federal funding that state funding can help fill? The Legislature might want to direct the administration to develop a strategy for using state funds in a way that best complements federal funding.

Expanding Scope of Certain Programs Could Improve Outcomes. The Governor’s proposal targets certain types of technologies and sectors, while excluding others. For example, although long-duration storage and green hydrogen could be important technologies needed to meet the state’s SB 100 goals, other technologies that could potentially achieve similar goals would not receive funding under the proposal, such as geothermal energy. As another example, carbon capture projects that store carbon in products (such as cement) would be eligible for the industrial decarbonization program, but carbon capture projects with geologic storage would not. Finally, the proposal provides funding to an existing program for GHG reduction projects at food processing facilities, instead of making that funding available to a broader set of industrial facilities.

Limiting the types of eligible projects and sectors that qualify for funding creates a risk that the funds are not used to support the most promising emission-reduction projects and technologies. A more technology- and sector-neutral approach can be especially important when there is uncertainty about which technologies will prove to be most feasible and cost-effective in the long run. The Legislature could consider modifying the programs and funding in ways that make a broader range of technologies and businesses eligible for the funding, while directing the

administration to select projects based on their potential to help achieve long-term GHG reductions in a cost-effective manner. For example, the Legislature could create a program that focuses on a broad range of technologies that help the state achieve its SB 100 goals, which could include long-duration storage and hydrogen power, as well as other technologies such as geothermal. Also, it could shift funding from the Food Production Incentive Program to the broader industrial decarbonization program, plus expand eligibility to include other technologies such as carbon capture with geologic storage. This could provide greater flexibility to fund the mix of industrial decarbonization projects that have the most GHG-reduction potential.

Reporting Requirements Needed to Facilitate Legislative Oversight. The administration does not propose any formal reporting to the Legislature on program outcomes. We recommend the Legislature consider adopting requirements that the administration report annually on key program outcomes, such as estimated emission reductions, technological progress, key lessons learned, and key challenges. The Legislature could use this information when making future policy and budget decisions in this area, including whether to continue any of the proposed programs after the two-year funding expires.

Some Proposed Spending Is Excluded from State Appropriation 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—from the SAL calculation. The Department of Finance estimates that \$644.5 million of the proposed spending is for activities that are excludable from the SAL. In constructing its final clean energy package, we recommend the Legislature be mindful of SAL considerations. For example, if the Legislature were to approve a lower amount of spending on the proposed 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.

Staff Recommendation: Hold Open.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION**Issue 4: ALJ Division Management and Proceeding Support**

Governor’s Budget. The budget includes \$1,223,000 ongoing from various special funds for eight (8.0) permanent positions to address deficiencies in management resources and proceeding support for the Administrative Law Judge (ALJ) Division.

Background. The CPUC sets utility rates and services; resolves consumer complaints; and establishes policies to implement state policies, promote safety, and protect customers of investor-owned electric, gas, communications, and water utilities; and regulated transportation carriers. To do this, the CPUC’s Administrative Law Judge (ALJ) Division conducts formal proceedings, similar to a court system, and bears two basic responsibilities: (1) conduct hearings consistent with due process to develop a complete evidentiary record to support proposed decisions, and (2) administer the CPUC decision-making process, including receiving and docketing formal filings, transcribing hearings, maintaining formal files, managing the CPUC Meeting agenda, preparing and serving CPUC decisions, and generally coordinating the decision-making process so that the CPUC satisfies the Open Meeting Act and other statutory requirements. Proceedings brought before Administrative Law Judges must be completed within statutorily defined time periods.

The CPUC also has enforcement (citation and revocation) programs to quickly deter misbehavior or illegal conduct by utilities and other regulated entities to ensure the employees of utilities and the public are properly protected from the hazards of providing utility and regulated transportation services. A cited entity may appeal a citation, and such appeals must be heard by an CPUC administrative law judge (ALJ) within timeframes set by statute or the CPUC. As part of its efforts to increase enforcement activity, the CPUC passed a new enforcement policy in 2020-21, delegating additional enforcement authority to the staff level, and increasing the likelihood of additional appeals.

Staff Comments. This proposal includes the following positions:

- One (1.0) permanent full-time Assistant Chief Administrative Law Judge (ACALJ)
- One (1.0) permanent full-time Staff Services Manager (SSM) I
- One (1.0) permanent full-time SSM II Four
- (4.0) permanent full-time Associate Governmental Program Analyst (AGPA)
- One (1.0) permanent full-time Legal Secretary

Under the direction of the Chief ALJ, the Assistant Chief Administrative Law Judges (ACALJ) directly supervise ALJs, manage designated portfolios of subject areas, and oversee relevant support functions in ALJ Division. In addition to the Chief ALJ, ALJ Division management currently includes seven ACALJs. The current seven ACALJs (six permanent authorized and one limited-term) manage 46 permanent authorized ALJs, 12 limited-term ALJs, and 8 retired annuitant (RA) ALJs working on a half-time basis. In addition to ALJ supervision, ACALJs oversee proceedings in designated subject areas and one or more administrative functions through staff managers in the division.

In the last five years, ALJ Division has experienced significant turnover due to recruitment and retention issues. In 2020-21 alone, there was a 20 percent turnover in rank-and-file ALJs, requiring extensive time spent on recruitment, hiring, and training. The PUC has also indicated that turnover amongst ALJs has approached 20 percent in recent years, which has impacted the division's ability to provide manage the numerous proceedings in which it is involved or oversees.

Within the last three years, 30 ALJs have been hired, resulting in an increased need for day-to-day management and review of work product, as well as increased time spent on hiring. As vacant positions have been filled within the Division, the shortage of management and support resources has resulted in the necessity for overtime hours to manage the workload.

The Administration included a version of this proposal as part of the 2020-21 budget, but it was withdrawn due to the unfolding pandemic. This proposal is basically identical to the withdrawn 2020-21 proposal.

Staff Recommendation: Hold Open.

Issue 5: Authorization for Permanent Funding of Key Limited-Term Positions in Support of Energy Policy Statutes

Governor’s Budget. The budget includes \$4,124,000 in ongoing funding from the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) to convert 19.5 existing limited-term to permanent positions to continue implementing numerous statutes concerning microgrids, bioenergy, energy efficiency, and storage including interconnection of storage.

Background. In fiscal year 2019-20, the CPUC received authorization to hire 19.5 limited-term positions through June 30, 2022, to implement numerous statutes concerning microgrids, bioenergy, energy efficiency, and energy storage including the interconnection of storage. These statutes include:

Microgrids Statutes

- Chapter 566, Statutes of 2018 (SB 1339)—Supports microgrid commercialization by reducing barriers to microgrid deployment without shifting costs between ratepayers and giving highest priority to system, public, and worker safety.

Bioenergy Statutes

- Chapter 739, Statutes of 2018 (SB 1440)—Supports the development of a market for biomethane by requiring consideration of a biomethane procurement program for California’s gas Investor-Owned Utilities (IOUs).
- Chapter 598, Statutes of 2018 (AB 3187)—Supports the in-state production and distribution of biomethane by facilitating prudent and reasonable IOU infrastructure investments necessary for biomethane producers to interconnect to California’s gas pipeline system.
- Chapter 395, Statutes of 2016 (SB 1383)—Supports short-lived climate pollutant (SLCP) reduction efforts by encouraging the development of dairy biomethane pilot projects as an alternative to fossil natural gas procurement, as well as other related measures.
- Chapter 571, Statutes of 2016 (AB 2313)—Supports greenhouse gas (GHG) reduction efforts by ensuring continued monetary incentives for biomethane projects.
- Chapter 368, Statutes of 2016 (SB 859)—Supports biomass procurement from high hazard zone areas and inter-agency actions to mitigate wildfire threats to life and property.

Energy Efficiency (EE) Statutes

- Chapter 562, Statutes of 2018 (SB 1131)—Supports energy savings through the development of rules, review timelines, and metrics for customized projects.

Energy Storage Statutes

- Chapter 680, Statutes of 2016 (AB 33)—Supports research on potential long duration energy storage technologies to support reliability, reduce GHG emissions, and integrate renewable energy generation in the electric grid.
- Chapter 681, Statutes of 2016 (AB 2868)—Supports programs and investments to accelerate the procurement of distributed energy storage resources.

- Chapter 469, Statutes of 2010 (AB 2514)—Supports the establishment of energy procurement targets to achieve grid reliability, GHG reduction, and renewable integration, as well as a study to evaluate California’s energy storage procurement framework and mandate.

Staff Comments. The 2019-20 budget provided 31 limited term positions for a wide variety of energy-related statutes, including those described above. After the implementation of those positions, the administration has determined that twelve of the requested positions were genuinely limited term in nature. The remaining 19.5 positions requested here reflect workload that the PUC believes is likely ongoing in nature.

Staff Recommendation: Hold Open.

Issue 6: Communications Licensing and Compliance Section Permanent Position Authority

Governor’s Budget. The budget includes \$286,000 for fiscal year 2022-23 and \$284,000 ongoing funding from the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) to convert two (2.0) temporary blanket positions to permanent in the CPUC Licensing and Compliance Section (L&C).

Background. The PUC Communications Division (CD) is responsible for seeing that telephone corporations (carriers) in California meet and comply with the obligation to provide California consumers safe and reliable telephone service at reasonable rates pursuant to Public Utilities (Pub. Util.) Code section (§) 451. Among other things, carriers must obtain the appropriate authority to operate in California and comply with all Pub. Util. Code provisions, and CPUC Rules, General Orders (GO), and Decisions applicable to providing approved services. The Licensing and Compliance Section was established within CD to implement and oversee all licensing and compliance related activities for telephone corporations in California.

Staff Comments. The PUC has indicated that several changes in the telecommunications space are driving increased workload for the Division. These include the sunset of PUC 710, which brought interconnected VOIP under the PUC’s jurisdiction, as well as an increase in telecommunications mergers and acquisitions. The PUC has met this workload by administratively creating two positions out of the Commission’s budgetary “blanket.” PUC has indicated that the workload is likely to be ongoing, and funding positions through the budget poses challenges for hiring and oversight. This is generally reasonable, but the Legislature should consider the extent to which the workload is likely to be both consistent and ongoing, and whether making the positions limited term to better assess ongoing workload is appropriate.

Staff Recommendation. Hold Open.

Issue 7: Information Technology Services Division—Security Enhancements

Governor’s Budget. The budget includes \$1,858,000 from various special funds (Distributed Administration) for ten (10.0) new permanent full-time positions in the Information Security Office (ISO) to improve its cyber security posture; consolidate enterprise information technology security, risk, and compliance activities; achieve compliance with State Administrative Manual (SAM) 5300 requirements; and address issues identified by both the State Auditor and by Independent Security Assessments performed by the California Military Department and California Department of Technology’s (CDT) Office of Information Security.

Background. Over the last five years, following the state’s “cloud first” policy, the CPUC has migrated multiple applications from CPUC-run data centers to cloud-hosted environments. The CPUC has also expanded to several additional new office locations and decentralized its operations and network. During the COVID response, the CPUC adapted to support a nearly 100 percent telework workforce and moved to an online meeting format for all public meetings, resulting in additional network complexity and an increased attack surface to be monitored.

In recent years, the world has experienced increasingly sophisticated cyber security attacks, especially as many state actors have started openly participating in developing and distributing new tools and methodologies. Attacks have escalated and been distributed through commercial products such as SolarWinds, Microsoft Exchange, and Pulse VPN which are all products the CPUC uses. New state policies and legislation such as the California Information Privacy Act must be evaluated and addressed.

Staff Comments. The PUC has indicated that updates to state security policies and standards, expansions of CPUC programs and staffing, migration of systems and data to cloud-hosted services, support for expanded telework and virtual meetings due to the COVID response, along with the escalation and increasing complexity of attack vectors, have outpaced the bandwidth of current CPUC security and network staff to keep pace. Additionally, the State Auditor, CDT’s Office of Information Security, and the California Military Department have all released security-related findings in recent audits and security assessments of the CPUC.

The PUC has indicated that this proposal would create a new Chief Security Officer position in the Information Security Office (ISO) to oversee security, risk, and compliance issues; increase the number of ISO resources from four (4.0) to ten (10.0) staff; and increase the number of Network and Security Section resources from five (5.0) to eight (8.0) staff. These resources will be responsible for maintaining the CPUC network in San Francisco, Sacramento, and Los Angeles; addressing security audit findings; and securing the enterprise.

The Administration included a version of this proposal as part of the 2020-21 budget, but it was withdrawn due to the unfolding pandemic. This proposal includes all of the resources originally requested in 2020-21, plus one additional position due to increased workload estimates.

Staff Recommendation: Hold Open.

Issue 8: Physical and Cyber Security Section

Governor’s Budget. The budget includes \$638,000 from the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) for three permanent full-time positions to augment the capabilities of a CPUC safety and cybersecurity utility regulatory group in response to significant increases in global cyber threats and attacks, and in support of Chapter 327, Statutes of 2009 (SB 17).

Background. Cybersecurity broadly refers to the ability to protect information and communication systems and the data on those systems from damage or exploitation. Cybersecurity is foundational to modernizing the electrical grid by deploying "smart" devices, communication networks, and control systems. There are a variety of federal requirements around the cyber and physical security of utility infrastructure. Additionally, there are a number of state requirements related to cyber and physical security. Senate Bill 17 (Padilla), Chapter 327, Statutes of 2009 requires the development of Smart Grid Deployment Plans that include security considerations. Chapter 886, Statutes of 2018 (SB 327) and Chapter 860, Statutes of 2018 (AB 1906) mandated that, beginning in 2020, all manufacturers of connected devices in California must equip them with reasonable security features to protect data against unauthorized access, misuse, and destruction. Chapter 7, Statutes of 2020 (AB 89), the Budget Act of 2020, includes funding for the California Cybersecurity Integration Center.

In 2018, the CPUC Utility Cyber Security Branch integrated the Risk Assessment and Safety Advisory Section (RASA) to align cybersecurity efforts with ongoing global assessments of utility risks. These efforts included workshops in support of Public Safety Power Shutoff (PSPS), Emergency Response, Pole and Conduit Database, Physical Security threats, the State Emergency Plan, Wildfire Safety, the Safety Model Assessment Proceeding, the Risk Assessment Mitigation Phase (RAMP) and multiple exercises in conjunction with the IOUs, CalOES, the Department of Homeland Security, and the Department of Energy.

Staff Comments. For the CPUC to implement the requirements SB 699, the Physical and Cyber Security Section needs to review the physical security protocols that safeguard IOU information, equipment, IT infrastructure, and facilities. One of the core objectives is to ensure physical security standards supplement technology-oriented cybersecurity countermeasures by expanding exercises, increasing coordination with state and federal agencies, and providing more apparent assessment metrics to gauge progress.

The PUC has indicated that the requested positions would allow the Commission to be more proactive and engaged in cybersecurity issues at Investor-Owned Utilities, including through rate cases, related proceedings, compliance, and coordination efforts.

The Administration included a version of this proposal as part of the 2020-21 budget, but it was withdrawn due to the unfolding pandemic. This proposal includes all of the resources originally requested in 2020-21, plus one additional position due to increased workload estimates.

Staff Recommendation: Hold Open.

Issue 9: Strengthen Internal Operations Core

Governor’s Budget. The budget includes s \$1,696,000 from various special funds (Distributed Administration) for position authority and funding to convert eight (8.0) existing full-time blanket positions, one (1.0) existing full-time intermittent position, and one (1.0) existing full-time temporary position to permanent to strengthen its internal operations core and improve support, oversight, and reporting of the Accounting Services Section, Human Resources Division, and Legal Division.

Background. The CPUC implements its mandated regulatory responsibilities and funds its operations by collecting user fees and surcharges from various carriers and providers. The CPUC also imposes fines and penalties (which are paid to the General Fund) for violations of Public Utilities Code and other applicable laws and regulations. In addition, the CPUC manages many utility related projects mandated by the CPUC to improve and deliver safe, affordable, and efficient utility services to Californians through reimbursable contracts and, in turn, the CPUC receives reimbursements from these providers. All of this required careful financial management and controls.

The Director of the HR Division, which is currently an administratively-created position, is responsible for all policy development, administration, and maintenance and overall HR operations of the CPUC’s workforce. The HR Division plans, directs, and organizes all issues related to employee salaries and benefits, job classifications, exams, recruitment, classification and hiring, and position control, as well as performance management, health and safety, learning and development, diversity and equity initiatives in the employee life cycle, and labor relations.

Prior to February 2020, the CPUC had one attorney dedicated to employment issues. That attorney often worked 50 hours per week advising managers on numerous personnel issues, as well as the Equal Employment Opportunity (EEO) Office and the Department of Fair Employment Housing (FEHA) on discrimination, harassment, and retaliation complaints; monitoring employment related investigations; advising the CPUC HR Division on medical and reasonable accommodations issues; providing in-person training to CPUC managers; and overseeing the work performed by outside counsel on state and federal court litigation. An additional attorney position was created administratively in 2020 to address workload issues.

The CPUC engages in significant public service contracting, awarding millions of dollars each year to outside consultants. Every valid public contract is required to follow state contracting rules, including the Public Contract Code, State Contracting Manual, and State Administrative Manual (SAM), as well as the CPUC’s own internal policies and procedures. A 2016 state audit recommended the CPUC change the way it oversees its public contracting practices to ensure it receives the best value for its services contracts. It specifically found “that the CPUC often does not follow state requirements or best practices when it issues and oversees its own contracts for services” and fails to ensure that it obtains the best value in cases where competitive bidding is not required. As a result, the CPUC administratively established an attorney position to handle increased contracting workloads.

Staff Comments. Given the increase in workload at the PUC in recent years, driven by legislation, market conditions, wildfires, and other external factors, additional resources are generally reasonable. PUC has already administratively created most of the resources requested here. While keeping those positions within the Commission’s budgetary “blanket” is an option, it creates issues around oversight and administrative / overhead costs. As such, some level of permanent resources is reasonable. This request is an opportunity for the Legislature to assess the Commission’s overall administrative organization and the appropriate level of permanent resources needed to support that organization.

Staff Recommendation: Hold Open.

Issue 10: Transportation Licensing and Enforcement Branch

Governor’s Budget. The budget includes \$2,264,000 from the Public Utilities Commission Transportation Reimbursement Account (Fund 0461) including \$1,482,000 for fiscal year 2022-23 and \$1,473,000 ongoing for eight (8.0) new permanent full-time positions, and position authority and funding to convert one(1.0) existing full-time blanket position to a permanent position; \$673,000 one-time funding for contracts and equipment; and \$109,000 for fiscal year 2022-23 and ongoing for subscription licensing costs for the Consumer Protection and Enforcement Division transportation branch.

Background. The CPUC has regulatory authority over passenger transportation safety, including licensing, rate regulation, enforcement, and rulemaking authority over passenger carriers that provide prearranged transportation. Public Utilities (Pub. Util.) Code §5352 directs the CPUC to fulfill a variety of responsibilities, including, among other things, timely enforcement against illegal carriers, education and outreach to local law enforcement agencies and stakeholders, timely processing of permit applications, electronic filing of permit documents, and dedicated staff to answer the carrier assistance hotline.

The Transportation Enforcement Branch (TEB) achieves its primary mission of transportation public and passenger safety primarily through its safety assurance functions. Safety assurance includes investigating complaints, performing field checks for compliance, conducting joint inspections with law enforcement partners (e.g., local law enforcement, airport ground transportation enforcement, the California Highway Patrol, and District Attorney offices), taking enforcement action, and ensuring corrective actions for documented compliance and safety issues.

The Transportation Licensing and Analysis Branch (TLAB) performs transportation carrier licensing and analysis functions. The TLAB Analysis section provides technical and advisory support to Commissioners, Administrative Law Judges, and all levels of agency management on transportation matters. The TLAB Licensing section analyzes carrier applications, manages changes to carrier operations, communicates with carriers, and issues authorities, certificates, and permits to carriers that meet state requirements.

Staff Comments. Beginning in March 2020, passenger demand reportedly dropped by more than 90 percent across the entire passenger carrier industry. In addition, California experienced an unprecedented 20 percent decline in legally permitted carriers, as many carriers suspended operations or left the industry completely. As COVID restrictions continue to change across the state, Commission staff has observed increasing passenger demand and expects the demand to continue at an increasing pace. Along with this trend, staff and law enforcement partners are already seeing, statewide, an increasing number of illegal operations, more carriers re-entering the industry, and new carriers applying for operating permits for the first time.

Transportation Network Companies (such as Uber and Lyft) and autonomous vehicle (AVs) companies continue to evolve their products, business models, technologies, and policies. They

have significantly more capacity than the CPUC or other public agencies to conduct analysis and effectively use data to illustrate their positions both in meetings and in formal comments submitted in the course of CPUC rulemakings.

Both of these trends suggest that additional staff at the PUC is reasonable. The Administration included a version of this request in the 2020-21 budget, which was withdrawn due to the evolving covid-19 pandemic. That original request was for 14 perm positions. This request reduces that by five positions but includes additional contracts, equipment, and license costs due to increased technical workload.

Staff Recommendation: Hold Open.

Issue 11: Utility Audit Requirements

Governor’s Budget. The budget includes trailer bill language making changes to the PUC’s audit requirements for regulated utilities, and changes to the approach those audits must follow.

Background. The Utility Audits Branch (UAB) performs a variety of external audits and attestation engagements of energy, telecommunication, and water and sewer utility companies under the general authority outlined in the Public Utilities (PU) Code Sections 314, 314.5, and 314.6. The UAB performs most of its audit services for purposes of assisting the CPUC in safeguarding various ratepayer funded programs and protecting ratepayer’s interests. The UAB performs most of its audits and attestation engagements in accordance with generally accepted government auditing standards (GAGAS) which requires that the Branch plans and performs the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for any findings and conclusions based on audit objectives.

The Branch performs a variety of audits across a number of regulated entities. These include:

- Energy Procurement Quarterly Compliance reports, related to energy procurements by investor-owned utilities.
- Balancing Account audits to ensure revenue collection from utility ratepayers is appropriate and consistent with PUC direction.
- Energy Efficiency program audits.
- Audits of water, sewer, and communication utilities.
- Audits of utility service providers to ensure that the utilities are conforming with diversity requirements per Utility Supplier Diversity Program General Order (GO) 156.

Staff Comments. Under current law, CPUC is required to audit utilities for regulatory purposes within certain schedules, depending on utility type, and number of households served. Current law also puts certain requirements on audits of balancing accounts and allows CPUC to prioritize audits based on certain criteria. CPUC has indicated that the current static time period within which CPUC needs to conduct financial audits of all the stationary utilities is infeasible, would require a massive increase in auditing staff and resources, and does not conform with modern financial auditing practices which is to conduct these types of audits based on a risk-focused approach of the regulated entities. In this case, the stationary utilities.

The proposed trailer bill language streamlines or eliminates much of these requirements in favor of “risk-based” approaches that can be applied beyond the current criteria. While some streamlining is likely desirable, the Legislature may want to consider how far that streamlining should go, and how the CPUC’s audit functions fit into the broader regulatory role the Commission plays.

Staff Recommendation: Hold Open.

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

VOTE-ONLY

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3125 CALIFORNIA TAHOE CONSERVANCY
3340 CALIFORNIA CONSERVATION CORPS
3480 DEPARTMENT OF CONSERVATION
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION
3600 DEPARTMENT OF FISH AND WILDLIFE
3640 WILDLIFE CONSERVATION BOARD
3760 STATE COASTAL CONSERVANCY
3790 DEPARTMENT OF PARKS AND RECREATION
3835 BALDWIN HILLS CONSERVANCY
3845 SAN DIEGO RIVER CONSERVANCY
3850 COACHELLA VALLEY MOUNTAINS CONSERVANCY
3855 SIERRA NEVADA CONSERVANCY
3860 DEPARTMENT OF WATER RESOURCES
3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY

Issue 1: CNRA Bond and Technical Proposals

Governor's Proposal. The Governor's budget requests for appropriations and reappropriations from various bonds, reversions, reversions with associated new appropriations, and other non-bond technical adjustments to continue implementation of existing authorized program.

Staff Recommendation. Approve as budgeted.

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT (OEHHA)

Issue 2: Air Quality (AB 619)

Governor’s Proposal. The Governor’s budget requests \$137,000 General Fund in 2022-23 and ongoing and 0.5 Public Health Medical Officer (PHMO) position to support the implementation of AB 619 (Calderon), Chapter 412, Statutes of 2021.

AB 619 requires the California Department of Public Health (CDPH), in consultation with OEHHA and other specified entities, to prepare a plan with recommendations and guidelines for counties in the event of a wildfire or other significant air quality event. The requested position will: (i) contribute to the development of CDPH’s significant air quality events plan for counties; (ii) establish respiratory protection guidance; and (iii) communicate risks to the public.

AB 619 (Calderon). AB 619 requires CDPH to develop a plan which includes recommendations and guidelines for counties to use in the case of a significant air quality event caused by wildfires or other sources. AB 619 also requires (1) CDPH to consult with specified stakeholders in developing the plan, (2) counties to use the CDPH air quality plan in advance of their next emergency plan update, and (3) counties to develop a specific plan that addresses all of the recommendations and guidelines of the CDPH’s air quality plan. Prior to AB 619, no other statute required information, services, or recommendations to be provided to the public on respiratory health during state emergencies.

The plan, to be developed under the leadership of CDPH, would be required to address respiratory protection, as well as possible stockpiling and provisioning of protective equipment to affected individuals. It would also be required to provide guidance to counties related to informing residents about unhealthy air quality, the health effects of air pollution, and how to use protective equipment or take other necessary actions when the Air Quality Index hits a significant threshold.

AB 619 also includes specific provisions requiring consideration of the needs of vulnerable populations including “children, seniors, the disabled, the homebound, the homeless, those working outdoors, tourists, visitors, non-English speakers, and any others who may have difficulty obtaining or using masks or other protective equipment without assistance.” Pregnant women and infants are also a particular concern for exposures to wildfire smoke. Counties would also be required to use the state plan to develop their own county-specific plans. In developing the statewide plan, CDPH would be required to consult with several specified entities, including OEHHA.

OEHHA expects to be a significant consultant in the development of CDPH’s plan for counties to use in the case of air quality events caused by wildfires or other sources.

Background. OEHHA’s mission is to protect and enhance the health of Californians and our state’s environment through scientific evaluations that inform, support, and guide regulatory and other actions. Its health assessments are used as the scientific bases to develop the state’s drinking water and ambient air quality standards, and guide the regulation of pesticides, toxic air contaminants, and the cleanup of hazardous waste sites and groundwater contamination. In the context of this BCP, OEHHA’s role at the state level is exemplified by the following examples:

- During the 2018 Camp Fire that impacted air quality in much of Northern California, several entities gave unclear and conflicting advice to the public over whether individuals, and particularly children, should wear N95 masks or other kinds of respiratory protection when outdoors. School districts expressed at that time, and continue to currently express, a need for timely and consistent advice as to whether classes should be canceled. OEHHA responded to these concerns in part by preparing guidance for schools relating to wildfire events.
- In collaboration with the US Environmental Protection Agency (US EPA) and others, OEHHA contributed to the preparation of *Wildfire Smoke: A Guide for Public Health Officials*, first published in 2002 and widely used throughout the nation and worldwide by health professionals. OEHHA contributed to all updates including the most recent version by US EPA in 2019.
- OEHHA recommends health based ambient air quality standards and develops health-based values for use by the California Air Resources Board and air districts; and, OEHHA conducts studies of air pollution and health including studies of the health effects of wildfire smoke. A health study focusing on the 2017 Napa/Sonoma wildfires was recently published, and there are several ongoing wildfire and air pollution/heat exposure ongoing studies being conducted at OEHHA.
- OEHHA maintains preparedness to support Emergency Support Function 10 for responding to emergency events involving the release and potential exposure to hazardous materials under the State of California Emergency Plan.
- In the development of CDPH's significant air quality events plan for counties, OEHHA can contribute unique expertise, including characterizing the effects of wildfire smoke and other air pollutants on health (especially on vulnerable populations), communicating risks to the public, and establishing guidance on actions to take regarding respiratory protection.

Staff Recommendation. Approve as budgeted.

Issue 3: Evaluating Unassessed Chemicals Using Precision Prevention Methodologies

Governor's Proposal. The Governor's budget requests \$6.034 million General Fund in 2022-23, including \$1.034 million and five positions in 2022-23 and ongoing, and \$5 million one-time in 2022-23, to develop and implement rapid computational and molecular toxicology approaches for identifying toxic chemicals and safer alternatives. The \$5 million will be used for interagency contracts with the University of California (UC) to develop these approaches, while the five positions will apply UC research to advance scientific assessments of currently unevaluated chemicals that support California Environmental Protection Agency's (CalEPA) regulatory programs.

These resources will support regulatory programs within CalEPA and other state agencies by providing information on the hazards and risks posed by chemicals in the environment and consumer products, as well as new scientifically valid approaches for understanding chemical hazards. Types of chemicals covered include those used in the petroleum industry and those subject to evaluation under the Department of Toxic Substances Control's (DTSC) Safer Consumer Products Program. These evaluations would also be used in the establishment of public health goals for drinking water, reference exposure levels and cancer potency values for air contaminants, consumption advisories for contaminants in sport fish, and advisory levels that guide emergency response actions. Therefore, OEHHA's proposed work would provide important state guidance for regulators, policymakers, and emergency responders on harmful chemicals that would otherwise remain unassessed.

Staff Recommendation. Approve as budgeted.

DISCUSSION

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

Issue 4: Department Oversight: CalRecycle

Background. *Department Overview.* CalRecycle is the state department responsible for implementing statewide recycling policies and programs. The department’s mission is to protect the state’s environment and climate for the health and prosperity of future generations through the reduction, reuse, and recycling of California resources, environmental education, disaster recovery, and the transition from a disposable to circular economy.

CalRecycle’s expenditures total approximately \$1.6 billion in the Governor’s budget. (This amount does not include federal funds, certain non-governmental cost funds, or reimbursements.)

Below is a summary of CalRecycle’s proposed 3-year expenditures and positions.

3-Year Expenditures and Positions

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
3700	Waste Reduction and Management	402.9	452.0	465.3	\$2,385,142	\$765,657	\$290,098
3705	Loan Repayments	-	-	-	-8,780	-6,556	-7,400
3710	Education and Environment Initiative	3.4	9.6	9.6	1,109	2,906	2,908
3715	Beverage Container Recycling and Litter Reduction	221.4	266.2	267.2	1,416,620	1,387,346	1,354,326
9900100	Administration	108.6	124.6	124.6	17,271	19,829	19,867
9900200	Administration - Distributed	-	-	-	-17,271	-19,829	-19,867
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		736.3	852.4	866.7	\$3,794,091	\$2,149,353	\$1,639,932

The department receives some General Fund support as well as funding from other revenue sources such as recycling fees on new electronics, beverage containers, tires, and used oil; disposal fees charged by landfills; and other special funds such as the Cost of Implementation Account and Greenhouse Gas Reduction Fund. A portion of this funding is returned to the economy through payments and grants to industry and local jurisdictions in support of waste reduction, recycling and safe disposal efforts, and the remainder covers CalRecycle’s annual operating budget.

Beverage Container Recycling Program (BCRP). According to the Legislative Analyst’s Office (LAO), the BCRP promotes beverage container recycling and reduced litter by using the California Refund Value (CRV) deposit and return system.

- Consumers pay the CRV — 5 cents or 10 cents per container — when purchasing beverages in containers subject to the program. The CRV deposit is returned to consumers when they redeem the empty beverage container at a certified recycling center.

- State law requires CalRecycle to designate “convenience zones” located within a half-mile radius from most supermarkets. Each convenience zone must be serviced by at least one certified recycling center in order to provide consumers convenient opportunities to redeem beverage containers near places where beverages are purchased.
- If there is no recycle center within the convenience zone, it is considered unserved. Beverage dealers in unserved zones must either redeem containers in-store or pay a daily \$100 fee.

Market changes have reduced the number of recycling centers. Over the last several years, changes in global markets — including a decrease in prices for recyclable materials — has reduced recycler profitability. This, in turn, has led to a substantial decrease in the number of recycling centers operating in the state. As a result, there are a large number of unserved zones. In February 2021, 42 percent (over 1,600) of statewide convenience zones were unserved. These unserved zones included over 6,300 beverage retailers.

Recent Legislation Authorized Pilot Programs to Test Different Redemption Options. SB 458 (Wiener), Chapter 648, Statutes of 2017, authorized CalRecycle to develop a Beverage Container Recycle Pilot Program, which allowed up to five pilot projects to provide new approaches to providing convenient beverage container redemption options in areas that lack recycling opportunities. Subsequently, AB 54 (Ting), Chapter 793, Statutes of 2019, allowed for greater flexibility for where pilot projects could operate — specifically allowing pilots to operate outside of convenience zones — and extended the sunset date from January 1, 2022 to July 1, 2022. The Legislature also appropriated \$5 million on a one-time basis from the Beverage Container Recycling Fund (BCRF) to support the pilots.

The 2020 Budget Act appropriated \$126,000 BCRF in 2020-21 and \$124,000 annually for two years to develop, implement, and provide oversight of the pilot project grant program.

The 2021 Budget Act appropriated \$10 million BCRF to provide grants for the Beverage Container Recycling Pilot Project Program. The budget included trailer bill language to extend the sunset date for the recycling pilot program from January 1, 2023 to January 1, 2027. This trailer bill language also increased the number of pilot projects from five to ten and the maximum number of operating years from three to five.

The 2021 Budget Act also included one position and appropriates \$129,000 BCRF in 2021-22, an additional five positions and \$805,000 BCRF in 2023-24, and an additional three positions and \$1.2 million BCRF in 2024-25 and ongoing, for a contracted biennial study. The funds will be used to implement AB 793 (Ting), Chapter 115, Statutes of 2020, which requires beverage manufacturers to include a minimum amount of postconsumer recycled plastic in all plastic beverage containers subject to the California Refund Value (CRV).

The following chart is the Fund Condition Statement for BCRF in the Governor’s Budget:

	2020-21	2021-22	2023-23
0133 California Beverage Container Recycling Fund^s			
BEGINNING BALANCE	\$274,320	\$529,228	\$387,585
Prior Year Adjustments	124,831	-	-
Adjusted Beginning Balance	\$399,151	\$529,228	\$387,585
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4120000 Beverage Container Redemption Fees	1,491,585	1,266,289	1,266,289
4163000 Investment Income - Surplus Money Investments	1,650	1,067	1,067
4171400 Escheat - Unclaimed Checks, Warrants, Bonds, and Coupons	227	32	32
4172500 Miscellaneous Revenue	13,199	3,229	3,229
4173000 Penalty Assessments - Other	185	61	61
4173500 Settlements and Judgments - Other	331	82	82
Transfers and Other Adjustments			
Revenue Transfer from Beverage Container Recycling Fund (0133) to Glass Processing Fee Account, California Beverage Container Recycling Fund (0269) per Public Resources Code Section 14580	-57,908	-66,874	-61,567
Revenue Transfer from the California Beverage Container Recycling Fund (0133) to the PET Processing Fee Account, California Beverage Container Recycling Fund (0278) per Public Resources Code Section 14580	-72,721	-87,071	-87,779
Total Revenues, Transfers, and Other Adjustments	\$1,376,548	\$1,116,815	\$1,121,414
Total Resources	\$1,775,699	\$1,646,043	\$1,508,999
EXPENDITURE AND EXPENDITURE ADJUSTMENTS			
3970 Department of Resources Recycling and Recovery (State Operations)	49,197	59,367	60,847
3970 Department of Resources Recycling and Recovery (Local Assistance)	1,195,876	1,197,996	1,165,496
9892 Supplemental Pension Payments (State Operations)	1,095	1,095	1,095
9900 Statewide General Administrative Expenditures (Pro Rata) (State Operations)	303	-	-
Total Expenditures and Expenditure Adjustments	\$1,246,471	\$1,258,458	\$1,227,438
FUND BALANCE	\$529,228	\$387,585	\$281,561
Reserve for economic uncertainties	529,228	387,585	281,561

BCRF Surplus and Reporting. The *San Francisco Chronicle* article, “California bottle deposit program sitting on at least \$100 million more than it told lawmakers,” (Dustin Gardiner, January 30, 2022), calls attention to CalRecycle’s reporting discrepancies of the BCRF reserve, stating:

“The program is now sitting on a surplus of more than \$529 million, money that comes from the nickel and dime deposits consumers pay every time they buy a can of soda or bottle of beer in the state.

CalRecycle, the state department that runs the deposit program, said the amount of the surplus jumped because of an accounting backlog that delayed actual totals during the pandemic. But some recycling advocates say the department has in the past downplayed the scope of its flush coffers to distract from its plummeting bottle recycling rate...

...[T]he size of its reported balance has fluctuated widely: About a year ago, the department projected it would begin the current year, which started on July 1, with a \$369 million surplus. Then, CalRecycle estimated the surplus was about \$428 million in a report to the Legislature last fall. CalRecycle later filed a memo with the state Department of Finance stating the surplus was actually over \$529 million.

CalRecycle Director Rachel Machi Wagoner, who took the department's helm in December 2020, said the jump was in part the result of a 'massive hiccup' that occurred when its accounting staff was suddenly forced to work remotely during the pandemic. Several employees quit around the same time, she said, and the department got far behind in tracking the money coming into its account...

...Two other factors also caused the surplus to grow faster during the pandemic: Beverage sales skyrocketed as people spent more time at home. Meanwhile, more recycling centers continued to close...

Machi Wagoner said it's also not unusual for the program's surplus to fluctuate by large amounts because the department can't predict exactly how many containers will be returned. She said, however, that the department doesn't plan to go back and revise any of the prior estimates because the fund balance it reported in the governor's proposed budget released this month is correct.

But some recycling advocates say they are troubled by the situation. They contend CalRecycle has a long history of providing low estimates about its surplus to legislatures. Susan Collins, president of the Container Recycling Institute advocacy group, said she's baffled that CalRecycle won't go back and fix its flawed projections...It's ridiculous that people in government can't just manage this the way it's supposed to be managed and produce an accurate and timely report... We can't improve the recycling program when there's misinformation.'...

...Machi Wagoner said CalRecycle has traditionally been conservative with its estimates because if it runs out of money in the fund, it would be forced to cut the subsidies it pays to help recycling centers cover their costs.

But she acknowledged that the program has more money than it needs to cover its operations — cash that could be used to try to improve recycling rates.”

As noted in the article, the program has been in a downward spiral for about five years as recycling centers closed en masse because of factors such as global tumult in the recycling market and soaring real estate prices. Only about 68 percent of bottles and cans bought in California are recycled today, down from about 85 percent at the program's peak in 2013.

Organic Waste. Methane is a potent greenhouse gas (GHG) —25-28 times greater than carbon dioxide — is the primary GHG driving climate change in California. It is the second largest source of global GHG emissions and is responsible for 20 percent of current global warming. Among the various ways methane is emitted into the atmosphere is by the decay of organic waste in municipal solid waste landfills. CalRecycle is responsible for the implementation of state climate policies including landfill methane emissions reduction, waste-to-energy production, and composting requirements.

SB 1383 (Lara), Chapter 395, Statutes of 2016, established methane remissions reduction targets in a statewide effort to reduce short-lived climate pollutants (SLCP) in various sectors of California's

economy. SB 1383 established targets to achieve a 50 percent reduction in the statewide disposal of organic waste by 2020 based on the 2014 level, and a 75 percent reduction by 2025. SB 1383 also established a target that at least 20 percent of currently disposed edible food is recovered for human consumption by 2025. Lastly, the law provided CalRecycle the regulatory authority required to achieve the organic waste disposal reduction targets. CalRecycle estimates the state will need to divert an additional 27 million tons of organics by 2025 to meet the goals.

There are about 3,000 regulated entities subject to SB 1383 regulations such as solid waste facilities, schools, school districts, and non-local entities such as state agencies, public universities, and federal facilities. The edible food recovery target adds regulated entities such as commercial edible food generators, food recovery services, and food recovery organizations. SB 1383 regulations took effect January 1, 2022.

The 2021 Budget Act included 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 for purposes of SB 1383 implementation. This action also included 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.

Circular Economy Package. The 2021 Budget Act included \$205 million in 2021-22, which is part of a two-year, total package of \$270 million (\$130 million General Fund) to support a circular economy that recognizes waste as a resource, with the purpose of shifting the state's focus to a more resilient and renewable economy. These funds will support implementation of goals to reduce short-lived climate pollutants, including advancing organic waste infrastructure, edible food recovery, and composting opportunities; and support other non-organic recycling opportunities. The figure below details the total allocations in the Circular Economy Package:

Circular Economy Package
(Dollars in Millions)

Investment Category	Department	Program	2021-22	2022-23	Total
Organic Waste Infrastructure and Implementation	Cal Recycle	Edible Food Recovery	\$3	\$2	\$5
		Composting Opportunities	\$5	\$0	\$5
		Organic Infrastructure Grants	\$90	\$15	\$105
		Co-Digestion Capacity	\$10	\$10	\$20
		SB 1383 Local Jurisdiction Implementation Grants	\$60	\$0	\$60
Non-Organic Waste	Cal Recycle	Recycling Feasibility Grants	\$2	\$13	\$15
		Recycling Market Development Zone Loan Program	\$25	\$25	\$50
		Quality Incentive Payments for PET Thermoform-Free Beverage Container Loads	\$10	\$0	\$10
Total			\$205	\$65	\$270

The two main categories of this package are: (1) organic waste; and (2) non-organic waste. Organic waste investments for 2021-22 total \$168 million. Investments to address non-organic waste issues total \$37 million for 2021-22. All funding for this package is through CalRecycle. Among the various components, the package includes:

- Recycling Market Development Zone (RMDZ) Program. Trailer bill language authorizes CalRecycle to expend moneys in the Recycling Market Development Revolving Loan Subaccount in the Integrated Waste Management Account within areas outside of RMDZs where making the loan will benefit jurisdiction or assist a local jurisdiction, as specified.
- CalRecycle Greenhouse Gas Revolving Loan Program: Grant Program. Trailer bill language, upon appropriation by the Legislature in the annual Budget Act, requires CalRecycle to administer the grant program to provide financial assistance to promote in-state development of infrastructure food waste prevention, or other projects to reduce organic waste or process organic and other recyclable materials into new, value-added products.

Wildfire Debris Cleanup. Wildfire debris removal programs are implemented under the leadership of the Governor’s Office of Emergency Services (Cal OES) and local governments. CalRecycle is often tasked with overseeing and managing contractors and consultants to conduct debris removal operations on private properties, at no out-of-pocket cost to property owners.

Funding for disaster debris cleanup initially occurs through transfers to the Disaster Response-Emergency Operations Account within the Reserve for Economic Uncertainties. The account was created for reimbursement of extraordinary emergency or disaster response operations costs incurred by state agencies and state-requested local agencies as a result of a state of emergency proclamation by the Governor. Historically, a significant portion of these costs has eventually been reimbursed by the federal government. In addition, where applicable, insurance proceeds specially dedicated for debris removal may offset costs.

The state-managed debris removal program has two phases: (1) removal of household hazardous waste, and (2) removal of other fire-related debris.

For Phase 1, the Department of Toxic Substances Control (DTSC) or another dedicated agency is responsible for:

- Clearing properties of household hazardous waste, including propane tanks, compressed gas cylinders, and solvents.
- Assess properties for asbestos and removal of bulk asbestos material.

For Phase 2, CalRecycle is responsible for:

- Site assessment and documentation
 - Measure and record foundation, structures, debris, utility infrastructure, and property-specified hazards.
 - Obtain and evaluate soil samples to establish cleanup goals for the project; identify and remove remaining asbestos-containing materials.
- Debris removal
 - Remove all burnt debris, foundations, dangerous trees, and contaminated soil.
 - Conduct confirmation sampling.
 - Sample and analyze soil and compare results to cleanup goals.

-
- Erosion control measures
 - Implement stormwater best management practices to control sediment runoff and promote vegetation growth.
 - Final inspection
 - Provide property owners with certification that verifies the lot is clean and eligible to receive a building permit.

The 2021 Budget Act appropriated \$891,000 General Fund and six permanent, full-time positions in 2021-22 and \$880,000 General Fund ongoing to manage the workload for debris removal operations. The additional positions will manage contracts, hold contractors responsible, fully reconcile funds, and coordinate federal reimbursements.

According to CalRecycle, for the 2021 wildfire season, mobilization has begun for structural debris and hazard tree removal operations including the Dixie, Caldor, Monument, Tamarack, Lava, Antelope, River, River Complex, Hopkins, French, Washington, and Cache Fires.

Conclusion. The programs highlighted above are just a few of the non-hazardous waste handling and recycling programs that CalRecycle administers and provides oversight. CalRecycle is also responsible for electronic waste recycling, used tires, used motor oil, carpet, paint, mattresses, rigid plastic containers, newsprint, construction and demolition debris, medical sharps waste, household hazardous waste, and food-scrap composting.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

Issue 5: Wildfire and Forest Resilience Task Force (SB 456)

Governor's Proposal. The Governor's budget requests \$2.483 million in General Fund for 2022-23 and \$1.477 million ongoing, and four positions (two at CNRA and two at CalFire) to support the operations of the Task Force and to fulfill the goals of SB 456 (Laird), Chapter 387, Statutes of 2021, which codifies the Governor's Wildfire and Forest Resilience Action Plan in statute.

These positions will 1) manage and facilitate the work of more than a dozen work groups and related committees, quarterly regional forums, an interagency team, a Science Advisory Panel; 2) track the 99 deliverables in the Action Plan; 3) coordinate the work of more than 50 federal, state, local, and tribal agencies involved in the Task Force; and 4) develop and implement a comprehensive communications strategy, including development of the annual reports required by SB 456.

Background. The California Forest Management Task Force (Task Force) was originally established in 2018 to introduce a more holistic, integrated approach toward effective forest management. The Task Force's purpose is to develop and implement a framework for establishing healthy and resilient forests and communities that can withstand and adapt to wildfire, drought, and a changing climate.

The Task Force issued the Wildfire and Forest Resilience Action Plan (Action Plan) on January 8, 2021. The Action Plan is a broadly supported strategy to reduce wildfire risk for vulnerable communities, improve the health of forests and wildlands and accelerate action to combat climate change. The plan calls for achieving these goals largely through regional strategies tailored to the environmental conditions, risks and priorities in each area.

In the spring of 2021, the Task Force was renamed the Wildfire and Forest Resilience Task Force and relaunched with an Executive Committee of federal, state, local, and tribal members. In September 2021, SB 456 was enacted to implement a comprehensive strategy related to the state's Action Plan.

SB 456 requires CalFire, along with CNRA, the California Environmental Protection Agency, the Office of Planning and Research, and other members of the Task Force, to develop a comprehensive implementation strategy to track and ensure the achievement of the goals and key actions identified in the Action Plan. SB 456 requires the implementation strategy to address specified actions, including increasing the pace and scale of wildfire and forest resilience activities, as provided.

SB 456 requires the Task Force, on or before January 1, 2023, and annually thereafter until January 1, 2048, to submit a report containing specified information, including progress made in achieving the goals and key actions identified in the Action Plan, to the appropriate policy and budget committees of the Legislature.

SB 456 requires the Task Force, on or before January 1, 2026, and every five years thereafter, to update the Action Plan, as provided. The bill requires the Task Force to invite the participation of specified federal entities in the creation, alignment, and coordination of joint efforts related to the above-described provisions.

Staff Recommendation. Hold open.

3340 CALIFORNIA CONSERVATION CORPS (CCC)**Issue 6: Rightsizing Fire Crew Resources**

Governor's Proposal. The Governor's budget requests \$1.769 million in 2022-23, \$1.708 million in 2023-24, and \$1.994 million ongoing General Fund for 11 positions and 13 full-time equivalent Corpsmembers positions to adequately support CalFire/CCC fire crews.

CCC is requesting position authority and funding for the following:

Magalia-Butte Fire Center

- Conservationist II (CII) (1.0): This position works with the Conservationist Supervisor to coordinate crew work, staff training, relief supervision and Corpsmember development, and will mirror all other center staffing patterns. Responsibilities include district safety officer, project coordinator, provides logistical support and training for Corpsmembers and staff.

Camarillo Fire Center

- Conservationist I – Fire Relief (CI) (1.0): This position provides direct supervision of firefighting crews and will provide for relief for Camarillo's four fire crews and ensure consistent coverage. The addition of this position will right size the current staffing pattern for Type 1 fire crews and provide a 2:1 ratio for fire crew relief. It will mirror the fire relief CI positions added recently at Placer, Tahoe, Los Pinos, Delta, Los Padres, Ukiah/Willits, and Magalia-Butte.
- Corpsmember (13.0 FTE): The addition of these Corpsmember positions will provide fire trained and qualified backup Corpsmembers who are prepared to backfill vacant fire crew positions to keep Camarillo's four fire crews ready to respond, per CCC/CalFire agreement. The addition of these Corpsmember positions will also free up resources to assist with providing adequate Corpsmembers coverage of other center needs (fire crews, resource crew, culinary, facility maintenance, etc.)

Los Pinos Center

- Maintenance Mechanic (1.0): This position provides necessary facility maintenance and repairs at the Los Pinos Residential Center. This will match the staffing pattern at all residential locations.

Headquarters Support Staff

- Associate Governmental Program Analyst (AGPA) (1.0): This position will support Human Resources' Health & Safety unit with filing and tracking increased injuries due to nature of fire related work.
- Staff Services Analyst (SSA) (1.0): This SSA will work within the three CCC regions and Emergency Services Unit to ensure that expenditures are allocated correctly by providing the accounting and budget units with labor expenditures and financial report adjustments.
- Associate Construction Analyst (1.0): This position will support Capital Outlay and Facility Management Unit on upcoming capital outlay projects and deferred maintenance, with an emphasis on facilities with fire crews.
- Associate Personnel Analyst (APA) HR C&P (1.0): This position will support the Human Resources' Classification & Pay (C&P) Unit to address the increased workload as a result of changes and updates in C&P, as well as increased Request for Personnel Action (RPA) volume.
- Associate Governmental Program Analyst (AGPA) (1.0): This position will support the Training

Unit with the increased workload of training additional staff and Corpsmembers.

- Senior/Accounting Officer (3.0): Currently funded by SB 901 in support of Los Pinos Center and Fire Crew centers overall, these positions will support the additional accounts payable workload related to fire crew purchases.

Background. When not assigned to emergency incidents, these crews perform fire prevention work in the form of community fuel breaks, vegetation management, forest health projects, and prescribed fires.

In 2016, CalFire and CCC partnered to staff Fire Crews at the Magalia-Butte Fire Center, adding two crews at the Placer Fire Center in 2018, adding an additional five fire crews in 2019 to the Magalia-Butte, Camarillo, and Toro (Los Padres) Fire Center and six additional crews in 2021 to Delta, Tahoe, and Los Pinos.

Currently, CalFire and CCC have 18 year-round fire crews statewide with two proposed to be added to Ukiah/Willits in 2022.

CCC has identified personnel deficiencies throughout its CCC/CalFire Centers. In some cases, current staffing does not align with established staffing allocations. Consequently, this is impacting daily operations, as a result of increased fire activity, for which this proposal, if approved, will address.

Staff Recommendation. Approve as budgeted.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**Issue 7: Agricultural Lands: Livestock Producers: Managerial Employees: Livestock Pass Program: Disaster**

Governor's Proposal. The Governor's budget requests \$493,000 General Fund in 2022-23, \$181,000 General Fund in 2023-24, and one position for two years to implement the training curriculum for livestock producers eligible for the livestock pass program to comply with the requirements of AB 1103 (M. Dahle), Chapter 609, Statutes of 2021.

Background. *AB 1103 (M. Dahle).* AB 1103 establishes a county livestock pass (Livestock Pass) program for the purpose of issuing identification documents granting a livestock producer, or a managerial employee of the producer, access to the producer's farm or ranch property during or following a flood, storm, fire, storm, earthquake, or other disaster.

AB 1103 requires the Office of the State Fire Marshal to create a curriculum for training livestock producers, as defined, on or before January 1, 2023. The curriculum would be developed in collaboration with the Statewide Training and Education Advisory Committee (STEAC), and would include basic fire behavior, communications during a disaster or emergency, and training on the incident command structure. Continuing education and recertification courses would also be developed. The bill also includes intent language that the initial training curriculum should be limited to four hours.

The purpose of a county-based Livestock Pass program is to identify owner-operators of commercial ranches to firefighting personnel, California Highway Patrol officers, sheriff's deputies, and other emergency personnel. Possession of a Livestock Pass during a wildfire or similar disaster allows the individual access to areas that may otherwise be restricted to the public so that the agriculturalist can: (1) protect or care for livestock assets (such as feeding, watering, and transporting livestock); or (2) provide auxiliary support to emergency personnel (such as identification of access roads and water points).

Staff Recommendation. **Hold open.**

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)

Issue 8: 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. Hold open.

Issue 9: 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. Hold open.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**Issue 10: Natural Resources Bonds and Technical Proposals: Proposition 68**

Governor’s Proposal. The Governor’s budget requests to revert \$15.805 million of the amount appropriated to support critical deferred maintenance projects in 2020-21 from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Fund (Proposition 68).

Background. A total of \$73 million has been appropriated from the General Fund for deferred maintenance projects between 2016-17 and 2019-20. In 2020-21, due to the economic uncertainties, \$44.343 million was reverted from these General Fund appropriations, and \$55.843 million was appropriated using Proposition 68 bond funds. As a result, Parks generated General Fund savings, moving many deferred maintenance projects from General Fund to Proposition 68. Most recently, in 2021-22, \$185 million General Fund was appropriated to address deferred maintenance projects representing critical infrastructure deficiencies. With this proposal, some of those projects will move back to General Fund, using a portion of the funds that were appropriated in 2021-22. The Administration states that the reversion in this proposal is imperative in order to have available funding for the completion of Proposition 68’s continuing capital outlay projects.

PRC Section 80070 authorizes \$130 million for restoration, preservation, and protection of existing state park facilities and units. Proposition 68 currently funds five capital outlay projects that have outyear phases under PRC Section 80070. This proposal will revert enough funds to ensure affordability for outyear phases of these capital outlay projects. This proposal will also make further progress towards meeting the regional funding targets specified by PRC Section 80077, since four of these five projects are located in the designated regions.

This proposal provides the needed funding for outyear phases of continuing Proposition 68 capital outlay projects. The reverted funds will ensure completion of the following capital outlay projects:

- *Candlestick Point SRA: Initial Build-Out of Park.* This project will allow for the build-out of the Department’s “first urban park” to provide core improvements, public access, and recreation enhancements.
- *Colonel Allensworth State Historic Park: Visitor Center.* This project will result in construction of a new visitor center building to include a reception area, conference/multipurpose room, cultural/interpretive room, theater room, staff offices, restrooms, and kitchen/break room.
- *Lake Perris State Recreation Area: Replace Lifeguard Headquarters.* This project will result in demolition of the existing 45-year old lifeguard headquarters and construction of a new, multi-purpose lifeguard headquarters. The new building will be larger and provide functionalities not currently available in the existing structure such as separate male and female locker rooms for lifeguard staff, a storage room for dive team, and medical equipment.
- *Old Sacramento State Historic Park: Riverfront Improvements.* This project will create a space that complements the natural riverbank environment and forms a strong connection to Sacramento’s Waterfront. The improvements will result in an inviting space for visitors that provides opportunities for special events, a four-season river viewing experience, and a complementary space to the Sacramento Waterfront.

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- *Picacho State Recreation Area: Park Power System Upgrade.* This project will evaluate the park's current and future electrical power needs, including redundant backup, and determine sustainable options for providing reliable and cost-effective electrical power at this remote location.

Staff Recommendation. Hold open.

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VOTE-ONLY

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3125 CALIFORNIA TAHOE CONSERVANCY
3340 CALIFORNIA CONSERVATION CORPS
3480 DEPARTMENT OF CONSERVATION
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3855 SIERRA NEVADA CONSERVANCY
3860 DEPARTMENT OF WATER RESOURCES
3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY

Issue 1: CNRA Bond and Technical Proposals

Governor's Proposal. The Governor's budget requests for appropriations and reappropriations from various bonds, reversions, reversions with associated new appropriations, and other non-bond technical adjustments to continue implementation of existing authorized program.

Staff Recommendation. Approve as budgeted.

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT (OEHHA)

Issue 2: Air Quality (AB 619)

Governor’s Proposal. The Governor’s budget requests \$137,000 General Fund in 2022-23 and ongoing and 0.5 Public Health Medical Officer (PHMO) position to support the implementation of AB 619 (Calderon), Chapter 412, Statutes of 2021.

AB 619 requires the California Department of Public Health (CDPH), in consultation with OEHHA and other specified entities, to prepare a plan with recommendations and guidelines for counties in the event of a wildfire or other significant air quality event. The requested position will: (i) contribute to the development of CDPH’s significant air quality events plan for counties; (ii) establish respiratory protection guidance; and (iii) communicate risks to the public.

AB 619 (Calderon). AB 619 requires CDPH to develop a plan which includes recommendations and guidelines for counties to use in the case of a significant air quality event caused by wildfires or other sources. AB 619 also requires (1) CDPH to consult with specified stakeholders in developing the plan, (2) counties to use the CDPH air quality plan in advance of their next emergency plan update, and (3) counties to develop a specific plan that addresses all of the recommendations and guidelines of the CDPH’s air quality plan. Prior to AB 619, no other statute required information, services, or recommendations to be provided to the public on respiratory health during state emergencies.

The plan, to be developed under the leadership of CDPH, would be required to address respiratory protection, as well as possible stockpiling and provisioning of protective equipment to affected individuals. It would also be required to provide guidance to counties related to informing residents about unhealthy air quality, the health effects of air pollution, and how to use protective equipment or take other necessary actions when the Air Quality Index hits a significant threshold.

AB 619 also includes specific provisions requiring consideration of the needs of vulnerable populations including “children, seniors, the disabled, the homebound, the homeless, those working outdoors, tourists, visitors, non-English speakers, and any others who may have difficulty obtaining or using masks or other protective equipment without assistance.” Pregnant women and infants are also a particular concern for exposures to wildfire smoke. Counties would also be required to use the state plan to develop their own county-specific plans. In developing the statewide plan, CDPH would be required to consult with several specified entities, including OEHHA.

OEHHA expects to be a significant consultant in the development of CDPH’s plan for counties to use in the case of air quality events caused by wildfires or other sources.

Background. OEHHA’s mission is to protect and enhance the health of Californians and our state’s environment through scientific evaluations that inform, support, and guide regulatory and other actions. Its health assessments are used as the scientific bases to develop the state’s drinking water and ambient air quality standards, and guide the regulation of pesticides, toxic air contaminants, and the cleanup of hazardous waste sites and groundwater contamination. In the context of this BCP, OEHHA’s role at the state level is exemplified by the following examples:

- During the 2018 Camp Fire that impacted air quality in much of Northern California, several entities gave unclear and conflicting advice to the public over whether individuals, and particularly children, should wear N95 masks or other kinds of respiratory protection when outdoors. School districts expressed at that time, and continue to currently express, a need for timely and consistent advice as to whether classes should be canceled. OEHHA responded to these concerns in part by preparing guidance for schools relating to wildfire events.
- In collaboration with the US Environmental Protection Agency (US EPA) and others, OEHHA contributed to the preparation of *Wildfire Smoke: A Guide for Public Health Officials*, first published in 2002 and widely used throughout the nation and worldwide by health professionals. OEHHA contributed to all updates including the most recent version by US EPA in 2019.
- OEHHA recommends health based ambient air quality standards and develops health-based values for use by the California Air Resources Board and air districts; and, OEHHA conducts studies of air pollution and health including studies of the health effects of wildfire smoke. A health study focusing on the 2017 Napa/Sonoma wildfires was recently published, and there are several ongoing wildfire and air pollution/heat exposure ongoing studies being conducted at OEHHA.
- OEHHA maintains preparedness to support Emergency Support Function 10 for responding to emergency events involving the release and potential exposure to hazardous materials under the State of California Emergency Plan.
- In the development of CDPH's significant air quality events plan for counties, OEHHA can contribute unique expertise, including characterizing the effects of wildfire smoke and other air pollutants on health (especially on vulnerable populations), communicating risks to the public, and establishing guidance on actions to take regarding respiratory protection.

Staff Recommendation. Approve as budgeted.

Issue 3: Evaluating Unassessed Chemicals Using Precision Prevention Methodologies

Governor’s Proposal. The Governor’s budget requests \$6.034 million General Fund in 2022-23, including \$1.034 million and five positions in 2022-23 and ongoing, and \$5 million one-time in 2022-23, to develop and implement rapid computational and molecular toxicology approaches for identifying toxic chemicals and safer alternatives. The \$5 million will be used for interagency contracts with the University of California (UC) to develop these approaches, while the five positions will apply UC research to advance scientific assessments of currently unevaluated chemicals that support California Environmental Protection Agency’s (CalEPA) regulatory programs.

These resources will support regulatory programs within CalEPA and other state agencies by providing information on the hazards and risks posed by chemicals in the environment and consumer products, as well as new scientifically valid approaches for understanding chemical hazards. Types of chemicals covered include those used in the petroleum industry and those subject to evaluation under the Department of Toxic Substances Control’s (DTSC) Safer Consumer Products Program. These evaluations would also be used in the establishment of public health goals for drinking water, reference exposure levels and cancer potency values for air contaminants, consumption advisories for contaminants in sport fish, and advisory levels that guide emergency response actions. Therefore, OEHHA’s proposed work would provide important state guidance for regulators, policymakers, and emergency responders on harmful chemicals that would otherwise remain unassessed.

Staff Recommendation. Approve as budgeted.

DISCUSSION

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

Issue 4: Department Oversight: CalRecycle

Background. *Department Overview.* CalRecycle is the state department responsible for implementing statewide recycling policies and programs. The department’s mission is to protect the state’s environment and climate for the health and prosperity of future generations through the reduction, reuse, and recycling of California resources, environmental education, disaster recovery, and the transition from a disposable to circular economy.

CalRecycle’s expenditures total approximately \$1.6 billion in the Governor’s budget. (This amount does not include federal funds, certain non-governmental cost funds, or reimbursements.)

Below is a summary of CalRecycle’s proposed 3-year expenditures and positions.

3-Year Expenditures and Positions

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
3700	Waste Reduction and Management	402.9	452.0	465.3	\$2,385,142	\$765,657	\$290,098
3705	Loan Repayments	-	-	-	-8,780	-6,556	-7,400
3710	Education and Environment Initiative	3.4	9.6	9.6	1,109	2,906	2,908
3715	Beverage Container Recycling and Litter Reduction	221.4	266.2	267.2	1,416,620	1,387,346	1,354,326
9900100	Administration	108.6	124.6	124.6	17,271	19,829	19,867
9900200	Administration - Distributed	-	-	-	-17,271	-19,829	-19,867
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		736.3	852.4	866.7	\$3,794,091	\$2,149,353	\$1,639,932

The department receives some General Fund support as well as funding from other revenue sources such as recycling fees on new electronics, beverage containers, tires, and used oil; disposal fees charged by landfills; and other special funds such as the Cost of Implementation Account and Greenhouse Gas Reduction Fund. A portion of this funding is returned to the economy through payments and grants to industry and local jurisdictions in support of waste reduction, recycling and safe disposal efforts, and the remainder covers CalRecycle’s annual operating budget.

Beverage Container Recycling Program (BCRP). According to the Legislative Analyst’s Office (LAO), the BCRP promotes beverage container recycling and reduced litter by using the California Refund Value (CRV) deposit and return system.

- Consumers pay the CRV — 5 cents or 10 cents per container — when purchasing beverages in containers subject to the program. The CRV deposit is returned to consumers when they redeem the empty beverage container at a certified recycling center.

- State law requires CalRecycle to designate “convenience zones” located within a half-mile radius from most supermarkets. Each convenience zone must be serviced by at least one certified recycling center in order to provide consumers convenient opportunities to redeem beverage containers near places where beverages are purchased.
- If there is no recycle center within the convenience zone, it is considered unserved. Beverage dealers in unserved zones must either redeem containers in-store or pay a daily \$100 fee.

Market changes have reduced the number of recycling centers. Over the last several years, changes in global markets — including a decrease in prices for recyclable materials — has reduced recycler profitability. This, in turn, has led to a substantial decrease in the number of recycling centers operating in the state. As a result, there are a large number of unserved zones. In February 2021, 42 percent (over 1,600) of statewide convenience zones were unserved. These unserved zones included over 6,300 beverage retailers.

Recent Legislation Authorized Pilot Programs to Test Different Redemption Options. SB 458 (Wiener), Chapter 648, Statutes of 2017, authorized CalRecycle to develop a Beverage Container Recycle Pilot Program, which allowed up to five pilot projects to provide new approaches to providing convenient beverage container redemption options in areas that lack recycling opportunities. Subsequently, AB 54 (Ting), Chapter 793, Statutes of 2019, allowed for greater flexibility for where pilot projects could operate — specifically allowing pilots to operate outside of convenience zones — and extended the sunset date from January 1, 2022 to July 1, 2022. The Legislature also appropriated \$5 million on a one-time basis from the Beverage Container Recycling Fund (BCRF) to support the pilots.

The 2020 Budget Act appropriated \$126,000 BCRF in 2020-21 and \$124,000 annually for two years to develop, implement, and provide oversight of the pilot project grant program.

The 2021 Budget Act appropriated \$10 million BCRF to provide grants for the Beverage Container Recycling Pilot Project Program. The budget included trailer bill language to extend the sunset date for the recycling pilot program from January 1, 2023 to January 1, 2027. This trailer bill language also increased the number of pilot projects from five to ten and the maximum number of operating years from three to five.

The 2021 Budget Act also included one position and appropriates \$129,000 BCRF in 2021-22, an additional five positions and \$805,000 BCRF in 2023-24, and an additional three positions and \$1.2 million BCRF in 2024-25 and ongoing, for a contracted biennial study. The funds will be used to implement AB 793 (Ting), Chapter 115, Statutes of 2020, which requires beverage manufacturers to include a minimum amount of postconsumer recycled plastic in all plastic beverage containers subject to the California Refund Value (CRV).

The following chart is the Fund Condition Statement for BCRF in the Governor’s Budget:

	2020-21	2021-22	2023-23
0133 California Beverage Container Recycling Fund^s			
BEGINNING BALANCE	\$274,320	\$529,228	\$387,585
Prior Year Adjustments	124,831	-	-
Adjusted Beginning Balance	\$399,151	\$529,228	\$387,585
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4120000 Beverage Container Redemption Fees	1,491,585	1,266,289	1,266,289
4163000 Investment Income - Surplus Money Investments	1,650	1,067	1,067
4171400 Escheat - Unclaimed Checks, Warrants, Bonds, and Coupons	227	32	32
4172500 Miscellaneous Revenue	13,199	3,229	3,229
4173000 Penalty Assessments - Other	185	61	61
4173500 Settlements and Judgments - Other	331	82	82
Transfers and Other Adjustments			
Revenue Transfer from Beverage Container Recycling Fund (0133) to Glass Processing Fee Account, California Beverage Container Recycling Fund (0269) per Public Resources Code Section 14580	-57,908	-66,874	-61,567
Revenue Transfer from the California Beverage Container Recycling Fund (0133) to the PET Processing Fee Account, California Beverage Container Recycling Fund (0278) per Public Resources Code Section 14580	-72,721	-87,071	-87,779
Total Revenues, Transfers, and Other Adjustments	\$1,376,548	\$1,116,815	\$1,121,414
Total Resources	\$1,775,699	\$1,646,043	\$1,508,999
EXPENDITURE AND EXPENDITURE ADJUSTMENTS			
3970 Department of Resources Recycling and Recovery (State Operations)	49,197	59,367	60,847
3970 Department of Resources Recycling and Recovery (Local Assistance)	1,195,876	1,197,996	1,165,496
9892 Supplemental Pension Payments (State Operations)	1,095	1,095	1,095
9900 Statewide General Administrative Expenditures (Pro Rata) (State Operations)	303	-	-
Total Expenditures and Expenditure Adjustments	\$1,246,471	\$1,258,458	\$1,227,438
FUND BALANCE	\$529,228	\$387,585	\$281,561
Reserve for economic uncertainties	529,228	387,585	281,561

BCRF Surplus and Reporting. The *San Francisco Chronicle* article, “California bottle deposit program sitting on at least \$100 million more than it told lawmakers,” (Dustin Gardiner, January 30, 2022), calls attention to CalRecycle’s reporting discrepancies of the BCRF reserve, stating:

“The program is now sitting on a surplus of more than \$529 million, money that comes from the nickel and dime deposits consumers pay every time they buy a can of soda or bottle of beer in the state.

CalRecycle, the state department that runs the deposit program, said the amount of the surplus jumped because of an accounting backlog that delayed actual totals during the pandemic. But some recycling advocates say the department has in the past downplayed the scope of its flush coffers to distract from its plummeting bottle recycling rate...

...[T]he size of its reported balance has fluctuated widely: About a year ago, the department projected it would begin the current year, which started on July 1, with a \$369 million surplus. Then, CalRecycle estimated the surplus was about \$428 million in a report to the Legislature last fall. CalRecycle later filed a memo with the state Department of Finance stating the surplus was actually over \$529 million.

CalRecycle Director Rachel Machi Wagoner, who took the department's helm in December 2020, said the jump was in part the result of a 'massive hiccup' that occurred when its accounting staff was suddenly forced to work remotely during the pandemic. Several employees quit around the same time, she said, and the department got far behind in tracking the money coming into its account...

...Two other factors also caused the surplus to grow faster during the pandemic: Beverage sales skyrocketed as people spent more time at home. Meanwhile, more recycling centers continued to close...

Machi Wagoner said it's also not unusual for the program's surplus to fluctuate by large amounts because the department can't predict exactly how many containers will be returned. She said, however, that the department doesn't plan to go back and revise any of the prior estimates because the fund balance it reported in the governor's proposed budget released this month is correct.

But some recycling advocates say they are troubled by the situation. They contend CalRecycle has a long history of providing low estimates about its surplus to legislatures. Susan Collins, president of the Container Recycling Institute advocacy group, said she's baffled that CalRecycle won't go back and fix its flawed projections...It's ridiculous that people in government can't just manage this the way it's supposed to be managed and produce an accurate and timely report... We can't improve the recycling program when there's misinformation.'...

...Machi Wagoner said CalRecycle has traditionally been conservative with its estimates because if it runs out of money in the fund, it would be forced to cut the subsidies it pays to help recycling centers cover their costs.

But she acknowledged that the program has more money than it needs to cover its operations — cash that could be used to try to improve recycling rates.”

As noted in the article, the program has been in a downward spiral for about five years as recycling centers closed en masse because of factors such as global tumult in the recycling market and soaring real estate prices. Only about 68 percent of bottles and cans bought in California are recycled today, down from about 85 percent at the program's peak in 2013.

Organic Waste. Methane is a potent greenhouse gas (GHG) —25-28 times greater than carbon dioxide — is the primary GHG driving climate change in California. It is the second largest source of global GHG emissions and is responsible for 20 percent of current global warming. Among the various ways methane is emitted into the atmosphere is by the decay of organic waste in municipal solid waste landfills. CalRecycle is responsible for the implementation of state climate policies including landfill methane emissions reduction, waste-to-energy production, and composting requirements.

SB 1383 (Lara), Chapter 395, Statutes of 2016, established methane remissions reduction targets in a statewide effort to reduce short-lived climate pollutants (SLCP) in various sectors of California's

economy. SB 1383 established targets to achieve a 50 percent reduction in the statewide disposal of organic waste by 2020 based on the 2014 level, and a 75 percent reduction by 2025. SB 1383 also established a target that at least 20 percent of currently disposed edible food is recovered for human consumption by 2025. Lastly, the law provided CalRecycle the regulatory authority required to achieve the organic waste disposal reduction targets. CalRecycle estimates the state will need to divert an additional 27 million tons of organics by 2025 to meet the goals.

There are about 3,000 regulated entities subject to SB 1383 regulations such as solid waste facilities, schools, school districts, and non-local entities such as state agencies, public universities, and federal facilities. The edible food recovery target adds regulated entities such as commercial edible food generators, food recovery services, and food recovery organizations. SB 1383 regulations took effect January 1, 2022.

The 2021 Budget Act included 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 for purposes of SB 1383 implementation. This action also included 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.

Circular Economy Package. The 2021 Budget Act included \$205 million in 2021-22, which is part of a two-year, total package of \$270 million (\$130 million General Fund) to support a circular economy that recognizes waste as a resource, with the purpose of shifting the state’s focus to a more resilient and renewable economy. These funds will support implementation of goals to reduce short-lived climate pollutants, including advancing organic waste infrastructure, edible food recovery, and composting opportunities; and support other non-organic recycling opportunities. The figure below details the total allocations in the Circular Economy Package:

Circular Economy Package
(Dollars in Millions)

Investment Category	Department	Program	2021-22	2022-23	Total
Organic Waste Infrastructure and Implementation	Cal Recycle	Edible Food Recovery	\$3	\$2	\$5
		Composting Opportunities	\$5	\$0	\$5
		Organic Infrastructure Grants	\$90	\$15	\$105
		Co-Digestion Capacity	\$10	\$10	\$20
		SB 1383 Local Jurisdiction Implementation Grants	\$60	\$0	\$60
Non-Organic Waste	Cal Recycle	Recycling Feasibility Grants	\$2	\$13	\$15
		Recycling Market Development Zone Loan Program	\$25	\$25	\$50
		Quality Incentive Payments for PET Thermoform-Free Beverage Container Loads	\$10	\$0	\$10
Total			\$205	\$65	\$270

The two main categories of this package are: (1) organic waste; and (2) non-organic waste. Organic waste investments for 2021-22 total \$168 million. Investments to address non-organic waste issues total \$37 million for 2021-22. All funding for this package is through CalRecycle. Among the various components, the package includes:

- Recycling Market Development Zone (RMDZ) Program. Trailer bill language authorizes CalRecycle to expend moneys in the Recycling Market Development Revolving Loan Subaccount in the Integrated Waste Management Account within areas outside of RMDZs where making the loan will benefit jurisdiction or assist a local jurisdiction, as specified.
- CalRecycle Greenhouse Gas Revolving Loan Program: Grant Program. Trailer bill language, upon appropriation by the Legislature in the annual Budget Act, requires CalRecycle to administer the grant program to provide financial assistance to promote in-state development of infrastructure food waste prevention, or other projects to reduce organic waste or process organic and other recyclable materials into new, value-added products.

Wildfire Debris Cleanup. Wildfire debris removal programs are implemented under the leadership of the Governor’s Office of Emergency Services (Cal OES) and local governments. CalRecycle is often tasked with overseeing and managing contractors and consultants to conduct debris removal operations on private properties, at no out-of-pocket cost to property owners.

Funding for disaster debris cleanup initially occurs through transfers to the Disaster Response-Emergency Operations Account within the Reserve for Economic Uncertainties. The account was created for reimbursement of extraordinary emergency or disaster response operations costs incurred by state agencies and state-requested local agencies as a result of a state of emergency proclamation by the Governor. Historically, a significant portion of these costs has eventually been reimbursed by the federal government. In addition, where applicable, insurance proceeds specially dedicated for debris removal may offset costs.

The state-managed debris removal program has two phases: (1) removal of household hazardous waste, and (2) removal of other fire-related debris.

For Phase 1, the Department of Toxic Substances Control (DTSC) or another dedicated agency is responsible for:

- Clearing properties of household hazardous waste, including propane tanks, compressed gas cylinders, and solvents.
- Assess properties for asbestos and removal of bulk asbestos material.

For Phase 2, CalRecycle is responsible for:

- Site assessment and documentation
 - Measure and record foundation, structures, debris, utility infrastructure, and property-specified hazards.
 - Obtain and evaluate soil samples to establish cleanup goals for the project; identify and remove remaining asbestos-containing materials.
- Debris removal
 - Remove all burnt debris, foundations, dangerous trees, and contaminated soil.
 - Conduct confirmation sampling.
 - Sample and analyze soil and compare results to cleanup goals.

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- Erosion control measures
 - Implement stormwater best management practices to control sediment runoff and promote vegetation growth.
 - Final inspection
 - Provide property owners with certification that verifies the lot is clean and eligible to receive a building permit.

The 2021 Budget Act appropriated \$891,000 General Fund and six permanent, full-time positions in 2021-22 and \$880,000 General Fund ongoing to manage the workload for debris removal operations. The additional positions will manage contracts, hold contractors responsible, fully reconcile funds, and coordinate federal reimbursements.

According to CalRecycle, for the 2021 wildfire season, mobilization has begun for structural debris and hazard tree removal operations including the Dixie, Caldor, Monument, Tamarack, Lava, Antelope, River, River Complex, Hopkins, French, Washington, and Cache Fires.

Conclusion. The programs highlighted above are just a few of the non-hazardous waste handling and recycling programs that CalRecycle administers and provides oversight. CalRecycle is also responsible for electronic waste recycling, used tires, used motor oil, carpet, paint, mattresses, rigid plastic containers, newsprint, construction and demolition debris, medical sharps waste, household hazardous waste, and food-scrap composting.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

Issue 5: Wildfire and Forest Resilience Task Force (SB 456)

Governor's Proposal. The Governor's budget requests \$2.483 million in General Fund for 2022-23 and \$1.477 million ongoing, and four positions (two at CNRA and two at CalFire) to support the operations of the Task Force and to fulfill the goals of SB 456 (Laird), Chapter 387, Statutes of 2021, which codifies the Governor's Wildfire and Forest Resilience Action Plan in statute.

These positions will 1) manage and facilitate the work of more than a dozen work groups and related committees, quarterly regional forums, an interagency team, a Science Advisory Panel; 2) track the 99 deliverables in the Action Plan; 3) coordinate the work of more than 50 federal, state, local, and tribal agencies involved in the Task Force; and 4) develop and implement a comprehensive communications strategy, including development of the annual reports required by SB 456.

Background. The California Forest Management Task Force (Task Force) was originally established in 2018 to introduce a more holistic, integrated approach toward effective forest management. The Task Force's purpose is to develop and implement a framework for establishing healthy and resilient forests and communities that can withstand and adapt to wildfire, drought, and a changing climate.

The Task Force issued the Wildfire and Forest Resilience Action Plan (Action Plan) on January 8, 2021. The Action Plan is a broadly supported strategy to reduce wildfire risk for vulnerable communities, improve the health of forests and wildlands and accelerate action to combat climate change. The plan calls for achieving these goals largely through regional strategies tailored to the environmental conditions, risks and priorities in each area.

In the spring of 2021, the Task Force was renamed the Wildfire and Forest Resilience Task Force and relaunched with an Executive Committee of federal, state, local, and tribal members. In September 2021, SB 456 was enacted to implement a comprehensive strategy related to the state's Action Plan.

SB 456 requires CalFire, along with CNRA, the California Environmental Protection Agency, the Office of Planning and Research, and other members of the Task Force, to develop a comprehensive implementation strategy to track and ensure the achievement of the goals and key actions identified in the Action Plan. SB 456 requires the implementation strategy to address specified actions, including increasing the pace and scale of wildfire and forest resilience activities, as provided.

SB 456 requires the Task Force, on or before January 1, 2023, and annually thereafter until January 1, 2048, to submit a report containing specified information, including progress made in achieving the goals and key actions identified in the Action Plan, to the appropriate policy and budget committees of the Legislature.

SB 456 requires the Task Force, on or before January 1, 2026, and every five years thereafter, to update the Action Plan, as provided. The bill requires the Task Force to invite the participation of specified federal entities in the creation, alignment, and coordination of joint efforts related to the above-described provisions.

Staff Recommendation. Hold open.

3340 CALIFORNIA CONSERVATION CORPS (CCC)**Issue 6: Rightsizing Fire Crew Resources**

Governor's Proposal. The Governor's budget requests \$1.769 million in 2022-23, \$1.708 million in 2023-24, and \$1.994 million ongoing General Fund for 11 positions and 13 full-time equivalent Corpsmembers positions to adequately support CalFire/CCC fire crews.

CCC is requesting position authority and funding for the following:

Magalia-Butte Fire Center

- Conservationist II (CII) (1.0): This position works with the Conservationist Supervisor to coordinate crew work, staff training, relief supervision and Corpsmember development, and will mirror all other center staffing patterns. Responsibilities include district safety officer, project coordinator, provides logistical support and training for Corpsmembers and staff.

Camarillo Fire Center

- Conservationist I – Fire Relief (CI) (1.0): This position provides direct supervision of firefighting crews and will provide for relief for Camarillo's four fire crews and ensure consistent coverage. The addition of this position will right size the current staffing pattern for Type 1 fire crews and provide a 2:1 ratio for fire crew relief. It will mirror the fire relief CI positions added recently at Placer, Tahoe, Los Pinos, Delta, Los Padres, Ukiah/Willits, and Magalia-Butte.
- Corpsmember (13.0 FTE): The addition of these Corpsmember positions will provide fire trained and qualified backup Corpsmembers who are prepared to backfill vacant fire crew positions to keep Camarillo's four fire crews ready to respond, per CCC/CalFire agreement. The addition of these Corpsmember positions will also free up resources to assist with providing adequate Corpsmembers coverage of other center needs (fire crews, resource crew, culinary, facility maintenance, etc.)

Los Pinos Center

- Maintenance Mechanic (1.0): This position provides necessary facility maintenance and repairs at the Los Pinos Residential Center. This will match the staffing pattern at all residential locations.

Headquarters Support Staff

- Associate Governmental Program Analyst (AGPA) (1.0): This position will support Human Resources' Health & Safety unit with filing and tracking increased injuries due to nature of fire related work.
- Staff Services Analyst (SSA) (1.0): This SSA will work within the three CCC regions and Emergency Services Unit to ensure that expenditures are allocated correctly by providing the accounting and budget units with labor expenditures and financial report adjustments.
- Associate Construction Analyst (1.0): This position will support Capital Outlay and Facility Management Unit on upcoming capital outlay projects and deferred maintenance, with an emphasis on facilities with fire crews.
- Associate Personnel Analyst (APA) HR C&P (1.0): This position will support the Human Resources' Classification & Pay (C&P) Unit to address the increased workload as a result of changes and updates in C&P, as well as increased Request for Personnel Action (RPA) volume.
- Associate Governmental Program Analyst (AGPA) (1.0): This position will support the Training

Unit with the increased workload of training additional staff and Corpsmembers.

- Senior/Accounting Officer (3.0): Currently funded by SB 901 in support of Los Pinos Center and Fire Crew centers overall, these positions will support the additional accounts payable workload related to fire crew purchases.

Background. When not assigned to emergency incidents, these crews perform fire prevention work in the form of community fuel breaks, vegetation management, forest health projects, and prescribed fires.

In 2016, CalFire and CCC partnered to staff Fire Crews at the Magalia-Butte Fire Center, adding two crews at the Placer Fire Center in 2018, adding an additional five fire crews in 2019 to the Magalia-Butte, Camarillo, and Toro (Los Padres) Fire Center and six additional crews in 2021 to Delta, Tahoe, and Los Pinos.

Currently, CalFire and CCC have 18 year-round fire crews statewide with two proposed to be added to Ukiah/Willits in 2022.

CCC has identified personnel deficiencies throughout its CCC/CalFire Centers. In some cases, current staffing does not align with established staffing allocations. Consequently, this is impacting daily operations, as a result of increased fire activity, for which this proposal, if approved, will address.

Staff Recommendation. Approve as budgeted.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**Issue 7: Agricultural Lands: Livestock Producers: Managerial Employees: Livestock Pass Program: Disaster**

Governor's Proposal. The Governor's budget requests \$493,000 General Fund in 2022-23, \$181,000 General Fund in 2023-24, and one position for two years to implement the training curriculum for livestock producers eligible for the livestock pass program to comply with the requirements of AB 1103 (M. Dahle), Chapter 609, Statutes of 2021.

Background. *AB 1103 (M. Dahle).* AB 1103 establishes a county livestock pass (Livestock Pass) program for the purpose of issuing identification documents granting a livestock producer, or a managerial employee of the producer, access to the producer's farm or ranch property during or following a flood, storm, fire, storm, earthquake, or other disaster.

AB 1103 requires the Office of the State Fire Marshal to create a curriculum for training livestock producers, as defined, on or before January 1, 2023. The curriculum would be developed in collaboration with the Statewide Training and Education Advisory Committee (STEAC), and would include basic fire behavior, communications during a disaster or emergency, and training on the incident command structure. Continuing education and recertification courses would also be developed. The bill also includes intent language that the initial training curriculum should be limited to four hours.

The purpose of a county-based Livestock Pass program is to identify owner-operators of commercial ranches to firefighting personnel, California Highway Patrol officers, sheriff's deputies, and other emergency personnel. Possession of a Livestock Pass during a wildfire or similar disaster allows the individual access to areas that may otherwise be restricted to the public so that the agriculturalist can: (1) protect or care for livestock assets (such as feeding, watering, and transporting livestock); or (2) provide auxiliary support to emergency personnel (such as identification of access roads and water points).

Staff Recommendation. **Hold open.**

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)

Issue 8: 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. Hold open.

Issue 9: 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. Hold open.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**Issue 10: Natural Resources Bonds and Technical Proposals: Proposition 68**

Governor’s Proposal. The Governor’s budget requests to revert \$15.805 million of the amount appropriated to support critical deferred maintenance projects in 2020-21 from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Fund (Proposition 68).

Background. A total of \$73 million has been appropriated from the General Fund for deferred maintenance projects between 2016-17 and 2019-20. In 2020-21, due to the economic uncertainties, \$44.343 million was reverted from these General Fund appropriations, and \$55.843 million was appropriated using Proposition 68 bond funds. As a result, Parks generated General Fund savings, moving many deferred maintenance projects from General Fund to Proposition 68. Most recently, in 2021-22, \$185 million General Fund was appropriated to address deferred maintenance projects representing critical infrastructure deficiencies. With this proposal, some of those projects will move back to General Fund, using a portion of the funds that were appropriated in 2021-22. The Administration states that the reversion in this proposal is imperative in order to have available funding for the completion of Proposition 68’s continuing capital outlay projects.

PRC Section 80070 authorizes \$130 million for restoration, preservation, and protection of existing state park facilities and units. Proposition 68 currently funds five capital outlay projects that have outyear phases under PRC Section 80070. This proposal will revert enough funds to ensure affordability for outyear phases of these capital outlay projects. This proposal will also make further progress towards meeting the regional funding targets specified by PRC Section 80077, since four of these five projects are located in the designated regions.

This proposal provides the needed funding for outyear phases of continuing Proposition 68 capital outlay projects. The reverted funds will ensure completion of the following capital outlay projects:

- *Candlestick Point SRA: Initial Build-Out of Park.* This project will allow for the build-out of the Department’s “first urban park” to provide core improvements, public access, and recreation enhancements.
- *Colonel Allensworth State Historic Park: Visitor Center.* This project will result in construction of a new visitor center building to include a reception area, conference/multipurpose room, cultural/interpretive room, theater room, staff offices, restrooms, and kitchen/break room.
- *Lake Perris State Recreation Area: Replace Lifeguard Headquarters.* This project will result in demolition of the existing 45-year old lifeguard headquarters and construction of a new, multi-purpose lifeguard headquarters. The new building will be larger and provide functionalities not currently available in the existing structure such as separate male and female locker rooms for lifeguard staff, a storage room for dive team, and medical equipment.
- *Old Sacramento State Historic Park: Riverfront Improvements.* This project will create a space that complements the natural riverbank environment and forms a strong connection to Sacramento’s Waterfront. The improvements will result in an inviting space for visitors that provides opportunities for special events, a four-season river viewing experience, and a complementary space to the Sacramento Waterfront.

- *Picacho State Recreation Area: Park Power System Upgrade.* This project will evaluate the park's current and future electrical power needs, including redundant backup, and determine sustainable options for providing reliable and cost-effective electrical power at this remote location.

Staff Recommendation. Hold open.

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VOTE-ONLY

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3100 EXPOSITION PARK
3340 CALIFORNIA CONSERVATION CORPS (CCC)
3540 CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3640 WILDLIFE CONSERVATION BOARD
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3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)
3810 SANTA MONICA MOUNTAINS CONSERVANCY (SMMC)
3825 SAN GABRIEL LOWER LOS ANGELES RIVER AND MOUNTAINS CONSERVANCY (RMC)
3855 SIERRA NEVADA CONSERVANCY (SNC)
3860 DEPARTMENT OF WATER RESOURCES (DWR)
3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY

Issue 1: Natural Resources Agency Bond and Technical Proposals (SFL)

Governor's Proposal. A Spring Finance Letter (SFL) requests for appropriations and reappropriations from various bonds, reversions, reversions with associated new appropriations, and other non-bond technical adjustments to continue implementation of existing authorized program.

Staff Recommendation. Approve as proposed.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)**Issue 2: Bonds and Grants Unit Positions (SFL)**

Governor's Proposal. An SFL requests seven permanent positions in 2022-23, six permanent positions in 2023-24, and seven permanent positions in 2024-25 (for a total of 20 positions ongoing) within the Bonds and Grants Unit, to support the increase in grant program and specified project funding and associated workload. Positions will be funded with existing funding authority.

Background. CNRA programs award grants for multi-benefit projects that support river restoration, urban greening, flood protection, trails and greenways, natural resource acquisitions, museums, and youth access to natural and cultural resources.

Annually, CNRA receives General Fund projects to administer as well as two annual and one biennial grant program that include the Environmental Enhancement and Mitigation, Museum Grant Program and Youth Community Access Program. In addition, the 2021-22 Budget included General Fund of \$50 million for the Museum grant program, \$50 million for the Urban Greening grant program, \$235 million for specified projects, and \$40 million for Water Resilience Projects, and an additional \$125 million in Proposition 68 funding for programs and projects that improve environmental conditions to promote recovery of native fish species in the Sacramento-San Joaquin watershed. It is anticipated that all but the specified projects will be awarded over multiple rounds.

In addition to the funding appropriated in the 2021-22 Budget, an additional \$200 million General Funds is anticipated for the Urban Greening grant program over the next two fiscal years.

Grant administrators have an average workload of approximately 33 grants per administrator. In order to maintain that ratio additional positions are needed. The additional funding over multiple rounds will also increase workload to develop and update grant guidelines, provide outreach and technical assistance, and provide management of solicitations and award processes. With the addition of staff, programs, and project funding, CNRA requires additional managers to provide oversight of grant administrators and program implementation and administration.

Staff Recommendation. Approve as proposed.

3100 EXPOSITION PARK

Issue 3: Baseline Budget Augmentation for New Infrastructure Maintenance (SFL)

Governor's Proposal. An SFL requests \$418,000 ongoing Exposition Park Improvement Fund to acquire goods and services in the maintenance and repair of the Orange Parking Structure which was built by the Lucas Museum of Narrative Art to restore the Office of Exposition Park Management's (OEPM's) lost parking inventory due to the construction of the Museum. Additionally, OEPM requests one additional Associate Governmental Program Analyst to support in the additional workload of acquiring the goods and services for maintenance.

Staff Recommendation. Approve as proposed.

Issue 4: Parkwide Surveillance System (SFL)

Governor's Proposal. An SFL requests \$378,000 General Fund for the preliminary plans phase of a project to implement a parkwide surveillance system that will allow Exposition Park Department of Public Safety to patrol the grounds more efficiently, decrease liability to the state for loss of property or life, and allow for more proactive policing to protect the states assets and visitors of the Park.

Background. Exposition Park is 147-acre campus comprised of cultural, community, sports and entertainment venues. The Park hosts hundreds of thousands of visitors yearly. A core function of the OEPM is to provide Exposition Park with public safety.

Staff Recommendation. Approve as proposed.

Issue 5: South East Underground Parking Structure (SFL)

Governor's Proposal. An SFL requests \$500,000 General Fund to fund a cost estimate study and feasibility analysis to construct an underground parking structure with a festival plaza top-deck.

This underground parking structure will replace three existing surface parking lots and parking on lawn area of the Park. The underground parking structure will be topped off with 14.2 acres of new green space to be use by the local community and park visitors, as well as will serve as additional event space.

Staff Recommendation. Approve as proposed.

3125 CALIFORNIA TAHOE CONSERVANCY

Issue 6: Forest Program Management (SFL)

Governor's Proposal. An SFL requests a \$1 million ongoing increase in reimbursement authority, and a \$1 million ongoing increase in Federal Trust Fund authority, along with one position to support recently awarded state and federal grants. The additional resources will increase the pace and scale of forest restoration work in the region to reduce risks associated with catastrophic wildfires, drought, and climate change.

Background. The Conservancy proposes to use the requested reimbursement authority to reduce hazardous fuels in the wildland-urban interface, implement landscape-scale restoration initiatives, and build sustainable capacity for forest management. The Conservancy supports capacity building and provides grants or subgrants to Basin partners to implement projects on non-Conservancy lands. For projects on Conservancy lands, staff carries out every aspect of project implementation except for specific specialized forestry services that can only be provided by a contractor or project partners.

To begin increasing the pace and scale of wildfire and forest resilience work, the Conservancy requests one Attorney III to oversee compliance with the California Environmental Quality Act and other rules and regulations, provide legal guidance on areas of first impression, and help craft agreements to expand capacity to support partner efforts including the Washoe Tribe.

The Conservancy will use funding from the federal Bureau of Land Management's Southern Nevada Public Land Management Act and the Department of Conservation's Regional Forest and Fire Capacity Program grants to support the requested position. Given the Conservancy's recent success in securing over \$11 million in grant funding and \$36 million in General Fund to support wildfire and forest resilience, the Conservancy anticipates that additional funding will be available to support the position on an ongoing basis.

Staff Recommendation. Approve as proposed.

3125 CALIFORNIA TAHOE CONSERVANCY
3355 OFFICE OF ENERGY INFRASTRUCTURE SAFETY
3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION (CEC)
3480 DEPARTMENT OF CONSERVATION (DOC)
3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)
3720 CALIFORNIA COASTAL COMMISSION
3860 DEPARTMENT OF WATER RESOURCES

Issue 7: Support for Relativity Document Review Software (SFL)

Governor’s Proposal. An SFL requests \$2.324 million baseline funding to provide resources necessary to adequately maintain and use the Relativity program in responding to litigation requirements and California Public Records Act (PRA) requests.

Background. Since the adoption of the PRA in 1968, technology and the types of records used to conduct business have expanded exponentially (e.g., email, SharePoint, cloud drives, Zoom chats, BlueJeans, MicroSoft Teams chat, video footage from drones, and public meeting recordings). Shifts to paperless offices and remote work have also contributed to the creation of larger numbers of electronic records that require collection, review, and, in part, production.

In addition, the public is increasingly making PRA requests referencing specific search terms (e.g., "I want all records you have with the name 'Smith'") in the department’s electronic records. With this shift, there is a significant increase in the quantity of records retrieved, which in turn creates a much greater burden to curate the retrieved records for relevance, confidentiality, privilege, or sensitivity.

These shifts increase the volume of records in PRA requests and e- discovery as well as the complexity of developing search terms, digital storage criteria, and review and redaction of records on those platforms.

Staff Recommendation. Approve as proposed.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)

Issue 8: Automated License Data System Contract Increase (SFL)

Governor's Proposal. An SFL requests funding of \$831,000 General Fund in 2022-23, \$833,000 in 2023-24, \$834,000 in 2024-25, \$974,000 in 2025-26, and \$1.05 million in 2026-27 and ongoing for the increased cost of the agreement between DFW's Data and Technology Division and Aspira. Aspira provides the necessary maintenance, development, and support to keep the Automated License Data System (ALDS) operational.

Background. ALDS is an automated system that replaced DFW's paper license inventory system. ALDS allows license items to be printed instantly using point of sale terminals and is available at DFW license agents and DFW license sales offices located throughout the state. ALDS also allows applicants to apply for licensing via the Internet.

ALDS, which houses over 5,000,000 customer and agent records, is DFW's primary mechanism for collecting revenue from the sale and issuance of over 391 different license, permit, and other entitlement types by 10 DFW license sales offices and more than 11,000 license agent locations statewide. ALDS is an essential, mission critical system to DFW, and has allowed DFW to meet mandates that were not previously achievable.

Since the first launch of ALDS, DFW has contracted with Aspira for the maintenance, operation, development, and support to create and keep the system running. The state does not have the necessary knowledge and skill to provide the development, operation, and maintenance of this integrated enterprise information system.

Staff Recommendation. Approve as proposed.

Issue 9: Wildlife Waystation Emergency Response (SFL)

Governor's Proposal. An SFL requests one-time funding of \$1.08 million General Fund in 2022-23 to fund the necessary contracts (payroll services, armed guards, water delivery, portable toilets, etc.) associated with the Wildlife Waystation Sanctuary (WW). The additional resources are needed to care for and rehome the remaining exotic animals to complete DFW's original emergency operation.

Background. The WW was an animal sanctuary located in Sylmar, CA that was founded in 1976. This animal sanctuary operated for over 40 years and housed over 77,000 animals. The WW facility was costly to operate and in August 2019, the WW was forced to shut down due to financial difficulties and surrendered its Restricted Species Permit to DFW. At the time of shut down, the WW housed 481 exotic animals, including African lions, tigers, bears, jaguars, chimpanzees, monkeys, reptiles, birds, etc. Surrendering their Restricted Species Permit shifted the responsibility of all the restricted species to DFW. The WW did not have the resources to pay for supplies, utilities, site security, contracts, and various ad-hoc needed repairs and emergencies. DFW has requested deficiency funding the last couple years to cover the unanticipated costs that the WW could not pay for since the facility closed. Without DFW's support, the WW would not be able to continue to care for the animals.

DFW has rehomed all animals except for 18 remaining chimpanzees and 2 wolf-dog hybrids. Currently, DFW is working in collaboration with the North American Primate Sanctuary Alliance, Seventh Generation Advisors, and other organizations to find homes for the remaining chimpanzees (there were 42 chimpanzees when the facility closed). DFW is also working with its partners to raise funds to aid in the rehoming of the animals and supplement on-site costs as needed. Finding appropriate homes for chimpanzees is difficult because quality sanctuary space is unavailable. DFW is focusing on finding appropriate facilities and helping to pay for new enclosures at sanctuaries willing to take the chimpanzees. Because of the costly expenses to care for a chimpanzee, most facilities willing to accept them require some funding to support proper care for them while additional funds are raised. While excellent progress has been made, DFW still has a commitment to safely rehome the remaining animals.

Staff Recommendation. Approve as proposed.

3720 CALIFORNIA COASTAL COMMISSION**Issue 10: Resources for Attorneys' Fees (SFL)**

Governor's Proposal. An SFL requests \$120,000 General Fund one-time to pay for outside counsel to represent it in litigation brought by Friends of Oceano Dunes, Inc., EcoLogic Partners, Inc. and the Specialty Equipment Market Association challenging the Commission's March 18, 2021 action to amend the California Department of Parks' coastal development permit for operations at Pismo State Beach/Oceano Dunes State Vehicular Recreation Area. The Attorney General's Office is unable to represent the Coastal Commission in this litigation due to a potential conflict of interest with State Parks. The funding is necessary to allow the Coastal Commission to defend itself in this litigation.

Staff Recommendation. Approve as proposed.

3760 STATE COASTAL CONSERVANCY (SCC)

Issue 11: Establishment of Two Positions for the Great Redwood Trail Project (SFL)

Governor’s Proposal. An SFL requests the establishment of two permanent full-time positions to implement the Great Redwood Trail Project pursuant to SB 69 (McGuire), Chapter 423, Statutes of 2021. These positions will be funded through an appropriation included in the 2021 Budget to aid in the planning and reuse of the assets of the North Coast Rail Authority.

Background. SB 69 renames the NCRA the Great Redwood Trail Agency (GRTA), and to the extent funding is available, requires the GRTA to, among other things, “(1) inventory any parcel, easement, or contract related to its rail rights-of-way, (2) complete an environmental assessment of the conditions of its rail rights-of-way for purposes of trail development, (3) plan, design, construct, operate, and maintain a trail in, or next to, the rail rights-of-way, and (4) complete a federal railbanking process for the rail rights-of-way.” SB 69 also gives the GRTA the authority “to contract with SCC, a state agency, or another organization to staff the agency.” In support of this effort, the 2021 Budget appropriated \$10.3 million to SCC to assist with development of the Master Plan for the trail, provide interim staff support to the GRTA, and undertake activities necessary to advancing the trail.

Staff Recommendation. Approve as proposed.

Issue 12: New Reimbursement Authority (SFL)

Governor’s Proposal. An SFL requests \$40 million in increased reimbursement authority for 2022-23 and \$20 million in increased reimbursement authority in 2023-24 to receive and disburse grant funds. The grants will provide funding for the protection and restoration of coastal and ocean resources related to the effects of sea level rise and other impacts of climate change.

Staff Recommendation. Approve as proposed.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**Issue 13: Alameda-Tesla Expansion Area Planning (SFL)**

Governor's Proposal. An SFL requests one-time funding of \$1 million State Park and Recreation Fund and one limited-term position to best determine the classification and planning of the Alameda-Tesla Expansion Area. This funding will be used to conduct the necessary research and resource surveys to establish the appropriate park unit classification, such as a State Park or State Park Reserve, including allowable uses, community/park user needs, and reviewing best practices from other State Park units that may be applicable. Additionally, a general plan will be developed for the property that will include a robust public engagement and extensive planning process to identify the potential land management strategies and appropriate level of public recreation opportunities that will provide for the preservation of the natural and cultural resources as well as public access.

This request includes \$1 million Off-Highway Vehicle Trust Fund authority for feasibility studies related to acquisition of additional lands to support and/or expand off-highway vehicle (OHV) recreation. The Department will explore opportunities that protect open space, provides for increased OHV recreation, and protects California's unique ecosystem. The current project schedule estimates feasibility study activities will begin in July 2022, with the first possible land acquisitions to be completed as early as December 2023.

Staff Recommendation. Approve as proposed.

Issue 14: Kings Beach State Recreation Area (SRA): Recreational Pier Replacement and Support Buildings (SFL)

Governor's Proposal. An SFL requests \$805,000 in reimbursement authority for the preliminary plans phase of the Kings Beach SRA: Recreational Pier Replacement and Support buildings project in Placer County. This project will relocate the existing pier, construct a new support building for park operations, and provide access and recreational improvements, consistent with the 2018 General Plan.

Design funds for this project will come from fully executed grant agreements between Parks and the California Tahoe Conservancy in the amount of \$650,000 and Parks and the State of California, Wildlife Conservation Board in the amount of \$700,000, for a total of \$1.35 million. Parks will seek additional grant funds for the construction phase of this project.

This project would relocate the existing pier, construct a new support building and appurtenances for park operations, and provide other access and recreational improvements, consistent with the General Plan. Total project costs are estimated at \$15.425 million, including preliminary plans (\$805,000), working drawings (\$1.046 million), and construction (\$13.574 million). The current project schedule estimates preliminary plans will begin in July 2022 and be completed in May 2023. The working drawings are estimated to begin in July 2023 and be completed in January 2025. Construction is scheduled to begin in August 2025 and will be completed in August 2026.

Staff Recommendation. Approve as proposed.

Issue 15: Lake Oroville SRA: Gold Flat Campground Upgrades (SFL)

Governor’s Proposal. An SFL requests a new appropriation in the amount of \$1.677 million from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Fund (Proposition 84) for the construction phase of the continuing Lake Oroville SRA: Gold Flat Campground Upgrades project. Also, Parks requests the reversion of the 2019 appropriation for \$1.299 million from Proposition 84 for the construction phase of the continuing Lake Oroville SRA: Gold Flat Campground Upgrades project. This request is a net increase of \$378,000.

This continuing project will upgrade aged and failing infrastructure by replacement of the outdated electrical and water distribution systems, installation of data conduit for future use, and overlay of campground roads and campsite spurs. The project will also construct accessible campsites and accessible paths of travel and accessibility upgrades to the existing combination building.

The project will upgrade Gold Flat Campground’s aged and failing infrastructure; by replacement of electrical and water distribution systems, installation of data conduit, overlay of roads and spurs, and construction of additional accessible campsites. Total project costs are estimated at \$1.984 million, including preliminary plans (\$216,000), working drawings (\$91,000), and construction (\$1.677 million). The current project schedule estimates preliminary plans began in July 2017 and were completed in December 2019. The working drawings began in February 2020 and were approved in July 2021. Construction is scheduled to begin in September 2022 and be completed in February 2023.

Staff Recommendation. Approve as proposed.

Issue 16: Local Assistance: Statewide Park Program and Urban Parks Initiative Grants (SFL)

Governor’s Proposal. An SFL requests one-time funding of \$7.2 million from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund (Proposition 40) for competitive grants under the Urban Parks Initiative Program to fully expend remaining Proposition 40 bond funds available from Public Resources Code (PRC) Section 5096.610(b)/.620(d). Parks also requests one-time funding of \$5 million from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund (Proposition 84), PRC Section 75065(b) for competitive grants under the Statewide Park Development and Community Revitalization Program.

With Proposition 40 winding down and anticipated to be closed out in 2027, the Department requests to appropriate the remaining available funds under PRC Section 5096.610(b)/5096.620. PRC Section 5096.633 states that funds not expended by grant recipients prior to July 1, 2011, shall revert to the fund and become available for appropriation by the Legislature for one or more of the local assistance programs specified in PRC Section 096.620 that the Legislature determines to be the highest priority statewide. Parks is requesting to use redistributed savings and any funding available in Parks’s PRC Section 5096.610(b)/5096.620 allocations of Proposition 40 to fund this \$7.2 million proposal from pot PRC Sections 5096.610(b)/5096.620(d); 5096.625; 5643 (Ch. 876/01) & Ch. 878/01.

This method of sweeping available balances is consistent with what Parks has done in previous fiscal years.

Staff Recommendation. Approve as proposed.

Issue 17: Malibu Creek State Park (SP): New Stokes Creek Bridge (SFL)

Governor's Proposal. An SFL requests a supplemental appropriation of \$79,000 from available bond funds from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund (Proposition 84, PRC Section 75063(a)) for the working drawings phase of the continuing Malibu Creek SP: New Stokes Creek Bridge project in Los Angeles County. This project will replace an existing, undersized arch culvert with a bridge to restore a secondary escape route for park visitors in the event of fire or other emergencies, reduce deferred maintenance costs and disruption to campers, and restore the creek to its natural configuration. Additional funding is necessary for the working drawings phase of this project due to increased design costs and additional natural resources permitting activities

Total project costs are estimated at \$7.791 million, including preliminary plans (\$292,000), working drawings (\$687,000), and construction (\$6.812 million). The current project schedule estimates preliminary plans began in July 2015 and will be approved in March 2022. The working drawings are estimated to begin in April 2022 and be completed in March 2023. Construction is scheduled to begin in June 2023 and will be completed in March 2025.

Staff Recommendation. Approve as proposed.

Issue 18: Mount Diablo State Park (SP): Visitor Center (SFL)

Governor's Proposal. An SFL requests \$90,000 in reimbursement authority from the State Parks and Recreation Fund for preliminary plans and working drawings phases of the Mount Diablo State Park (SP): Visitor Center. This new project includes replacing a small existing visitor center trailer with a larger visitor center, remodeling the existing restroom and site to meet accessibility standards, and constructing an outdoor interpretive pavilion.

The Mount Diablo Interpretive Association (MDIA) has agreed to donate the design drawings and specifications for this project, subject to state review and approvals, and will collaborate with the Department to pay all state costs for design review, project management, and construction.

The project includes replacing a small existing visitor center trailer with a larger visitor center, remodeling the existing restroom and site to meet accessibility standards, and constructing an outdoor interpretive pavilion. Total project costs are estimated at \$2.702 million, including preliminary plans (\$70,000), working drawings (\$20,000), and construction (\$2.612 million). The current project schedule estimates preliminary plans will begin in September 2022 and will be completed in June 2023. The working drawings are estimated to begin in July 2023 and will be approved in April 2024. Construction is scheduled to begin in May 2024 and will be completed in March 2025.

Staff Recommendation. Approve as proposed.

Issue 19: Pismo Beach State Beach (SB): Entrance Kiosk Replacement (SFL)

Governor's Proposal. An SFL requests a \$260,000 transfer from the Off-Highway Vehicle Trust Fund (OHVTF) to the General Fund to reimburse Parks for costs incurred for the preliminary plans and working drawings phase. Additionally, Parks requests to remove the \$793,000 request for construction funded by OHVTF included in the 2022-23 Governor's Budget and replace it with a new appropriation of \$793,000 funded by General Fund for the construction phase for this project. The request is a total of \$1.053 million General Fund.

On March 18, 2021, the California Coastal Commission (Commission) concluded that off-highway vehicle recreation at Oceano Dunes SVRA is incompatible with the Coastal Act and revised Parks's Coastal Development Plan regarding off-highway vehicle use at this SVRA. Consistent with this ruling, the Commission directed Parks to phase out off-highway vehicle recreation in this SVRA over the next three years. Given the Commission's March 2021 ruling, it is not appropriate to fund this project using OHVTF. Since park visitors will still be camping at the North Beach Campground, the new ADA-compliant entrance station kiosk with workstations, restroom, storage facilities, and ADA compliant parking are still necessary.

Total project costs are \$1.053 million, including preliminary plans (\$124,000), working drawings (\$136,000), and construction (\$793,000). The current project schedule estimates preliminary plans began in July 2017 and was approved in November 2021. The working drawings are estimated to begin in August 2021 and will be approved in December 2022. Construction is scheduled to begin in April 2023 and will be completed in April 2024.

Staff Recommendation. Approve as proposed.

Issue 20: Tamarack Wildfire Repair (SFL)

Governor's Proposal. An SFL requests \$5 million General Fund one-time in 2022-23 for the Tamarack Wildfire Repair project in Grover Hot Springs SP. The Department will replace and repair lost equipment, destroyed facilities, and trails back to pre-disaster condition.

This wildfire is not a Federal Emergency Management Agency declared emergency and Parks does not have necessary resources to restore the fire damaged area. Additionally, three-year encumbrance availability is being requested for this proposal to allow for sufficient time to complete projects. This funding is also requested to be available for both support and capital outlay.

Staff Recommendation. Approve as proposed.

Issue 21: Local Parks Extensions

Governor’s Proposal. The Governor’s budget requests grant liquidation extensions for the following grant recipients and local projects:

Grantee	Project	Amount to be Extended	Liquidation Date Needed
City of Los Angeles, Recreation and Parks	Cesar Chavez Park Development	\$1,500,000	June 30, 2024
City of Los Angeles, Recreation and Parks	Nevin Avenue Elementary School Park	\$2,234,484	June 30, 2024
City of Los Angeles, Recreation and Parks	Slauson-Wall Park	\$4,999,933	June 30, 2026
City of San Diego, Parks and Recreation Dept.	Balboa Park Botanical Building Improvements	\$8,000,000	June 30, 2024
City of San Diego, Parks and Recreation Dept.	Rancho Bernardo Community Park	\$485,000	June 30, 2024
City of San Diego, Parks and Recreation Dept.	Jerabek Neighborhood Park ADA Upgrades	\$3,880,000	June 30, 2024
City of Lafayette	Brook Street Park	\$291,000	June 30, 2023
Salinas Regional Sports Authority	Salinas Soccer Complex	\$4,850,000	June 30, 2024
City of Rancho Cucamonga	Community Dog Park	\$2,719,899	June 30, 2023
YMCA of San Diego County	Jackie Robinson YMCA Aquatic Center	\$4,850,000	June 30, 2023
San Francisco Mayor's Office of Community Development	Richmond Community Center	\$2,000,000	June 30, 2023
San Francisco Parks Alliance	Harvey Milk Plaza Renovations	\$556,621	June 30, 2023
City and County of San Francisco	Merced Heights Park	\$848,841	June 30, 2023
Heal the Bay	WAYS Park (now Inell Woods Park)	\$789,142	June 30, 2023
Fox Fullerton Theater Foundation	Fox Fullerton Theater Project	\$2,335,031	June 30, 2024
City of Artesia	A.J. Padelford Park Expansion	\$486,476	June 30, 2024
City of Huntington Beach	Bluff Top Park Improvement Project	\$1,649,000	June 30, 2023
City of Los Angeles, Recreation and Parks	West Lakeside Park	\$3,862,954	June 30, 2023

City of Los Angeles, Recreation and Parks	Rhodes Park	\$485,000	June 30, 2023
City of Galt	Galt Walker Park Phase 2	\$1,649,000	June 30, 2023
California Museum of History	California Museum	\$2,835,427	June 30, 2023
City of Grand Terrace	Playground	\$19,000	June 30, 2023
East Bay Regional Park District	McCosker Creek Restoration and Public Access	\$3,880,000	June 30, 2023
City of Pico Rivera	Smith Park Pool Renovation	\$84,000	June 30, 2023
City of Colton	Playground Improvements	\$485,000	June 30, 2023
City of Colton	Colton Museum Renovation	\$873,000	June 30, 2023
City of Whittier	Guirado Park Fitness Equipment	\$58,500	June 30, 2023
City of Los Angeles, Recreation and Parks	Mid Valley Multipurpose Intergenerational Center	\$106,187	June 30, 2023
City of Whittier	Laurel Park Restroom Renovation	\$300,000	June 30, 2023
California Museum of History	California Museum	\$848,891	June 30, 2023
City of Twentynine Palms	Project Phoenix	\$4,232,251	June 30, 2023
Jurupa Area RPD	Horseshoe Lake Park with Playground	\$757,336	June 30, 2023
Jurupa Area RPD	Vernola Park Expansion	\$963,323	June 30, 2023

All of these projects currently have a liquidation date of June 30, 2022, except the following:

- The City of Los Angeles had previously requested a two-year extension for the Cesar Chavez Park Development project for 2021-22 (from July 1, 2021 to June 30, 2023); however due to a technical error, this extension was not actually provided. The current grant project number is from the grant contract that technically liquidated on June 30, 2021. The grantee now needs a two-year extension from July 1, 2022 to June 30, 2024.
- The Fox Fullerton Theatre Foundation had previously requested a one-year extension for 2021-22; however due to a technical error, this extension was not actually provided. The current grant project number is from the grant contract that technically liquidated on June 30, 2021. The grantee now needs a two-year extension from July 1, 2022 to June 30, 2024.
- The City of Whittier had previously requested a one-year extension for 2021-22; however due to a technical error, this extension was not actually provided. The current grant project number is from the grant contract that technically liquidated on June 30, 2021. The grantee now needs a one-year extension from July 1, 2022 to June 30, 2023.

Staff Recommendation. Approve as proposed.

3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION (BCDC)**Issue 22: Hybrid Commission Meetings and New Compliant Website (SFL)**

Governor’s Proposal. An SFL requests \$195,000 General Fund in 2022-23, and \$125,000 General Fund ongoing to pay for (1) costs associated with providing hybrid public meetings emanating physically from BCDC’s leased office space (\$125,000 in 2022-23) and (2) to create a new website to replace the Commission’s out-of-compliance and unfixable current website (a \$70,000 one-time expenditure).

Hybrid Commission meetings will include both in-person attendance in the Board Room and other rooms used by BCDC at its offices at 375 Beale St. in San Francisco for its public meetings and attendance by Commissioners and the public from other locations. For such meetings, BCDC must use the building’s audio-visual system. BCDC does not have in its budget the ability to pay the annual cost of \$125,000; doing so would require a reduction of at least one staff member, diminishing BCDC’s current staffing levels which would impact BCDC’s ability to carry out its responsibilities. Hybrid meetings have increased participation from both Commissioners and the public, benefit the environment, and furthers BCDC’s environmental justice efforts by providing attendance options for the public.

BCDC’s website is also out of compliance with state standards and guidelines and must be replaced with a far more secure and customer-friendly website based on the California Department of Technology’s security requirements.

Staff Recommendation. Approve as proposed.

3830 SAN JOAQUIN RIVER CONSERVANCY

Issue 23: San Joaquin River Conservancy Workload Support (SFL)

Governor’s Proposal. An SFL requests ongoing position authority for one Staff Park and Recreation Specialist (SPRS) and two Park Maintenance Worker IIs (PMW IIs), for increased workload support. These positions will implement projects funded by a \$15 million General Fund appropriation included in the 2021 Budget Act.

The Conservancy has continued to purchase properties since acquiring Wildwood Native Park in 1996. The Conservancy now owns 20 properties totaling nearly 3,000 acres, including five houses and one office. In addition, the Conservancy received a \$15, million appropriation in current year to expand access to as many of the properties as possible, as part of the Access for All priority. Due to the increase in properties over the years, as well as the need to comply with the legislative directives associated with Access for All, the Conservancy needs additional staff. The new positions will be field-based and charged with operational work, purchasing, overseeing service agreements, concession agreements, and determining property needs.

Staff Recommendation. Approve as proposed.

3835 BALDWIN HILLS CONSERVANCY**Issue 24: Reimbursement Authority (SFL)**

Governor's Proposal. An SFL requests \$1 million in ongoing reimbursement authority from the General Fund to allow for the receipt of grants. Currently, the Conservancy has no reimbursement authority available, which limits its ability to execute its mission and leverage funding for partnerships with agencies and non-profit organizations.

Staff Recommendation. Approve as proposed.

3860 DEPARTMENT OF WATER RESOURCES**Issue 25: Central Valley Flood Protection Board Database Management (SFL)**

Governor's Proposal. An SFL requests \$160,000 ongoing General Fund to make ongoing improvements to the Database Management Program. The requested funding will be spent on two support functions: improvements and on-going maintenance to the database and converting old records to digital. The work includes continual updates for the application functions and converting historical paper records into a digital format for over 21,000 records. Both functions will keep the database running up to date and create more efficiency to search for needed documents for day-to-day work.

Improvements include development of electronic reporting to track enforcement progress, automate and track permitting fees tied to the permits, copying, and transferring permitting and enforcement database files to a web server, and report on permit and enforcement progress in a timely manner. Automatic notifications from the database will be reported for upcoming inspections and enforcement deadlines to ensure better tracking and timely processing. This will also allow tracking of fee payments tied directly to the permits and other Board actions, enhancing data security and revenue reporting.

The ability to share more of the publicly available information quickly and clearly through a web interface will help reduce direct queries to staff that have to manually research and respond to requests for information. Today, tracking of the Board's core business functions is done manually through many different sources. An overall improved database is intended to allow the Board to generate enhanced enforcement and inspection reporting automatically from the same database.

Staff Recommendation. Approve as proposed.

Issue 26: Salton Sea Reimbursement Authority (SFL)

Governor's Proposal. An SFL request a total of \$150.7 million (\$145.5 million in State Reimbursements and \$5.2 million in Federal Reimbursements) starting in 2022-23 through 2025-26.

The work is described in the CNRA's Salton Sea Management Phase I 10-year Plan and required by the State Water Resources Control Board (SWRCB) Stipulated Order WRO 2002-0013.

This request seeks reimbursement authority from CNRA so that DWR can continue the work on the Salton Sea Species Habitat Restoration and dust mitigation project. The work consists of building a total of 9,000 -12,000+ acres of deep and shallow water habitats and dust mitigation projects at the Salton Sea. DWR's current reimbursement authority will expire June 30, 2022. In order for DWR to continue the work on behalf of CNRA, DFW, and WCB, DWR needs the authority spread over the next 4 years to continue the work.

Staff Recommendation. Approve as proposed.

Issue 27: Water Storage Investment Program Support (SFL)

Governor's Proposal. An SFL for the California Water Commission (Commission) requests three permanent positions for the Water Storage Investment Program (WSIP). These positions would increase efficiency and better position the Commission to manage the WSIP. The program's funding is continuously appropriated from Chapter 8 of the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1).

Background. The Water Storage Investment Program (WSIP) is a high dollar, small applicant pool, long- timeline program. WSIP implements Proposition 1, Water Code Sections 79750 to 79760. Chapter 8 continuously appropriates \$2.7B for the public benefits of water storage projects.

The current grant load, agreement and invoice processing, program development, and bond accountability tracking workloads exceed the Program Manager position capacity. Even with help from DWR for invoice processing, additional help is needed. The Commission was unsuccessful in identifying employees within DWR who have capacity to assist with the program. In 2021, two limited term positions, (1) Associate Governmental Program Analyst and (1) Sr. Environmental Scientist were opened to provide workload capacity to help with grant management, invoice processing, and California Environmental Quality Act (CEQA) responsibilities.

The episodic nature of work for WSIP made it possible to advance the program through the regulation development and application review with staff borrowed from DWR. However, the program is starting to have a more consistent workload in grant management and program development. As this workload has manifested, the financial processing support from DWR is also changing. WSIP has relied on support from a Staff Services Manager 1 (SSM1) and an Associate Governmental Program Analyst (AGPA) to help with agreement processing, inter- agency agreement invoicing, and grant invoicing. The SSM1 will be retiring eminently and access to the AGPA is becoming more limited. To consolidate the services within the Commission office would create an efficiency it currently does not have to meet a growing need as fund reimbursement increases. Additionally, the Commission needs technical staff capacity to continue to provide focused services to existing projects, and possibly to new projects as well. Efficient program management will keep projects within the program moving forward and will support the program with ancillary obligations such as bond accountability, records management, and CEQA support.

Staff Recommendation. Approve as proposed.

3860 DEPARTMENT OF WATER RESOURCES (DWR)
3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**Issue 28: Drought Planning for Nontransient Noncommunity Water Systems (SB 552) (SFL)**

Governor’s Proposal. An SFL requests a total of \$1.8 million ongoing (\$1.1 million General Fund and \$675,000 from the Safe Drinking Water Account Fund) and five permanent positions (two for DWR and three for SWRCB) to support SB 552 (Hertzberg), Chapter 245, Statutes of 2021. DWR and SWRCB will utilize the requested resources to do the following:

DWR. Start the implementation of the legislative requirements established by SB 552 to improve drought resiliency and preparedness for small water systems, state small water systems, and privately supplied residences.

SWRCB. Focus on two sections of the requirements of SB 552:

- Develop templates for submission of Water Shortage Contingency Plans and develop and maintain a platform for electronic annual reporting of water supply conditions, by community water systems.
- Coordinate “counties, groundwater sustainability agencies, technical assistance providers, nonprofit organizations, community-based organizations, and the public” on drought planning for domestic wells and state small water systems.

Background. SB 552 enacts many of the recommendations in the final “Small Water Systems and Rural Communities Drought and Water Shortage Contingency Planning and Risk Assessment” report. The bill requires SWRCB, DWR, counties, and small water suppliers to implement various recommendations from the County Drought Advisory Group to increase the drought resiliency of small water suppliers and rural communities.

Staff Recommendation. Approve as proposed.

3885 DELTA STEWARDSHIP COUNCIL (DSC)

Issue 29: Human Resources (HR) Capacity Improvement (SFL)

Governor's Proposal. An SFL requests one permanent position, with no additional funding required, to support the capacity improvements in DSC's HR office. DSC is in the process of transitioning from an inter-agency agreement with CalFire for HR services to provide HR services in-house with DSC staff.

Background. Since its inception in 2009, DSC has contracted with CalFire for HR Services including examination, hiring and recruiting, classification and pay, payroll and benefits, health and safety-related benefits, labor relations, employee discipline and position control through an inter-agency agreement (IAA) that is renewed triennial basis. Over the years, DSC has assumed more HR tasks while contracted HR service costs have been increasing.

Initially, contracted HR support services were approximately \$110,000 annually; however, in 2021-2022 CalFire estimated the costs to be over \$189,000 per year. The current IAA will expire on June 30, 2022.

Given that DSC's IAA with CalFire will expire on June 30, 2022, the following tasks will be transitioning back to the organization resulting in a workload increase: appointments, payroll, timekeeping, salary/range determinations, benefits administration, disability management, personnel record management, examination drafting/coordination, withholding responses, and Career Executive Assignment bulletins. The increase in DSC workload, coupled with an opportunity to save DSC-related HR costs, necessitates the addition of one (1) full-time position to oversee the transactions-related activities that will be assumed by the Council.

Staff Recommendation. Approve as proposed.

DISCUSSION

VARIOUS DEPARTMENTS: NEW BUDGET CONTROL SECTION

Issue 30: Budget Control Section 20.00: Reappropriations and Reversions (SFL)

Governor’s Proposal. In an April 1 Finance letter, the Administration has proposed adding Control Section 20.00 to the annual Budget Act to establish an administrative approval process to revert or extend the deadline to commit and expend certain general obligation and lease revenue bond funds.

Background. Currently, the Legislature must approve any extension of the encumbrance or expenditure period of bond funds for projects that are not complete. In addition, the Legislature must approve any proposed reversion of unliquidated bond funds. Every year, the Budget Act includes a lengthy list of projects that need additional time to be completed and funds that need to be reverted.

The Administration is proposing to change the process to allow the Director of Finance to authorize an extension, up to three years, or a reversion of unspent funds after providing a written 30-day notification to the Joint Legislative Budget Committee (JLBC) and the appropriate fiscal committees and subcommittees in both houses of the Legislature.

According to the Department of Finance, the new control section will simplify “the reappropriation and reversion process for bond and non-governmental cost funds. This process will streamline workload and reduce the amount of technical budget bill language required for inclusion into the annual Budget Act while still providing transparency and notification to the Legislature.”

The new control section would create an administrative approval process for following funds:

Natural Resources and Environmental Protection

- River Parkway Subaccount
- Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Fund
- Flood Protection Corridor Subaccount
- Urban Stream Restoration Subaccount
- Bay-Delta Multipurpose Water Management Subaccount
- California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund
- Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002
- Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006
- Water Quality, Supply, and Infrastructure Improvement Fund of 2014
- California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Fund

Higher Education

- 2004 Higher Education Capital Outlay Bond Fund
- 2006 California Community College Capital Outlay Bond Fund
- 2016 California Community College Capital Outlay Bond Fund

General Government

- Public Buildings Construction Fund
- Public Buildings Construction Fund Subaccount

LAO Comments and Recommendations. The LAO finds the concept of streamlining the process for the administration to request technical, non-controversial reappropriations/extensions and reversions of certain bond and non-governmental funds to be reasonable. However, in general, the JLBC process can make it more challenging for the Legislature to perform its oversight role than the traditional budget process. Accordingly, ensuring that the administration limits its use to cases that are indeed technical and non-controversial will be important, and any revised process should provide the Legislature with the time and information necessary to facilitate its review. If the new control section is approved, the LAO recommends the Legislature consider modifying the proposed language in the following areas:

- ***Types of Projects Covered.*** The LAO recommends that the Legislature consider adding additional limitations on this new authority to ensure that it only applies to projects and programs for which the Legislature is comfortable that a JLBC process would provide adequate oversight. For example, the Legislature could consider excluding certain bond-funded projects from this process if there are concerns that these projects may require additional oversight. For example, greater oversight of prison projects that are not on track to be completed in the timeline initially presented to the Legislature could be warranted. This is because inmate population projections indicate that the state could be in a position to close around four additional prisons (beyond the one prison already identified by the administration for closure) within the next several years and it would not be cost-effective to reappropriate funds to continue projects at prisons that could be closed. Accordingly, the Legislature may wish to consider excluding the California Department of Corrections and Rehabilitation's (CDCR's) prison projects from this process to preserve its current oversight of prison infrastructure projects. Alternatively or additionally, the Legislature could consider excluding bond-funded projects that meet certain criteria from this process. For example, the Legislature could exclude lease-revenue funded projects that (1) are above a certain dollar threshold if it is concerned about applying the proposed process to very large legislatively-established projects or programs (such as CDCR's Health Care Facility Improvement Program, which totaled over \$1 billion in lease revenue bonds) or (2) have already received one or more previous reappropriations/extensions due to concerns about projects that have continuously experienced lengthy delays.
- ***Timing.*** It is more difficult for the Legislature to adequately review JLBC notifications that are received during periods of peak budget workload. Accordingly, the LAO recommends the Legislature consider adding language to the proposed control section requiring corresponding JLBC notifications to be submitted prior to May 1st each year. If the administration would like to request additional funding extensions or reversions after May 1st, it could do so through a traditional budget request.
- ***Information Provided.*** In order to facilitate legislative review, the LAO recommends adding language to the control section requiring that DOF provide a spreadsheet with certain key information on the proposed extensions along with the JLBC notification.

Staff Recommendation. Hold open.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**Issue 31: Office of the State Fire Marshal (OSFM), Fire and Life Safety Designated Campus Fire Marshal Program (SFL)**

Governor's Proposal. An SFL requests a \$3.2 million reimbursement authority increase in 2022-23, \$2.8 million ongoing, and 12 positions to support the Office of the State Fire Marshal's (OSFM) workload associated with reviewing the University of California (UC) campus' adherence to the Designated Campus Fire Marshal (DCFM), Memorandum of Understanding (MOU) entered into as allowed by Health and Safety Code (HSC) Section 13146.

Background. HSC Section 13108(c) tasks the OSFM with the enforcement of its adopted regulations and building standards relating to fire and panic safety published in the California Building Standards Code in all state-owned buildings, specified state occupied buildings, and state institutions. AB 2021 (Fletcher), Chapter 370, Statutes of 2010, authorized the State Fire Marshal to delegate enforcement authority for UC campuses or property to the DCFM. This led to the development of an MOU with the UC providing delegation of specified fire and life safety review and inspection functions to qualified staff of the institutions with adherence to applicable mandates and contractual obligations.

Legislative Analyst's Office (LAO) Comments. *Governor Proposes New Unit to Oversee UC's Enforcement of Building Standards.* The proposal would provide \$3.2 million in reimbursement authority in 2022-23 and \$2.8 million ongoing and 12 positions to create a new unit within OSFM. This unit, which would be called the UC Compliance and Evaluation Unit (CEU), would oversee UC's DCFM program and would be paid for by UC. (At the time this analysis was prepared, UC could not provide the LAO with information on which source of funds it would use to pay for these costs.) Since 1994, OSFM has delegated authority to enforce regulations and building standards related to fire and panic safety at UC campuses to DCFM pursuant to an MOU. OSFM argues that the proposed resources are necessary to help it oversee DCFM's compliance with the current MOU, such as by enabling it to provide more training to DCFM and perform additional monitoring and data collection activities. CalFire notes that the department identified overseeing DCFM's enforcement of building standards as a risk in its 2021 Leadership Accountability Report.

LAO Recommendation. *Recommend Rejecting Proposal Due to Insufficient Justification of Need for New Unit.* The LAO finds that OSFM has not provided adequate justification for the need for the requested unit. Specifically, at the time this analysis was prepared, CalFire had not provided specific evidence to substantiate that DCFM currently fails to adequately enforce building standards or justify that a new unit within OSFM is necessary to monitor and improve DCFM's longstanding delegated authority. Furthermore, the LAO notes that UC has expressed concerns with this proposal. Specifically, UC argues that additional OSFM oversight of DCFM is not required as DCFM staff are trained and hold the same prerequisites for certification as do OSFM deputies. UC further asserts that the proposal will result in an unnecessary burden on campuses to coordinate with OSFM for a redundant program. UC also indicates that it does not believe the proposed resources are warranted or reasonable.

Given the lack of adequate justification from OSFM that the proposed unit is necessary and the concerns raised by UC, the LAO recommends rejecting the proposal. To the extent the Administration would like to continue to pursue this proposal, it could resubmit it in January 2023. This would provide OSFM time to provide additional justification of the need for this unit and afford the Legislature more time to consider the concerns raised by UC.

Staff Recommendation. Reject.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 32: Statewide: Budget Packages and Studies (SFL)

Governor’s Proposal. An SFL requests \$1 million in spending authority from the Natural Resources and Parks Preservation Fund (NRPPF). Parks is currently evaluating its infrastructure needs and will utilize a selection process to identify capital outlay projects that will improve visitor experiences and build park resources and recreational opportunities fostering better connections with under-resourced communities and tackling barriers to park access.

Once potential capital outlay projects are selected, these funds will be used to develop detailed scope and cost estimates for consideration by the Legislature through the annual budget process. Subsequent capital outlay appropriations will be proposed from these funds set-aside in the NRPPF, as additional funding is needed for future phases.

Background. *2021 Leadership Accountability Report (December, 2021).* According to Parks, its mission is to provide for the health, inspiration, and education of the people of the state by helping to preserve the state’s biological diversity, protecting natural and cultural resources, and creating opportunities for outdoor recreation.

Among the risks and controls outlined in the report are impacts of climate change, which will amplify and exacerbate a range of threats to park visitors and resources, including sea level rise, forest health and wildfire, and intense winter storms.

Sea Level Rise. Parks manages approximately 25 percent of the state’s coastline and will experience increased coastal flooding — impacting the built infrastructure, and natural and cultural resources — in the coming years and decades.

Parks has implemented a number of site-specific responses to coastal erosion, drawing on current information and predictive models to institute a suite of projects to build resilience in coastal and infrastructure and park units. Also, the department developed a Sea Level Rise Adaptation Strategy that will guide future planning and project implementation activities.

Forest Health and Wildfire. Parks owns approximately 300,000 acres of forest land and has been impacted by climate driven disturbances such as widespread tree mortality and recent large and destructive wildfires. Additionally, a large number of Parks’s facilities are within or adjacent to areas prone to wildland fires. Several parks have been significantly impacted by wildfires in the past few years resulting in the loss of multiple administrative and visitor-serving facilities.

Parks has implemented fuel reduction and forest management projects in recent years, completed an interagency MOU — and funding agreements — with CalFire to address prescribed fire and other fuel treatment efforts. Funding in 2021-22 “Early Action” measures and in 2021-22 will support a further increase in pace and scale of forest management actions intended to attenuate wildfire severity and restore natural forest and fire management regimes across the landscape. Numerous projects and district (park/region) level programs are under development and will be implemented in the coming years.

Intense Winter Storms. Over the past several years, powerful winter storms have caused significant damage to Parks facilities, such as roads and trails being damaged by mudslides. This situation is

exacerbated by the significant backlog in deferred maintenance projects designed to maintain roads and trails to address erosion and provide proper stormwater drainage.

Deferred Maintenance. Parks has not been able to fund ongoing maintenance sufficiently over the past few decades resulting in a backlog of deferred maintenance projects of approximately \$1.2 billion and thousands of projects. The 2021 Budget Act included \$185 million to address Parks’s deferred maintenance backlog. The department’s priority deferred maintenance projects include, but are not limited to, water and wastewater systems, parking lots, trails, roads, restrooms, utilities (such as electrical and fire suppression systems), historical structure rehabilitations and stabilizations, roofs, and bridges. For Parks, nearly all of the projects directly or indirectly support public access and/or have environmental benefits.

According to the 2021 Leadership Accountability Report, the department’s large deferred maintenance backlog includes a significant number of sea wall projects, facility relocations and fuel reduction projects that have not been even completed on a regular basis to maintain public safety, safe fuel levels and defensible spaces around its facilities. Recent one-time funding has allowed Parks to increase its efforts to reduce fuel loads and create defensible spaces and to “harden” facilities by installing fire resistant materials. Appropriations in 2021-22 associated with the enactment of AB 3074 (Friedman), Chapter 259, Statutes of 2020, will allow for ongoing work to address this backlog.

Staff Recommendation. Hold open.

0690 DEPARTMENT OF TRANSPORTATION (AVAILABLE FOR QUESTIONS ONLY)
3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)

Issue 33: 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.

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VOTE-ONLY

3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)
3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)
3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)

Issue 1: CalEPA: Technical Adjustments (SFL)

Governor’s Proposal. A Spring Finance Letter (SFL) requests various reappropriations, technical, and baseline adjustments to continue implementation of previously programs, as follows:

CARB: Community Air Protection Staffing from Air Pollution Control Fund (APCF) (SB 170). It is requested that Item 3900-001-0115 (APCF) be increased by \$4.165 million ongoing to provide funding authorized by SB 170 (Skinner), Chapter 240, Statutes of 2021, for AB 617 program operations. The Governor’s budget inadvertently excluded this approved funding and the proposal will align funding levels that were previously approved.

DPR: Reappropriation of Transition to Safer, Sustainable Pest Management Funds. It is requested that specified unencumbered balances in the 2021 Budget Act be reappropriated with funding available for encumbrance or expenditure until June 30, 2023. This funding supports activities to facilitate the state’s transition to safer, sustainable pest management, including expansion of DPR’s integrated pest management program and enhanced community engagement.

SWRCB: Technical Adjustments. It is requested that Item 3940-001-0890 be increased by \$28.58 million and Item 3940-001-6083 be decreased by \$580,000 ongoing to facilitate the receipt and disbursement of federal grants for the Overflow and Stormwater Grant program. It is also requested that Item 3940-491 be added to extend the liquidation period of specified provisions within Item 3940-101-0001, Budget Act of 2018 until June 30, 2026.

DTSC: Biomonitoring Program Reimbursement. It is requested to increase reimbursement authority for the Toxic Substances Control Account by \$435,000 one-time to fund the Biomonitoring Program work activities per a reimbursement agreement with the Department of Public Health. This is a technical adjustment that is needed as a result of a new, two-year interagency agreement that will require DTSC to provide analytical and consulting support to the California Department of Public Health consistent with the mission of the department’s existing Biomonitoring California program.

Staff Recommendation. Approve as proposed.

3900 CALIFORNIA AIR RESOURCES BOARD (CARB)

Issue 2: Certification and Compliance Fund Expenditure Authority (SFL)

Governor's Proposal. An SFL requests to shift existing positions and authority to the Certification and Compliance Fund (CCF). This request shifts existing positions in various Divisions starting in 2022-23.

Background. Since the 1990 adoption of Health and Safety Code (HSC) Section 43019 to assess a fee for the certification of on-road motor vehicles and engines (generally cars, trucks, and motorcycles), emission standards and certification requirements have expanded to include the numerous categories of off-road vehicles and engines used in the state. CARB currently issues over 3,700 approvals, also known as executive orders (EOs) annually, which allow manufacturers to sell their products in this state. This is approaching a tenfold increase from the 430 EOs issued by CARB in 1990. CARB now issues approvals for all types of vehicles and engines, including automobiles and heavy-duty trucks, as well as large off-road equipment and small lawn and garden engines, evaporative systems, and aftermarket components that are used in automobiles, trucks, and off-road engines. Each product is certified by CARB according to the regulations and test procedures based on the product's specific equipment classification or operating category.

The amount of fees collected per year, which was capped in HSC Section 43019 at \$4.5 million for 1989-90 but was allowed to increase annually with California Consumer Price Index (CPI), is currently capped at roughly \$10 million a year. The fees are deposited in the APCF to implement CARB's Mobile Source Certification and Compliance (MSCC) programs.

In 2018 and 2019, legislation required CARB to develop new fee schedules to cover the reasonable costs of the MSCC programs to ensure engines and vehicles meet emission control requirements. These emission control requirements are applicable to all types of mobile source vehicles and engines, including automobiles and heavy-duty trucks, as well as large off-road equipment and small lawn and garden engines, evaporative systems, and aftermarket components that are used in automobiles, trucks, and off-road engines.

A new fund, the Certification and Compliance Fund (CCF), was established for the deposit of existing and new mobile sources fees. These fees are designed and intended to directly support the MSCC programs. In April 2021, CARB adopted regulations to establish fees to be assessed at the time of application for certification of 35 different mobile source categories, replacing the existing fee structure. These fees, approved by the Office of Administrative Law on January 18, 2022, will be assessed beginning April 1, 2022, and will be deposited into the CCF to support the MSCC Program.

Staff Recommendation. Approve as proposed.

Issue 3: Implementation and Enforcement of the Cargo Tank Vapor Recovery Program (SFL)

Governor's Proposal. An SFL requests one-time authority to spend \$1.225 million for 2022-23 on enforcement equipment and IT system development to be funded by Cargo Tank Certification Fees that are currently collected and deposited into APCF for the Cargo Tank Vapor Recovery Program (CTVRP) and \$196,000 in annual indirect costs as agreed upon by the Department of Finance and the US Environmental Protection Agency under Code of Federal Regulations, Title 2, Part 200, effective 2022-23. Additionally, CARB requests \$524,000 for three permanent ongoing positions.

CARB also requests an annual ongoing amount of \$350,000 for enforcement equipment and information technology maintenance costs effective 2023-24. These resources are intended to enable CARB to meet the requirements set forth in Health and Safety Code (HSC) Section 41962, ensuring compliance of the Certification of Vapor Recovery Systems on Cargo Tanks Regulation (California Code of Regulations, Title 17, Section 94014) and keeping the program revenue neutral.

Background. Cargo tanks transfer gasoline from bulk terminals to gasoline stations. The CTVRP imposes technology requirements to minimize vapor emissions from these tanks and requires tank operators to have specialized control equipment, and through annual testing demonstrate that the control equipment is operational. The CTVRP requires any cargo tank operating in California to be certified annually for vapor tightness. The CTVRP oversees the certification process that requires the submittal of a 48-hour test notification to CARB, completion of the annual test procedures, the submittal of passing test results, and the submittal of a completed certification application with a certification fee. In addition, CARB assures such systems are operated in compliance with CARB standards and procedures adopted by the Board pursuant to HSC section 41962. The vapor recovery system needs to be tested annually to ensure all components are functioning properly to prevent excess Volatile Organic Compound (VOC), and Toxic Air Contaminant (TAC) emissions from venting to the atmosphere during the loading or unloading of gasoline. CARB certifies approximately 6,000 cargo tanks each year and is responsible for enforcing compliance of the Program's requirements.

Staff Recommendation. Approve as proposed.

Issue 4: Low Carbon Fuel Standard Registration (SFL)

Governor's Proposal. An SFL requests a one-time incremental increase of \$5.5 million Cost of Implementation Fund phased-in over four years (through 2025-26), for technical and administrative services for coordinated implementation of the Low Carbon Fuel Standard (LCFS).

CARB will procure these services using applicable state contracting requirements. This request is intended to provide secure registration, reporting and credit exchange services for the LCFS among participating entities.

Staff Recommendation. Approve as proposed.

Issue 5: Transport Refrigeration Units (SFL)

Governor’s Proposal. An SFL requests \$596,000 Motor Vehicle Account (MVA) for six permanent positions in 2022-23, \$1.1 million MVA and \$1.1 million Certification and Compliance Fund (CCF) for 13 permanent positions in 2023-24, and \$2.75 million ongoing CCF for three permanent positions in 2024-25.

These resources would be used to implement and enforce the requirements of the proposed amendments to the “Airborne Toxic Control Measure for In-Use Diesel-Fueled Transport Refrigeration Units (TRU) and TRU Generator Sets, and Facilities Where TRUs Operate” (California Code of Regulations, Title 13, Section 2477) (Proposed Amendments) and support multiple state policies and plans directing CARB to achieve additional diesel emission reductions and to protect public health, particularly in disadvantaged communities. The Proposed Amendments introduce a new fee requirement, with new fees collected to be deposited into CCF. Beginning January 1, 2024, CCF would fully fund this proposal on an ongoing basis and temporary funding from MVA would no longer be needed.

Staff Recommendation. Approve as proposed.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**Issue 6: Implementation of the Sustainable Groundwater Management Act (SGMA) (BCP & TBL) (SFL)**

Governor's Proposal. An SFL requests \$1.657 million General Fund ongoing to support seven new permanent positions and one existing position to carry out critical, statutorily mandated oversight responsibilities under SGMA. This includes placing groundwater basins that have been found deficient into probationary status and managing them to protect drinking water users and other users.

The included proposed Budget trailer bill language (TBL) would exempt SWRCB's adoption and amendment of interim plans from the California Environmental Quality Act, as follows:

SECTION 1. Section 10736.2 of the Water Code is amended to read:

10736.2. (a) Except as provided in subdivision (b), Division 13 (commencing with Section 21000) of the Public Resources Code does not apply to any action or failure to act by the board under this chapter, other than the adoption or amendment of an interim plan pursuant to Section 10735.8. chapter.

(b) Notwithstanding subdivision (a), Division 13 (commencing with Section 21000) of the Public Resources Code applies to the construction activities of a physical solution of an interim plan, adopted pursuant to Section 10735.8, when those construction activities may have a significant effect on the environment.

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Background. SGMA. Established in 2014, the purpose of SGMA is to halt overdraft and bring groundwater basins into balanced levels of pumping and recharge. The long-term planning required by SGMA is intended to provide a buffer against drought and climate change and contribute to reliable water supplies regardless of weather patterns. SGMA requires local agencies to form groundwater sustainability agencies (GSAs) for the high and medium priority basins. GSAs develop and implement groundwater sustainability plans (GSPs) to avoid undesirable results and mitigate overdraft within 20 years of implementing their plans.

SGMA: State Oversight (Department of Water Resources (DWR) and SWRCB). DWR serves two roles to support local SGMA implementation: (1) regulatory oversight through evaluation and assessment of GSPs; (2) providing ongoing assistance to locals through the development of best management practices and guidance, planning assistance, technical assistance, and financial assistance.

DWR is required to assess each GSP within two years of its submittal and is required to classify the GSP as approved, incomplete, or inadequate. After its initial reviews, DWR will review annual reports and conduct five-year reviews of GSPs. Some GSPs are tens of thousands of pages long and can only be evaluated in the context of complex information sets.

SWRCB must also review GSPs. Specifically, SGMA allows SWRCB to intervene where GSAs are unable or unwilling to sustainably manage groundwater. The lack of GSAs, insufficient coordination among GSAs in a basin, inadequate GSPs, or inadequate implementation of GSPs can each trigger SWRCB's intervention authority.

Phases of State intervention. State intervention has two phases: (1) probation; (2) interim plan. If GSAs do not adequately resolve deficiencies in their GSPs in 180 days, SWRCB may begin the process to put basins in probation.

In the first phase, “probation,” SWRCB collects data and fees from pumpers while GSAs work on addressing deficiencies in their GSPs. These data will be critical for the second phase of State intervention and will also be helpful for the GSAs as they correct their GSPs: many GSAs have been relying on rough, generalized estimates of groundwater extraction rather than getting information directly from extractors. More precise water budgets will help GSAs understand what actions they will need to take to achieve sustainability.

If the GSPs are still deficient after some period of time, SWRCB may develop an “interim plan” and move on to the second phase: active management of pumpers in the basin. In this second phase, SWRCB will likely require pumping cutbacks, among other potential actions, to correct overdraft.

Staff Comments. *Senate Survey on State Agency CEQA Compliance and Litigation.* In 2017, the Senate Committee on Environmental Quality conducted a survey of state agencies regarding CEQA in order to gain a better understanding of CEQA compliance and litigation. The survey covered a period of five years, fiscal years 2011-12 to 2015-16. In regards to projects of which SWRCB was designated the lead agency, SWRCB reported the following number of projects that were subject to CEQA and the type of environmental review conducted:

<u>Type of CEQA Review</u>	<u># of Projects</u>
• Categorical Exemption	315
• Statutory Exemption	109
• ND/Mitigated ND	54
• EIR	3
TOTAL Projects:	481

SWRCB reported that 12 CEQA cases were filed during this time period — This was equal to two percent of SWRCB projects subject to CEQA, which is consistent with other CEQA studies documenting CEQA litigation in a variety of sectors.

BCP Alternative 3. This budget change proposal (BCP) offers four feasible alternatives for consideration. Alternative 3 does the following:

Allocate resources from the General Fund to fund eight positions (seven new and one existing position) for three fiscal years in some cases and permanently in other cases. Rather than include the proposed language in the Budget Trailer Bill, allocate \$6 million from the General Fund for a contract for CEQA compliance. Consider shifting costs to SGMA fee revenues through a subsequent budget change proposal, as appropriate.

In order to allow SWRCB to perform its SGMA duties and comply with CEQA, staff recommends approving Alternative 3 in lieu of the original request.

Staff Recommendation. Approve Alternative 3 as noted above.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)**Issue 7: Santa Susana Field Lab Cleanup Team (SFL)**

Governor's Proposal. An SFL requests 14 permanent positions, \$2.1 million Hazardous Waste Control Account, and \$1 million Federal Trust Fund in 2022-23 and annually thereafter to establish and support the Santa Susana Field Laboratory (SSFL) Cleanup Implementation Team. The cost of the positions will be funded through cost recovery from three responsible parties for SSFL (i.e. the US Department of Energy (DOE), the National Aeronautics and Space Administration (NASA), and the Boeing Company (Boeing)).

Background. The SSFL is a former rocket engine testing and nuclear power research facility located on approximately 2,900-acres in the hills of Ventura County, California above Simi Valley. The SSFL is surrounded a number of communities, most located less than two miles away, including the city of Simi Valley located on the north, the residential community of Bell Canyon located directly south; and San Fernando Valley communities, including Canoga Park, West Hills, and Chatsworth, in the city of Los Angeles, located to the east of the SSFL.

Several tributary streams to the Los Angeles River have headwater watersheds on the SSFL site, including Bell Creek (which provides the majority of the site drainage from the SSFL site), Dayton Creek, and Meier Creek. Open space (i.e., land that is generally undeveloped and accessible to the public) associated with the Upper Las Virgenes Canyon Open Space Area and Cheeseboro/Palo Comado Canyons is located to the west of the SSFL.

The parties responsible for contamination at the SSFL site include three parties, the DOE, NASA, and Boeing. Two primary operational activities were conducted at SSFL. From the early 1950s to 1998, DOE and its predecessor agency, the Atomic Energy Commission, sponsored nuclear and non-nuclear energy research and development projects at the Energy Technology Engineering Center. From 1950 to 2006, testing and development of rocket engines and rocket engine components were conducted by Boeing and its predecessor, North American Aviation and Rockwell International, along with the US Air Force and NASA. The majority of non-nuclear activities conducted at the SSFL included testing and development of rocket engines and rocket engine components. Additional activities conducted by Boeing and its predecessors included military anti-satellite lasers, munitions, and related technologies.

Staff Recommendation. Approve as proposed.

DISCUSSION

3900 CALIFORNIA AIR RESOURCES BOARD (CARB)

Issue 8: Oil and Gas Enforcement and Community Protection (SFL)

Governor's Proposal. An SFL requests \$677,000 ongoing from the Oil Gas and Geothermal Administrative Fund and three permanent positions. (This fund is supported by fees on oil and natural gas production.) Also, CARB requests \$685,000 APCF ongoing and three other permanent positions. This request includes \$10,000 in ongoing contract funds to form a new initiative focused on providing oversight to air districts on ensuring compliance to minimize emissions from the oil and gas industry. CARB states that the contract funds are intended to support health and safety training or staff working exclusively at oil and gas extraction facilities.

Three positions will focus exclusively on oil and gas extraction facilities in California. The other three staff will focus on oil and gas importation, refining, and distribution facilities.

Through the initiative, staff will inspect oil and gas facilities for compliance with regulatory requirements, and coordinate with state and local agencies to assess if the level of emissions control at facilities can be strengthened to protect public health. While inspections and reviews will continue indefinitely to provide a permanent state air quality presence at these facilities, staff in consultation with relevant regulatory agencies will produce a summary report detailing compliance status, recommendations for programmatic improvement, and opportunities for additional emission reductions.

This work is intended to help protect disadvantaged communities by supporting compliance with federal air quality attainment standards and California's greenhouse gas goals for this sector and more broadly.

Background. Recent academic studies indicate emissions from oil and gas facilities may be underestimated. These studies are echoed by community complaints regarding emissions, odors, and health. These facilities are in disadvantaged communities such as Wilmington and Carson in south Los Angeles, Richmond, Benicia, and Crockett in the Bay Area, and Shafter, Arvin, and other communities in the San Joaquin Valley. These communities want emissions controlled and minimized, to better understand the nature of emissions, and greater transparency on both regulatory programs and facility operations. Emission reductions are also critical for attaining federal ambient air quality standards and the state's GHG targets.

The oil and gas industry is complex and often also have multi-media impacts. CARB staff regularly work with staff in the Department of Toxics Substances Control, water boards, and the Geologic Energy Management Division of the Department of Conservation (CalGEM).

The oil and gas industry in California is comprised of oil and gas production, import/export activities, distribution, refining, and retail sales in California. These facilities and operations are regulated through state and local requirements, including CARB's Oil and Gas Rule, and local air district regulatory requirements.

Many parts of the industry are near low income and disadvantaged communities. Community members raise concerns to CARB and local air districts, through existing complaint processes and through AB 617 Community Steering Committees regarding odors, excess emissions, health impacts, flaring, and

other issues caused by these facilities.

As a stationary source, the primary responsibility for regulating oil and gas facilities is at the local level, through implementation of permitting and emission control programs defined by the Federal and California Clean Air Acts. CARB retains authority to review permitting and enforcement programs at these facilities to ensure they are reasonable and adequate to protect public health but, due to a lack of resources, CARB's reviews of such programs have been limited.

CARB contends that an initiative is needed at the state level to review and oversee air district inspections at these facilities to assess compliance with state and local requirements, respond to complaints, and to collaborate with other state and local agencies to ensure regulations are delivering on their purpose.

LAO Comments. *CARB Oil and Gas Enforcement and Community Protection.* CARB requests a total of \$1.4 million and six permanent positions to establish a new unit focused on oversight and enforcement related to oil and gas extraction facilities and refineries. In general, the LAO thinks ensuring CARB has adequate resources to monitor compliance with regulations intended to reduce greenhouse gases and air pollution, particularly in heavily polluted communities, has merit. However, this proposal raises some important questions for the Legislature to consider. For example, the LAO recommends the Legislature ask the Administration to report at budget hearings on the following issues:

- *Why Oil and Gas?* Why should the state focus its limited resources on monitoring oil and gas extraction facilities, rather than other sources of pollution? For example, in many heavily-polluted communities, mobile sources, such as diesel trucks and equipment, are the primary sources of air pollution. Why does the Administration focus on oil and gas facilities as such a high priority with this proposal?
- *Why a New Program?* Why is an entirely new unit needed? CARB already has existing programs and staff resources dedicated to similar activities. For example, CARB staff are already implementing the “Study of Neighborhood Air near Petroleum Sources” to characterize air quality in communities near oil and gas facilities, the Criteria and Toxics Reporting Regulation, and other research efforts to better understand emissions from oil and gas facilities. The Legislature might want to ask CARB to explain why existing programs and resources are insufficient to meet its goals.
- *Why CARB?* If more resources are needed to provide oversight of oil and gas facilities and refineries, why is CARB the best entity to conduct these efforts? Generally, local air districts have the primary responsibility for regulating stationary sources of air pollution. Why are more resources needed at CARB, rather than local air districts?

Staff Recommendation. Hold open.

3970 DEPARTMENT OF RESOURCES RESOURCES AND RECOVERY (CALRECYCLE)

Issue 9: Beverage Container Recycling: Strengthening the Circular Economy with Consumer Recycling Credits and Market Incentives (SFL)

Governor’s Proposal. An SFL requests \$330 million in 2022-23 from the Beverage Container Recycling Fund (BCRF) to provide consumer recycling credits for returning beverage containers, provide funding for enhanced bale quality of Beverage Container Recycling Program (BCRP) material, provide market incentives for clean collection and the remanufacturing of material recycled through the BCRP, provide grants for innovative recycling mechanisms such as Automatic Recycling Machines (ARMs), and establish a mobile recycling program to serve rural areas in California. A breakdown of the \$330 million proposal is as follows:

<u>Proposed Activity/Item</u>	<u>Cost in 2022-23</u>
• New Consumer Recycling Credit	\$100 million
• Mobile Recycling	70 million
• High School/Colleges On-Campus Redemption Program	50 million
• ARMs at Supermarkets	50 million
• Quality Incentive Payments for better sorting of plastic & glass	50 million
• Startup Costs and Incentives for Recycling Processors	2 million
• Smartphone App and Fiscal Transparency Website	1 million
• Local Workforce Development Groups	5 million

This proposal also includes specified provisional language such as:

- Authorizes CalRecycle to adopt emergency regulations to implement this proposal and specifies that the emergency regulations shall not be repealed by the Office of Administrative Law and shall remain in effect until revised by CalRecycle.
- Exempts grants and contracts from contracting requirements pursuant to Public Contract Code, Division 2, Part 2, Chapter 2 (commencing with Section 10290); and authorizes CalRecycle to award those contracts on a noncompetitive bid basis.
- Authorizes CalRecycle to adopt guidelines and exempts them from the requirements of the Administrative Procedure Act.
- Allows for the encumbrance or expenditure of these funds to June 30, 2025, for support and local assistance.

The table below provides a brief description of the proposed program funding:

Table 1: Proposed Program Funding

Proposed Activity/Item	FY 2022-23 Cost
In addition to the existing California Refund Value (CRV), this proposal will provide a new Consumer Recycling Credit on a limited-term basis (between approximately 4 – 8 weeks), equal to the amount of CRV (5 or 10 cents), for beverage containers returned to recycling centers to further incentivize consumers to return beverage containers purchased during the pandemic.	\$100,000,000
Establishes mobile recycling programs to serve rural and unserved areas in California.	\$70,000,000
Provides funding for high schools or colleges to establish on-campus redemption programs, including using ARMs. This dollar amount may cover the costs of approximately 1,000 machines.	\$50,000,000
Provides funding authority for supermarkets subject to Public Resources Code section 14571.6 that have submitted an affidavit for takeback containers on-site to receive grant funds to support their use of ARMs in the redemption of CRV containers for consumers. This dollar amount may cover the costs of approximately 1,000 machines.	\$50,000,000
Increases funding and expands opportunities for inclusion with the current QIP for plastics and glass from its current level and adds \$50 million. (Glass is currently at \$10 million and Plastic at \$10 million set to expire June 2022)	\$50,000,000
Provides funding authority to incentivize the establishment of recycling infrastructure by providing up to \$2 million in startup loans for processors that locate in regions without a certified processor in a 50-mile radius. These loans would be forgiven if the processor remains operational for at least 3 years and maintains a history of operational compliance.	\$2,000,000
Provides funding authority to incentivize the establishment of redemption opportunities by providing up to \$2 million in startup loans for redemption opportunities that locate in regions without a certified recycling center or approved pilot project in a 10-mile radius. These loans would be forgiven if the redemption opportunity remains operational for at least 3 years and maintains a history of operational compliance.	\$2,000,000
Increased technology including: Consumer Computer/SmartPhone App Development and Maintenance, and a Fiscal Transparency Website.	\$1,000,000
CalRecycle will contract with local workforce development groups located in or near a county to provide additional assistance from the workforce development group. The goal would be to help with activities that sustain the community's redemption needs, including monitoring the ARMs and pickup when full, servicing the ARMs, separate small bag drop service, etc. Workforce development groups would be operated by government entities, local education agencies, non-profits, university sponsored groups, and community colleges. Groups could include, but not be limited to Corps, programs helping developmental disabilities, parole, and probation programs.	\$5,000,000
Total	\$330,000,000

Source: Department of Finance

This BCP does not provide any further details about the proposed activities/items than what is listed in the chart above.

Background. Beverage Container Recycling Program (BCRP). Established in 1986, the purpose of BCRP, commonly referred to as Bottle Bill, is to be a self-funded program that encourages consumers to recycle beverage containers, reduce litter, and achieve a recycling rate of 80 percent for eligible containers. According to LAO, the BCRP promotes beverage container recycling and reduced litter by using the California Refund Value (CRV) deposit and return system.

- Consumers pay the CRV — 5 cents or 10 cents per container — when purchasing beverages in containers subject to the program. The CRV deposit is returned to consumers when they redeem the empty beverage container at a certified recycling center.
- State law requires CalRecycle to designate “convenience zones” located within a half-mile radius from most supermarkets. Each convenience zone must be serviced by at least one certified recycling center in order to provide consumers convenient opportunities to redeem beverage containers near places where beverages are purchased.
- If there is no recycle center within the convenience zone, it is considered unserved. Beverage dealers in unserved zones must either redeem containers in-store or pay a daily \$100 fee.

Challenges Facing BCRP. Over the years, various concerns about the program have been raised such as susceptibility of structural deficit, the effectiveness of some supplemental programs supported by BCRP, fraud, and whether some offsets support the goals of the program.

For example, the number of recycling centers has reduced dramatically. In August 2019, rePlanet closed all 284 of its recycling centers in California. Before its closure, rePlanet was the largest recycling network in the state. Following the closures, rePlanet stated, “With the continued reduction in State fees, the depressed pricing of recycled aluminum and PET plastic, and the rise in operating costs resulting from minimum wage increases and required health and workers compensation insurance, the Company has concluded that operation of these recycling centers is no longer sustainable.” In total, over 1,000 recycling centers have closed since 2013. According to CalRecycle, as of February 2021, there were 1,224 recycling centers in the state. Some counties, such as Humboldt, Trinity, Sierra, and Alpine, have no recycling centers. 42 percent (over 1,600) of statewide convenience zones were unserved.

Several factors contributed to the closures of these recyclers. Commodity prices have dropped significantly, causing low scrap value for recycled materials. In 2011, PET plastic scrap prices were at a peak of \$500/ton and have steadily declined. By November 2020, the price dropped to \$101/ton.

Additionally, the methods to determine processing payments do not accurately reflect the cost of recycling or provide a reasonable financial return. Processing payments also lag behind the steady between a container’s scrap values. Processing payments are intended to cover the difference between a container’s scrap value and the cost of recycling it (including a reasonable rate of return). The calculation to determine the “cost of recycling” does not consider things like transportation costs, putting rural recyclers at a significant disadvantage. Large recyclers that process high numbers of containers generally have lower costs, on average, than smaller centers. Current statute requires CalRecycle to use the average cost of all recycling centers, which results in some centers receiving higher payments than are necessary, while other centers do not receive enough support to remain in business.

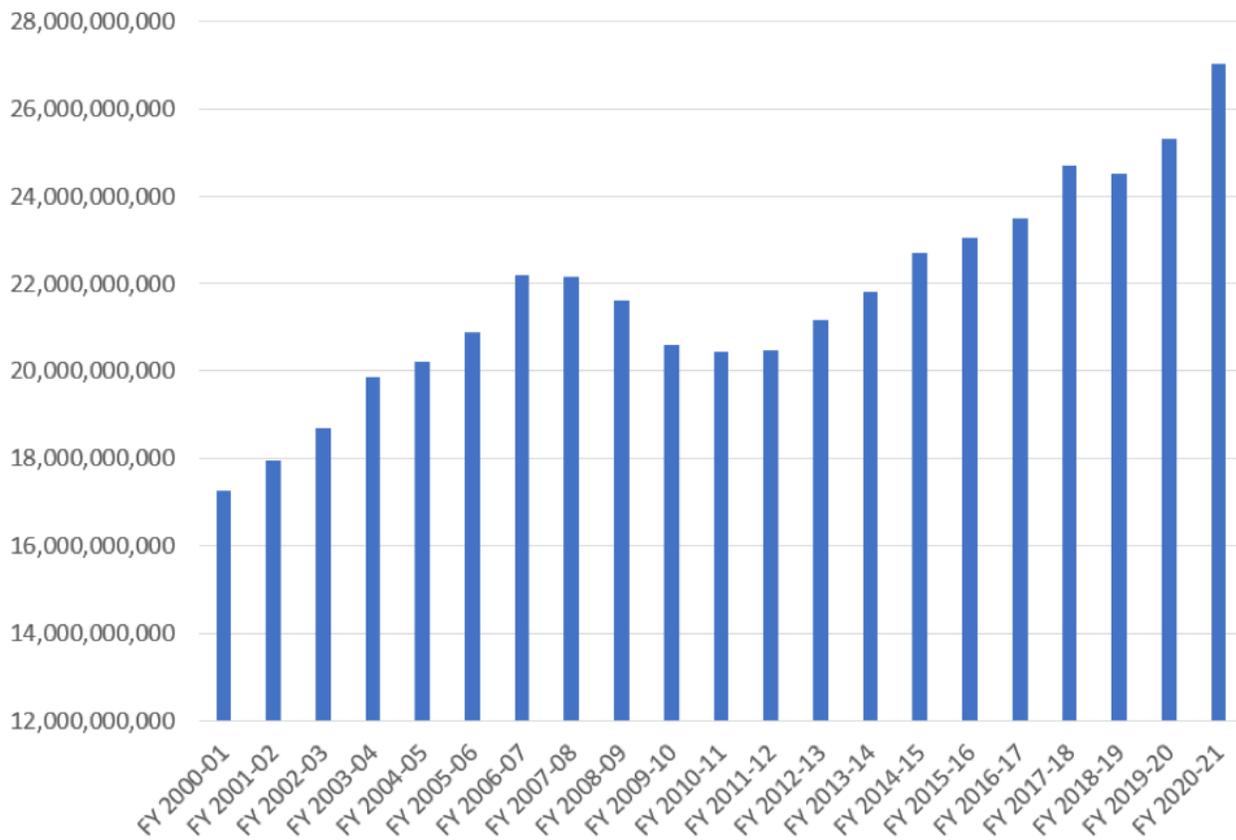
The Bottle Bill includes a back-up to convenience zone recycling centers; it requires dealers to either take back containers in-store, or pay a fee of \$100 per day in lieu of providing take-back. This provision was intended to ensure that consumers would continue to be able to redeem their beverage containers in zones unserved by a recycling center. In spite of this requirement, CalRecycle’s enforcement was lax

and very few stores complied with this requirement for decades. Over the last few years, CalRecycle has stepped up efforts to enforce this requirement, and more stores have come into compliance. For example, in 2019, CalRecycle issued a \$3.6 million fine against CVS Health Corporation for failing to meet its obligation to redeem beverage containers. While more stores are now in compliance, the vast majority opt to pay the in lieu fee rather than take back containers, which leaves consumers without convenient redemption opportunities.

Containers Sold, Containers Recycled. According to CalRecycle, Californians recycled 18.5 billion bottles and cans from July 2020 through June 2021, an increase of roughly 800 million containers from the previous fiscal year, (approximately 68 percent recycling rate). However, sales grew even more during that same time.

Below is a figure showing the increase in beverage containers sold in the state annually since fiscal year 2000-01.

Beverage Containers Sold by Fiscal Year



Source: CalRecycle

CalRecycle states that during the pandemic, the BCRP has seen an unexpected surplus of revenue. As shown above, beverage sales increased to historic levels in 2020 and 2021.

On the other hand, CalRecycle states that returns decreased in 2020 as stay at home and social distancing orders were in effect. The department notes that while returns have increased in 2021, they have not increased at the same rate as sales.

BCRF Surplus and Reporting. The BCRF has a significant fund balance of \$635 million in the current fiscal year, as noted in the Fund Condition Statement that was provided in this Budget Change Proposal, below:

California Beverage Container Recycling Fund, BCRF (0133)			
	FY 2020-21	FY 2021-22	FY 2022-23
Beginning Balance	\$ 274,320,000	\$ 529,228,000	\$ 635,482,000
Prior Year Adjustment	124,831,000	-	-
Adjusted Beginning Balance	399,151,000	529,228,000	635,482,000
Beverage Container Redemption Fees*	1,491,585,000	1,513,090,000	1,520,496,000
Income from Surplus Money Investments	1,650,000	3,869,000	3,869,000
Escheat of Unclaimed Checks & Warrants	227,000	32,000	32,000
Miscellaneous Revenue	13,199,000	3,229,000	3,229,000
Settlements/Judgements	331,000	82,000	82,000
Penalty Assessment	185,000	61,000	61,000
Total Revenues	1,507,177,000	1,520,363,000	1,527,769,000
Transfer to Glass Processing Fee Account*	(57,908,000)	(62,931,000)	(62,306,000)
Transfer to PET Processing Fee Account*	(72,721,000)	(61,797,000)	(44,528,000)
Total Transfers	(130,629,000)	(124,728,000)	(106,834,000)
Total Resources	1,775,699,000	1,924,863,000	2,056,417,000
State Operations	49,197,000	59,367,000	59,367,000
Handling Fees*	47,755,000	49,179,000	49,227,000
CRV Out*	1,091,381,000	1,097,740,000	1,098,998,000
Curbside Supplemental	15,000,000	15,000,000	15,000,000
Plastic Mkt Development	10,000,000	10,000,000	-
Local Conservation Corps	9,343,000	10,000,000	10,000,000
Payments to Cities and Counties	9,137,000	10,500,000	10,500,000
Grants - other	1,321,000	1,500,000	1,500,000
Public Education	4,627,000	5,000,000	2,500,000
Quality Incentive Payment	7,312,000	10,000,000	10,000,000
Pilot Project Grants	-	10,000,000	-
Circular Economy Package	-	10,000,000	-
SFL: Recycling Credits and Market Incentives	-	-	330,000,000
Local Assistance	1,195,876,000	1,228,919,000	1,527,725,000
Pro Rata	303,000	-	-
Supplemental Pension Payments	1,095,000	1,095,000	1,095,000
Total Expenditures	1,246,471,000	1,289,381,000	1,588,187,000
Fund Balance	\$ 529,228,000	\$ 635,482,000	\$ 468,230,000

Source: CalRecycle

The *San Francisco Chronicle* article, “California bottle deposit program sitting on at least \$100 million more than it told lawmakers,” (Dustin Gardiner, January 30, 2022), called attention to CalRecycle’s reporting discrepancies of the BCRF reserve, stating:

“The program is now sitting on a surplus of more than \$529 million, money that comes from the nickel and dime deposits consumers pay every time they buy a can of soda or bottle of beer in the state.

CalRecycle, the state department that runs the deposit program, said the amount of the surplus jumped because of an accounting backlog that delayed actual totals during the pandemic. But some recycling advocates say the department has in the past downplayed the scope of its flush coffers to distract from its plummeting bottle recycling rate...

...[T]he size of its reported balance has fluctuated widely: About a year ago, the department projected it would begin the current year, which started on July 1, with a \$369 million surplus.

Then, CalRecycle estimated the surplus was about \$428 million in a report to the Legislature last fall. CalRecycle later filed a memo with the state Department of Finance stating the surplus was actually over \$529 million.

CalRecycle Director Rachel Machi Wagoner, who took the department's helm in December 2020, said the jump was in part the result of a 'massive hiccup' that occurred when its accounting staff was suddenly forced to work remotely during the pandemic. Several employees quit around the same time, she said, and the department got far behind in tracking the money coming into its account...

...Two other factors also caused the surplus to grow faster during the pandemic: Beverage sales skyrocketed as people spent more time at home. Meanwhile, more recycling centers continued to close...

Machi Wagoner said it's also not unusual for the program's surplus to fluctuate by large amounts because the department can't predict exactly how many containers will be returned. She said, however, that the department doesn't plan to go back and revise any of the prior estimates because the fund balance it reported in the governor's proposed budget released this month is correct.

But some recycling advocates say they are troubled by the situation. They contend CalRecycle has a long history of providing low estimates about its surplus to legislatures. Susan Collins, president of the Container Recycling Institute advocacy group, said she's baffled that CalRecycle won't go back and fix its flawed projections...It's ridiculous that people in government can't just manage this the way it's supposed to be managed and produce an accurate and timely report... We can't improve the recycling program when there's misinformation.'...

...Machi Wagoner said CalRecycle has traditionally been conservative with its estimates because if it runs out of money in the fund, it would be forced to cut the subsidies it pays to help recycling centers cover their costs.

But she acknowledged that the program has more money than it needs to cover its operations — cash that could be used to try to improve recycling rates.”

At the time of the article, which was published in January of this year, the BCRF reserve was reported at \$529 million. The Fund Condition Statement above, which was included in the Budget Change Proposal in April, states the 2021-22 reserve at \$635 million in the current fiscal year.

Limitations of the Bottle Bill Program. According to a 2017 CalRecycle publication, BCRP is limited in its abilities to adapt to changes in consumer products and behavior, developments in recycling systems, and fluctuations in the global commodities market. These limitations have created challenges and missed opportunities to maximize the benefits of recycling beverage containers, especially climate change benefits. To that end, CalRecycle proposed a policy framework five years ago outlining key components of reform and based on the following principles:

- ***Improving Recycling and Remanufacturing.*** According to CalRecycle, the program has been successful in its initial goal of reducing litter by providing recycling collection opportunities for consumers. However, collection does not ensure that a product is recycled into a new commodity. Future investments should be dedicated to creating clean, recyclable streams of material to facilitate recycling and manufacturing. To facilitate recycling and manufacturing, CalRecycle will

focus on reform efforts on maintaining redemption opportunities for consumers and increasing the stream of clean recyclable materials.

- *Sharing Responsibility.* According to CalRecycle, historically, the consumer has shouldered most of the financial burden to sustain the program. Program responsibilities and financing should be rebalanced among all program participants. Under the current program, consumers pay \$0.05 to \$0.10 on each beverage container purchased, and in order to get their money back, consumers must travel to a recycling center to return the container. In contract, beverage manufacturers pay \$0.00024 for each polyethylene terephthalate (PET) container they sell in the state.
- *Enhancing Adaptability and Sustainability.* According to CalRecycle, increases in the recycling rate have resulted in a structural deficit in BCRF. In addition, the program does not respond quickly to fluctuations in the global commodities market. The program must be both nimble and fiscally sustainable to advance the state's economic and environmental goals. The program needs to become more fiscally stable and include a mechanism preventing structural deficits.

The Legislature, Administration, and stakeholders have attempted to collaborate on Bottle Bill reforms to align with the state's climate change goals and the state's 75 percent solid waste reduction, recycling, and composting goal, as well as creating long-term fiscal sustainability. However, legislative policy and budget proposals intended to accomplish these goals through substantial program reforms have been unsuccessful.

Recent Legislation Authorized Pilot Programs to Test Different Redemption Options. SB 458 (Wiener), Chapter 648, Statutes of 2017, authorized CalRecycle to develop a Beverage Container Recycle Pilot Program, which allowed up to five pilot projects to provide new approaches to providing convenient beverage container redemption options in areas that lack recycling opportunities. Subsequently, AB 54 (Ting), Chapter 793, Statutes of 2019, allowed for greater flexibility for where pilot projects could operate — specifically allowing pilots to operate outside of convenience zones — and extended the sunset date from January 1, 2022 to July 1, 2022. The Legislature also appropriated \$5 million on a one-time basis from BCRF to support the pilots.

The 2020 Budget Act appropriated \$126,000 BCRF in 2020-21 and \$124,000 annually for two years to develop, implement, and provide oversight of the pilot project grant program.

The 2021 Budget Act appropriated \$10 million BCRF to provide grants for the Beverage Container Recycling Pilot Project Program. The budget included trailer bill language to extend the sunset date for the recycling pilot program from January 1, 2023 to January 1, 2027. This trailer bill language also increased the number of pilot projects from five to ten and the maximum number of operating years from three to five.

The 2021 Budget Act also included one position and appropriates \$129,000 BCRF in 2021-22, an additional five positions and \$805,000 BCRF in 2023-24, and an additional three positions and \$1.2 million BCRF in 2024-25 and ongoing, for a contracted biennial study. The funds will be used to implement AB 793 (Ting), Chapter 115, Statutes of 2020, which requires beverage manufacturers to include a minimum amount of postconsumer recycled plastic in all plastic beverage containers subject to the California Refund Value (CRV).

LAO Comments. Beverage Container Recycling Program. CalRecycle requests \$330 million one-time BCRF for various activities intended to increase beverage container recycling rates and access, including both new activities and expansions of existing activities. In our view, given recent declines in recycling rates and the substantial BCRF fund balance, providing one-time funding to improve program outcomes could have merit. However, the Governor’s specific package of proposals currently lacks key details and raises important policy questions for the Legislature to consider. Based on the LAO’s initial review of the proposals, some of the key questions the Legislature might want to consider and ask the Administration in budget hearings include:

- *Does the proposal address a well-identified problem?* The Legislature will want to ensure any proposed spending addresses a well-identified problem. For example, many of the proposals seek to increase opportunities for consumers to redeem containers, including Automatic Recycling Machines and establishing mobile recycling programs. These proposals aim to address a well-established problem, as a large number of recycling centers have closed over the last several years. However, in other cases, the administration has not clearly identified the challenge it is trying to target and/or explained how the proposed spending would address the issue. For example, the administration proposes to allocate \$100 million to a temporary Consumer Recycling Credit, which would double the existing California Refund Value (CRV) for several weeks. According to CalRecycle, this proposal is intended to encourage consumers to return beverage containers purchased, but not returned, during the pandemic. First, it is not clear that consumers are currently storing a substantial number of beverage containers that were purchased during the pandemic. It is possible that, instead, those unrecycled beverage containers are somewhere else (such as in a landfill). Second, even if consumers are storing an abnormally large number of containers, it is unclear how a temporary increase in the CRV would encourage consumers to redeem beverage containers that would not otherwise be redeemed. Presumably, many consumers storing beverage containers are likely doing so with the intent to redeem them in the future. If so, a temporary increase in the CRV could simply shift the date these containers are redeemed, but have very little impact on the overall number of containers that are eventually recycled.
- *How effective is the proposal at addressing the problem?* So far, the Administration has provided limited information about the degree to which each proposal would achieve key recycling goals, such as increasing recycling rates and/or expanding access to recycling opportunities in underserved areas. The Legislature might want to direct the administration to report at budget hearings on the degree to which each program is expected to help achieve these goals and what evidence it can provide to substantiate those anticipated outcomes.
- *How have results from pilots informed this proposal?* CalRecycle and local governments are currently implementing five pilot projects aimed at exploring alternative redemption options, such as bag drop sites, at-home pick up, and mobile recycling trucks. After receiving an additional \$10 million BCRF in the 2021-22 budget, CalRecycle plans to initiate another five pilot projects in the coming months. To our knowledge, the administration has not conducted a preliminary evaluation of the existing pilot projects. The Legislature might want to direct the administration to report the progress of the pilot programs, including preliminary outcomes, key lessons learned, and how these pilots have informed the development of this spring proposal. If results from the pilots are not yet available, the Legislature could consider delaying at least some of the funding until it has more information about which pilots were most effective.
- *Does the proposal have ongoing benefits?* The Legislature might want consider ways to target funding to activities that are likely to improve ongoing recycling rates and access, rather than

providing one-time benefits. Some of the administration's proposals have the potential to increase recycling on an ongoing basis, such as supporting automatic recycling machines in supermarkets and providing loans to recyclers that may be forgiven if the recycler operates at least three years. In other cases, such as the proposed Consumer Recycling Credit, the proposal would likely yield only the limited-term results. The Legislature might want to direct the administration to report on which programs are most likely to have long-term recycling benefits and focus funding primarily on those efforts.

Staff Comments. As noted above, this \$330 million BCP does not provide details on the proposed activities/items beyond the brief description in the chart. Although some of the concepts may have merit, it is difficult to assess the adequacy of the individual activities/items, especially considering that many of them are new. The BCP leaves the reader with more questions than it provides answers, such as the key questions noted by LAO.

Because of the minimal information provided, the Chair requested CalRecycle program staff to be available for questions at this hearing. As of May 2, 2022, CalRecycle has chosen not to do so.

Staff Recommendation. Reject.

Senate Budget and Fiscal Review—Nancy Skinner, Chair
SUBCOMMITTEE NO. 2

Agenda

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Wednesday, May 4, 2022
1:30 p.m.
State Capitol, Room 112

Consultant: Anita Lee

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Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

Items Proposed for Vote Only

3360 CALIFORNIA ENERGY COMMISSION

Issue 1: Assessing Firm Zero-carbon Resources to Support Grid Reliability – Implementation of SB 423

Summary. The California Energy Commission (CEC) requests \$780,000 and three permanent positions to develop the report to be submitted to the Legislature on zero-carbon resources by December 31, 2023 and to conduct ongoing analysis for the Integrated Energy Policy Report (IEPR) as required by SB 423 (Stern), Chapter 243, Statutes of 2021.

Background. SB 423 requires the CEC to submit to the Legislature an assessment by December 31, 2023, of firm zero-carbon resources that support a clean, reliable, and resilient electrical grid and will help achieve the existing statutory goal of ensuring renewable energy and zero-carbon resources supply 100 percent of all retail sales of electricity to California customers by December 31, 2045. The report to the Legislature will require substantial new analysis for the CEC, and will include the identification of resources, evaluation of the need and role those resources, identification of barriers and solutions to implementing new technology, and evaluation of energy storage, among others.

The CEC requests \$780,000 and three permanent positions to develop the report to be submitted to the Legislature on zero-carbon resources by December 31, 2023 and to conduct ongoing analysis for the Integrated Energy Policy Report (IEPR). This includes \$780,000 from the Energy Resource Programs Account (ERPA) in 2022-23 to develop the report to the Legislature, and \$594,000 in 2023-24 and annually thereafter to generate subsequent analyses for IEPR. This corresponds to three permanent positions starting in 2022-23 plus funding for one temporary position in 2022-23 only. The Assembly Appropriations Committee analysis was on a prior version of the bill.

Staff Recommendation. Approve as budgeted.

Issue 2: Building electrification and electric vehicle charging – Implementation of SB 68

Summary. The CEC requests \$150,000 annually from the Energy Resources Programs Account (ERPA) and one permanent position to implement the requirements of SB 68 (Becker), Chapter 720, Statutes of 2021, which directs the CEC to post guidance on its website to help stakeholders overcome barriers to electrifying existing buildings and installing electric vehicle (EV) charging equipment to existing buildings. This work will require research, data gathering, updating, packaging, web design, and coordination with other divisions, agencies, and stakeholders on an ongoing basis.

Background. SB 68 requires the CEC to develop and publish guidance on best practices to help reduce barriers for building owners to transition to electric equipment and appliances, and install electric vehicle charging equipment; and authorizes awarding of moneys from an existing grant

program, funded by surcharges on energy ratepayer utility bills, for technological advancements that reduce the costs of electrifying building-related applications.

The Administration requests \$150,000 annually from ERPA and one permanent position to implement the requirements of SB 68. This work will require research, data gathering, updating, packaging, web design, and coordination with other divisions, agencies, and stakeholders on an ongoing basis. This request is similar to the Assembly Appropriations Committee fiscal analysis of SB 68.

Staff Recommendation. Approve as budgeted.

Issue 3: Fuel Cell Electric Vehicle Fueling Infrastructure and Fuel Production: Statewide Assessment – Implementation of SB 643

Summary. The CEC requests \$150,000 annually from the Alternative and Renewable Fuel and Vehicle Technology Fund and 1.0 permanent position to implement the requirements of SB 643 (Archuleta), Chapter 646, Statutes of 2021 to prepare in consultation with the California Air Resources Board (CARB), the California Public Utilities Commission (CPUC), and other specified state agencies, a statewide assessment of the fuel cell electric vehicle (FCEV) infrastructure, fuel production, and distribution needed to meet California’s zero-emission truck, bus, and off-road vehicle goals as set in Executive Order N-79-20, as well as any CARB regulation that requires or allows zero-emission heavy-duty and off-road vehicles.

Background. SB 643 requires the CEC, in consultation with CARB and CPUC, to prepare a statewide assessment at least once every three years beginning before December 31, 2023 until January 1, 2030, of FCEV fueling infrastructure and fuel production needed to support the adoption and integration of medium-duty and heavy-duty FCEV. This assessment would consider all fuel production and distribution infrastructure, including dispensing equipment, production equipment, storage, and on and off-road electrification needed to meet demand for FCEV deployment and integration. The assessment is required to provide estimates and evaluations on how hydrogen will contribute to emissions reductions across various sectors, such as contributing to a more renewable grid, decarbonizing hard-to-electrify industries and remote locations, expanding microgrids, and improving energy resiliency.

New responsibilities under this bill will include an expansion of data collection efforts to include industry sectors such as rail, marine, and off-road vehicles and an assessment of all fuel production and distribution infrastructure, including dispensing equipment, production equipment, storage, and on- and off-road electrification needed to meet demand for fuel cell electric medium- and heavy-duty deployment and integration in California.

The Administration requests \$150,000 annually from the Alternative and Renewable Fuel and Vehicle Technology Fund and one permanent position to implement the requirements of SB 643 to prepare in consultation with the CARB, the CPUC, and other specified state agencies. The Assembly Appropriations Committee analysis and cost estimates were on a prior version of the bill.

Staff Recommendation. Approve as budgeted.

Issue 4: Air pollution: alternative vehicles and vehicle infrastructure – Implementation of SB 589

Summary. CEC requests \$113,000 annually from the Alternative and Renewable Fuel and Vehicle Technology Fund and 0.8 permanent position to implement the requirements of SB 589 (Hueso), Chapter 732, Statutes of 2021. The additional resources will assess workforce and resource needs associated with electric vehicle charging infrastructure deployment goals.

Background. SB 589 expands the types of projects eligible for funding from the Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP) to include projects that develop in-state supply chains and the workforce for raw materials and components needed for zero-emission vehicle (ZEV) manufacturing. This bill expands the groups the CEC must consult as part of ARFVTP workforce development efforts to include the California Conservation Corps, local Conservation Corps, the California Mobility Center, and the California Community Colleges. This bill also incorporates workforce development as a resource the CEC must evaluate part of its regular assessment of resources needed to meet state ZEV deployment goals. The CEC requests \$113,000 annually from the ARFVT Fund and 0.8 permanent position to implement the requirements of SB 589. This cost estimate is similar to the Assembly Appropriations Committee analysis.

Staff Recommendation. Approve as budgeted.

Issue 5: Solar Equipment List Direct Appropriation (Spring Finance Letter)

Summary. The CEC requests a permanent direct appropriation for \$1,281,000 from the Public Utilities Commission Utilities Reimbursement Account to fund the CEC's Solar Equipment List Program and replace the current Interagency Agreement (IA) funding mechanism. The IA with the California Public Utilities Commission (CPUC) ends on June 30, 2022.

Background. The CEC developed the Solar Equipment List under SB 1 (Murray), Chapter 132, Statutes of 2006, establishing criteria and standards for solar incentive programs under the California Solar Initiative. All major components of solar energy systems (PV modules, inverters, and meters) had to be chosen from eligible equipment lists. To have their equipment included on the lists, manufacturers must provide certification from a nationally recognized testing laboratory that the components meet safety standards. The CEC verifies information provided by manufacturers to maintain equipment on the lists. California's large investor-owned utilities also use the solar equipment lists as a required standard for Rule 21 interconnection and for net energy metering purposes.

The CEC's Solar Equipment List program provides critical support for the state's utilities streamlined approval of interconnection for distributed solar energy resources and storage systems as well as numerous incentive and technical assistance programs.

In fiscal year 2019-20, the CEC put forth a series of budgetary actions necessary to reduce the Energy Resources Programs Account (ERPA) structural deficit. One element of those budgetary actions was to provide funding for the Solar Equipment List Program from PUCURA via an interagency agreement (IA) between the CEC and CPUC, which was effective July 1, 2019. The IA provides annual contract funding of \$1,281,000 and it expires June 30, 2022. The IA payment terms require the CEC to issue 12 quarterly reimbursement invoices to the CPUC for this funding.

CEC seeks a more permanent funding solution for the Solar Equipment List program and eliminate the time-consuming administrative steps associated with seeking reimbursement via an IA, the CEC proposes an on-going annual direct appropriation of \$1,281,000. This request includes support for the existing staff level of 8.0 PY and \$50,000 in contract funds annually, a reduction from the current \$70,000 in annual contract funds provided for under the existing agreement.

Staff Recommendation. Approve Spring Finance Letter.

8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

Issue 6: Emerging Threats Information Data Management System (Spring Finance Letter)

Summary. CDFA requests \$1,954,000 in 2022-23 (\$1,231,000 General Fund and \$723,000 Food and Agriculture Fund) and \$904,000 in 2023-24 (\$570,000 General Fund and \$334,000 Food and Agriculture Fund) to complete the planning activities required by the Department of Technology Project Approval Lifecycle to replace the existing legacy Emerging Threats Information Data Management System (ET). This system supports CDFA’s Animal Health and Food Safety Services Division, the lead state organization for protecting consumers, livestock, and California’s economy from catastrophic animal diseases, food safety and other health or agricultural related issues.

Background. In 2004, CDFA’s Animal Health and Food Safety Services Division (AHFSS) initiated efforts to consolidate several stand-alone legacy systems distributed over the state into a single Web- based system to enhance the collection, processing and reporting of program activity data. The consolidation efforts resulted in development and implementation of the ET that is the central source of information management for the Animal Health, Bureau of Livestock Identification, Meat, Poultry and Egg Safety, and Milk and Dairy Food Safety Branches.

A 2016 analysis of ET, performed by the CDT Data Management Consultant, found that ET’s current data model no longer represents the business need of AHFSS. The report stated that ET’s “data integrity may have already been compromised” impacting the ability to exchange essential demographic information (core data, “people and places”) amongst AHFSS programs. Additionally, the CDT report also identified that the means to ensure reliable shared data, necessary for key management decision, are not fully implemented, resulting in duplicate information and orphaned records. These leads to duplicated, incomplete, and invalid data.

For example, ET’s critical information deficiencies was highlighted at the onset of the virulent Newcastle Disease (vND) response in 2018. CDFA’s information for facilities producing or handling eggs was inconsistent across AHFSS programs, resulting in data quality issues. It took

nearly three months and hundreds of hours of staff time to validate and clean information associated with the poultry and egg facilities.

The 2019 Budget Act included \$2.5 million one-time General Fund for ET consultant services for project planning, data cleanup, system documentation, and the development of a potential information technology solution. The CDT Project Approval Lifecycle Stage Gate 1 Business Analysis is complete, and Stage Gate 2 Alternatives Analysis was submitted to CDT, reviewed, feedback provided, and an update to the Stage Gate 2 document underway. CDFA has committed all of the \$2.5 million General Fund to work orders to complete the Stage Gate 2 document by May 2022, with additional data cleanup work to reduce project data conversion risk. Additionally, CDFA has been in discussions with CDT and the State Technology Procurement Division on the potential use of the Challenged Based Procurement approach, which would overlap Stage Gates 2 and 3.

The Spring Finance Letter requests funding to complete planning activities, project. Consultant resources will be managed by the CDFA Office of Information Technology Services. AHFSS will dedicate one Retired Annuitant staff member to ensure that the business needs of the program are met and align with the CDFA Strategic Plan goals. AHFSS will review and approve consultant timesheets and oversee the approved project budget. This funding will allow CDFA to complete PAL Stage Gate 3 and 4 activities, which include the competitive procurement and contract award for an ET replacement. The project is currently estimated to be \$60 million, of which approximately \$50 million is for implementation services, \$2 million for licenses, and \$8 million state costs. CDFA will be completing the Financial Analysis Worksheet in the coming weeks to identify the final cost estimate for Stage Gate 2.

Staff Recommendation. Approve Spring Finance Letter as proposed.

Issue 7: Extension of Invasive Shot Hole Borer Funding (Spring Finance Letter)

Summary. CDFA requests an extension of the liquidation period from June 30, 2022, to June 30, 2024, to complete the Invasive Shot Hole Borer (ISHB) research and outreach activities necessary to create a comprehensive strategy to control ISHB. These activities are needed to develop essential components of an evolving regional Integrated Pest Management program.

Background. The ISHB are invasive ambrosia beetles, native to Southeast Asia that are responsible for the death of thousands of trees in Southern California. ISHB is associated with a fungal pathogen that the beetles carry with them and transmit to host trees and cause a disease called Fusarium Dieback (FD). The vascular stress caused by the fungal disease, combined with physical damage from the extensive beetle galleries, leads to general tree decline and, eventually, tree death.

The Budget Act of 2018 included \$5 million one-time General fund for PSHB activities. The California Invasive Species Advisory Committee (CISAC) held a series of public stakeholder meetings to develop an ISHB action plan. The consensus of the stakeholder group was to use the funds for research, trapping and outreach. The CISAC ISHB sub-committees concluded their

prioritization phase and grants were awarded to start addressing top priorities, with the University of California Integrated Pest Management (UC IPM) managing a master grant. Due to the timing of the CISAC process, the \$5 million was reappropriated by the Budget Act of 2019. CDFA estimates that \$1 million of this funding remains.

CDFA notes that the trapping portion of the contract at UC IPM is complete, however the research and outreach activities will not be fully completed by the liquidation deadline of June 30, 2022. Specifically, UC IPM is contracted to research biocontrol, IPM, epidemiology, chipping, endophytes, economic impacts and trap optimization. Much of the research has been conducted, however, due to COVID-19, some research is still incomplete due to travel restrictions.

CDFA is requesting an extension of the liquidation period from June 30, 2022, to June 30, 2024, to allow grant recipients more time to expend encumbered funds, as the COVID-19 pandemic has led to unforeseen delays.

Staff Recommendation. Approve Spring Finance Letter as proposed.

Issue 8: Information Technology Security Remediation and Sustainability (Spring Finance Letter)

Summary. CDFA requests \$2,942,000 General Fund and \$544,000 special funds and one permanent position in 2022-23, \$2,455,000 General Fund and \$540,000 special funds in 2023-24, and \$1,030,000 General Fund and \$540,000 special funds in 2024-25 and ongoing to manage, implement, and maintain mitigation efforts to resolve high-risk information technology security findings, "true up" its personal services and operating expense and equipment costs, and fund two existing authorized positions within CDFA's Office of Information Technology Services (OITS).

Background. OITS provides information technology (IT) services for all CDFA staff and locations. OITS is responsible for the development and maintenance of over 430 IT systems that supports CDFA's business operations and critical business functions. In addition to supporting existing systems, OITS is charged with working with the divisions to implement new systems, new functionality, and enhancements. The chart below outlines the SFL funding request.

Area	BY	BY + 1
Consulting & Professional Services	\$1,407,200	\$1,453,600
Hardware/Software/Software as a Service	1,154,132	624,032
True costs of the IT reclassifications	447,940	447,940
Funding for the two positions that were unfunded	244,690	244,690
Funding for the IT manager	178,807	178,807
OE&E (Office supplies, laptops, training, etc.)	53,231	45,931
Total	\$3,486,000	\$2,995,000

Over the past several years, CDFA has undergone annual IT Security Audits and Assessments by California Department of Technology State Information Security Office (SISO) and the California Military Department (CMD). These audits found a significant number of identified security

findings. CDFA's Plan of Action and Milestones (PoAM) is a confidential document that CDFA submits quarterly to SISO on its actions to mitigate and manage these security findings. From 2019-20 through 2020-21, OITS redirected three positions to expand CDFA's Agency Information Security Office (AISO) to address workload associated with the security audits. However, CDFA believes they do not have enough funding or staff to address or mitigate the findings identified in the PoAM. CDFA notes that many of the findings require procurement of software applications, which will have one-time and ongoing costs associated with software licenses. CDFA requests \$1.41 million for consulting and professional services and \$1.15 million for hardware and software in 2022-22, and \$1.45 million for consulting and professional services and \$0.62 million for hardware and software in 2023-24 to address these security issues.

Due to CDFA OITS staffing limitations, the existing AISO is also the manager over the Infrastructure Operations team. However, SIMM 5305-A "Information Security Program Management Standard" specifies that the Information Security Officer (ISO) should not be assigned multiple roles that could present a conflict-of-interest. Therefore CDFA requests one IT Manager I position and associated funding to allow CDFA to comply with SIMM 5305-A. CDFA requests \$178,807 to fund this position.

In June 2015, the state began an effort to consolidate IT classifications, many of which had not been updated in over 20 years. In developing the new IT classifications, the statewide team grouped legacy classifications with similar functions and/or salaries into new classification. The new classifications transitioned approximately 36 IT classifications into five rank-and-file IT classifications and four IT supervisory/managerial classifications. The changes took effect in January 2018. OITS had 60 authorized positions that received salary increases to match the new classifications and absorbed this increase with existing resources. OITS used its OE&E budget to bridge the salary and benefit gap, resulting in significant shortfalls for OE&E that eliminated most of the training as well as other expenses related to better equip staff to perform the work they were assigned. CDFA requests \$0.45 million in 2022-23 to "true-up" personal services costs that increased because of statewide IT Classification Consolidations, which occurred in 2018.

OITS currently has two authorized positions that are not funded, one IT Specialist I and one IT Associate. When IT Consolidation was implemented, all CDFA IT positions were administratively consolidated under to OITS. While all positions and associated funding was administratively moved to OITS, two positions continued to reside within and were funded by a business program. In 2020, these two positions were formally moved under OITS to support IT needs, however, the funding did not follow them. CDFA requests \$244,690 to fund these two positions.

Staff Recommendation. Approve Spring Finance Letter as proposed.

Issue 9: Technical Correction (Spring Finance Letter)

Summary. CDFA requests a technical correction to amend a code section reference in budget bill language. Specifically, CDFA requests to amend Provision 2 of Item 8570-001-6088 as follows:

- “2. The funds appropriated in Schedule (2) shall be available as follows:
- (a) \$50,000 shall be available consistent with subdivision (b) of Section 80134 of the Public Resources Code.
 - (b) \$100,000 shall be available consistent with subdivision (b) of Section ~~81047~~ **80147** of the Public Resources Code.”

Section 81047 does not exist in the public resources code. Subdivision (b) of Section 80147 of the Public Resources Code is about the State Water Efficiency and Enhancement Program.

Staff Recommendation. Approve Spring Finance Letter.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

Issue 10: Bioenergy Market Adjusting Tariff program: Community Choice Aggregators - Implementation of AB 843

Summary. The CPUC requests \$865,000 limited-term funding from the Public Utilities Commission Utilities Reimbursement Account for four three-year full-time temporary positions to implement new work resulting from AB 843 (Aguilar-Curry), Chapter 843, Statutes of 2021. This legislation requires the CPUC to develop and adopt processes for contract approval and cost recovery to administer the state’s Bioenergy Market Adjusting Tariff (BioMAT) program for community choice aggregators (CCA).

Background. The BioMAT is a feed-in-tariff program created by SB 1122, which established a 250 Megawatt (MW) procurement program for small-scale bioenergy projects. The program was first implemented in 2014 and uses a standard contract and a market-based mechanism to arrive at the contract price. The goal of the BioMAT program is to promote competition for entrants to the bioenergy market using a simplified procurement mechanism. The program procurement is allocated into three discrete feedstock categories: Biogas, Dairy/Agriculture, and Sustainable Forest Management. The CPUC has overseen the procurement of nearly 50 MW of BioMAT procurement since the start of the program. The program capacity allocations are divided amongst the three large IOUs.

AB 843 authorizes CCAs to submit eligible bioenergy projects for cost recovery from electric utility ratepayers, pursuant to the BioMAT program, if open capacity exists within the 250 megawatts (MW) program limit. CCAs are governmental entities formed by cities and counties to purchase power for their residents and businesses. To implement AB 843, the CPUC must establish a filing and approval process for CCAs’ standard contract terms and conditions, adopt a process

for CCAs to file their BioMAT Tariffs, and establish a process for CCAs to submit eligible bioenergy contracts to the CPUC for cost recovery. The PUC requests \$865,000 limited-term funding from the Public Utilities Commission Utilities Reimbursement Account for four three-year full-time temporary positions to implement AB 834. This cost is consistent with the Senate Appropriations Committee Analysis.

Staff Recommendation. Approve as budgeted.

Issue 11: Broadband Infrastructure Deployment – Implementation of AB 41

Summary. CPUC requests \$159,000 ongoing for one new permanent full-time position; \$105,000 one-time funding in 2022-23 for computer hardware, software, and training; and \$30,000 ongoing starting in 2023-24 from the Public Utilities Commission Utilities Reimbursement Account to develop, implement, and administer the new requirements mandated by AB 41 (Wood), Chapter 659, Statutes of 2021.

Background. The CPUC began creating and hosting the state’s interactive broadband map in 2010 with an American Recovery and Reinvestment grant from the National Telecommunications and Information Administration. Since that time, the CPUC has updated the map each year and added new features, such as public feedback, census data, legislative districts, and provider coverage tools. Before the CPUC publishes broadband data to the interactive map, it must go through several steps: verification, geo-processing, and validation.

AB 41 requires the CPUC to update broadband maps to specified information about local broadband service and it requires the California Department of Transportation (Caltrans) to install conduit for fiber communications lines as part of projects to build a state-owned middle-mile broadband network.

AB 41 requires the CPUC to transition from census block level data collection and analysis to “serviceable locations.” This is a step-change in terms of quantity of broadband data records being collected and processed, and the increased granularity will enable staff to calculate the percentage of each census block that has broadband service meeting federal and state standards.

The CPUC requests \$159,000 ongoing for one new permanent full-time position; \$105,000 one-time funding in 2022-23 for computer hardware, software, and training; and \$30,000 ongoing starting in 2023-24 from the CPUC Utilities Reimbursement Account to develop, implement, and administer the new requirements mandated by AB 41. The Senate Appropriations Committee analysis was for a prior version of the bill, and some of the work from the bill was included in the Broadband Package of the 2021 Budget Act.

Staff Recommendation. Approve as budgeted.

Issue 12: Broadband Services: Advance Services Fund – Implementation of AB 14

Summary. CPUC requests \$564,000 ongoing from the Public Utilities Commission Utilities Reimbursement Account and the California Advanced Services Fund for three three-year full-time temporary positions to develop, implement, and administer program changes to the California Advanced Services Fund (CASF), the Deaf and Disabled Telecommunications Program (DDTP), and surcharges, as mandated by AB 14 (Aguilar-Curry), Chapter 658, Statutes of 2021, in addition to one-time costs of \$1,950,000 for the Telecommunications User Fee Filing System (TUFFS) and \$1,250,000 for the Program Claims Management System (PCMS), as well as \$382,000 ongoing for contracts, equipment, and cloud subscriptions.

Background. The CASF is administered by the CPUC to provide grants for broadband infrastructure and adoption. Lack of broadband access generally stems from two primary causes: a lack of sufficient infrastructure and a lack of affordable broadband service. The CASF helps address the degree to which a lack of infrastructure limits broadband access. The CASF is funded by an end user surcharge on in-state telecommunications services. AB 14 extends the sunset for the CASF surcharge to December 31, 2032, allows the CPUC to limit cost-shifts for the surcharge, and authorizes the CPUC to collect specified information about affordable internet plans from internet service providers.

The DDTP Program provides assistive telecommunications equipment, speech generating devices, and relay services to qualified Californians. The program goal is to provide access to basic telephone service for Californians who have difficulty using the telephone. AB 14 also establishes a cap of \$100 million on the maximum amount of funding CPUC can collect to fund DDTP.

PCMS is an IT Project currently underway to implement a system to manage and track claims related to the state's Public Purpose Programs (PPP), including CASF and DDTP. This project is currently negotiating the implementation vendor contract and the scope and requirements for this implementation have already been defined and finalized. AB 14 created additional requirements and new business rules which fall outside the scope of the existing project, some of which requires the CPUC to track Geographic Information System (GIS) data.

CPUC requests \$564,000 ongoing from the CPUC Utilities Reimbursement Account and the California Advanced Services Fund for three three-year full-time temporary positions to develop, implement, and administer program changes to CASF, DDTP, and surcharges, as mandated by AB 14. CPUC also requests one-time costs of \$1,950,000 for the Telecommunications User Fee Filing System and \$1,250,000 for the Program Claims Management System (PCMS), as well as \$382,000 ongoing for contracts, equipment, and cloud subscriptions. The Senate Appropriations Committee analysis notes that there are unknown one-time and ongoing costs for the PUC to incorporate rule changes into the CASF proceedings and adopt multiple ne programmatic processes.

Staff Recommendation. Approve as budgeted.

Issue 13: California Advance Services Fund – Implementation of SB 4

Summary. CPUC requests \$1.25 million for six three-year full-time temporary positions; and \$2.55 million per year for three years, \$30,000 one-time, and \$10,000 per year for two subsequent years for consultant services, training, and licenses from the California Advanced Services Fund to implement SB 4 (Gonzalez), Chapter 671, Statutes of 2021. The legislation makes numerous changes to the California Advanced Services Fund (CASF) program and extends the program to December 31, 2032.

Background. SB 4 extends the operation of the CASF through 2032, increases the annual funding cap for the CASF, and expands projects eligible for CASF grants to include fund broadband deployment at unserved locations used for emergency response. The changes will greatly expand eligibility for CASF-funded areas which is expected to result in a higher number of applications that will require review and processing by the CPUC. Changes to the definitions of household, area and housing units will add complexity and workload to the mapping activities. Additional workload includes managing the CASF proceeding and implementing the program expansion and other modifications called for in the legislation, and ensuring the program continues to make progress towards its statutory goals over time. New Information IT systems and additions to current systems will need to be maintained and supported. New work also includes oversight of the CEQA review, and consultation with environmental experts to ensure CEQA compliance and to assist the Communications Division with grants.

The CPUC requests \$1.25 million for six three-year full-time temporary positions; and \$2.55 million per year for three years, \$30,000 one-time, and \$10,000 per year for two subsequent years for consultant services, training, and licenses from CASF to implement SB 4. The Appropriations Committee Analysis notes that there are unknown one-time and ongoing costs to administer the programmatic changes to CASF.

Staff Recommendation. Approve as budgeted.

Issue 14: Lifeline Program – Implementation of AB 74

Summary. CPUC requests \$171,000 from the Universal Lifeline Telephone Services Trust for one two-year full-time temporary position to implement AB 74 (Gonzalez), Chapter 410, Statutes of 2021 by modifying the California LifeLine (Program) application and recertification process to minimize barriers for customers to apply to the Program and recertify eligibility. Also requested are one-time funding of \$309,000 for Third-Party Administrator system changes and two-year funding of \$196,000 per year for outreach and communication efforts.

Background. The California LifeLine program provides affordable wireline and wireless phone service to approximately 1.4 million low-income customers. In 2005, the CPUC transferred the enrollment functions from the telephone corporations to a third party administrator (TPA). Under the CPUC's oversight and supervision, the TPA handles the application, enrollment, and renewal processes, and determines if an applicant is eligible to enroll in California LifeLine.

Applicants may qualify for California LifeLine in two ways: (1) through enrollment in an eligible public-assistance program (program-based eligibility), or (2) meeting an income threshold (income-based eligibility). Under program-based eligibility, households may qualify for the California LifeLine discounts if they provide supporting documentation that at least one household member is enrolled in one or more eligible public-assistance programs such as Medicaid/Medi-Cal, Supplemental Security Income, CalFresh, etc. California LifeLine participants must also annually renew their participation in the Program to confirm continued qualification and intent to receive ongoing discounted phone services. Participants can renew by mail, online or over the phone.

AB 74 requires the CPUC to make various changes to the enrollment and recertification process for California's Lifeline program, including, but not limited to, requiring the CPUC to allow Lifeline subscribers to recertify their eligibility for the program electronically without the use of personal identification number (PIN). The bill also requires CPUC to annually post participation and recertification rate for Lifeline on its website. CPUC requests: (1) \$171,000 from the Universal Lifeline Telephone Services Trust for one two-year full-time temporary position to modify the application and recertification process, (2) \$309,000 one-time for Third-Party Administrator system changes, and (3) two-year funding of \$196,000 per year for outreach and communication efforts.

Staff Recommendation. Approve as budgeted.

Issue 15: Digital Infrastructure and Video Competition Act – Implementation of SB 28

Summary. CPUC requests \$846,000 from the Public Utilities Commission Utilities Reimbursement Account for four three-year full-time temporary positions; as well as \$42,000 one-time and \$18,000 per year for two additional years for computer equipment, software, and training to implement the mandates of SB 28 (Caballero), Chapter 673, Statutes of 2021. SB 28 makes changes to the Digital Infrastructure and Video Competition Act (DIVCA) affecting households reporting and customer service requirements.

Background. DIVCA was signed into law in 2006, transferring responsibility for issuing cable television franchises from cities and counties to the CPUC. Prior to the passage of DIVCA, local governments licensed cable franchises. A cable provider seeking to offer video service in every part of California needed to obtain over 400 franchise agreements before the creation of a state franchise process. Few areas had more than one cable provider and the primary service competing against cable, satellite television service, was not required to obtain franchise agreements. DIVCA was intended to grow cable service in the state and increase competition between cable providers by lowering barriers associated with local franchising.

DIVCA requires state video franchise holders to provide certain information based on the census tract level to the CPUC by April 1 annually. SB 28 requires CPUC to collect granular data on actual locations served by franchisee to reflect the growing reliance on internet service. Additionally, the bill requires CPUC to adopt customer service requirements for cable franchises

and adjudicate customer complaints. The CPUC notes that this type of work is new, and chose to submit a conservative estimate of resources, and may submit additional staffing requests in the future to implement SB 28. CPUC requests \$846,000 from the CPUC Utilities Reimbursement Account for four three-year full-time temporary positions; as well as \$42,000 one-time and \$18,000 per year for two additional years for computer equipment, software, and training to implement SB 28. The Assembly Appropriations Committee Analysis was based on a prior version of the bill.

Staff Recommendation. Approve as budgeted.

Issue 16: Water and Sewer System Corporations Consolidation of Service – Implementation of AB 1250

Summary. The CPUC requests \$2,796,000 from the Public Utilities Commission Utilities Reimbursement Account for five new permanent full-time positions and nine three-year full-time temporary positions to address an increasing number of utility applications and advice letters requesting consolidations of small community water systems and small state water systems under the expedited processes mandated by AB 1250 (Calderon), Chapter 713, Statutes of 2021.

Background. According to the SWRCB, there are currently approximately 1,500 small community water systems that are either at-risk or nearing at-risk status for failing to meet one or more key human rights to water goals or consistently failing to meet one or more primary drinking water standards. This list and number grow by approximately 47 additional small community water systems each year. AB 1250 establishes timeframes by when the CPUC is required to take action on a request for a water system consolidation for a small water system that is failing or at risk of failing, specifically twelve months for an application, as specified, and 180 days for an advice letter, as specified. CPUC requests \$2,796,000 from the Public Utilities Commission Utilities Reimbursement Account for five new permanent full-time positions and nine three-year full-time temporary positions to address an increasing number of utility applications and advice letters requesting consolidations of small community water systems and small state water systems under the expedited processes. This request is similar to the fiscal analysis included in the Senate Appropriations Committee analysis.

Staff Recommendation. Approve as proposed.

Issue 17: CPUC Enterprise Solutions Ongoing Maintenance and Support Costs (Spring Finance Letter)

Summary. CPUC requests \$5,824,000 for fiscal year 2022-23 and \$6,115,000 ongoing from various special funds for ongoing maintenance and support costs of enterprise-wide information technology (IT) solutions and tools implemented in recent years. These funds will support CPUC projects and efforts so that legacy systems can be upgraded and/or replaced, and new systems created to address new and evolving CPUC business needs.

Background. In recent years, CPUC IT project-specific budget requests did not account for ongoing maintenance and support of technology, nor did the CPUC seek additional funds for procuring enterprise-wide IT solutions and tools that were in support of CPUC. To cover these expenditures, the CPUC has been using baseline salary savings to fund these critical services, but cannot continue to sustain the ongoing maintenance and support costs in that manner.

PUC adopted a variety of platforms and enterprise technologies in recent years, such as analytical applications, data storage, information security, back office applications, personal productive, and content management.

PUC requests \$5.82 million in 2022-23 and \$6.12 million ongoing from various special funds for maintenance and support of 33 enterprise IT solutions and tools. These include various subscriptions, software licenses and platforms, including Salesforce licensing at \$1 million ongoing, Microsoft upgrade from E3 to E4 at \$692,663 in 2022-23 and \$727,296 ongoing, VMWare universal licensing at \$975,341 in 2022-23 and \$1,024,108 ongoing, Sitecore website platform at \$459,026 in 2022-23 and \$481,978 ongoing, and MuleSoft API licensing subscription at \$360,533 in 2022-23 and \$378,660 ongoing, among others.

Staff Recommendation. Approve Spring Finance Letter.

Issue 18: Human Resources: Human Capital Management (HCM) System (Spring Finance Letter)

Summary. CPUC requests \$1,960,000 in 2022-23 and \$200,000 ongoing from various special funds to procure, implement, and license the Human Capital Management (HCM) system to increase CPUC Human Resources Division (HRD) staff efficiency and provide greater timeliness and accuracy, while supporting related human resources (HR) data initiatives. Specifically, the CPUC requests the following:

- \$1,400,000 one-time cost for procurement and implementation of the HCM system
- \$200,000 one-time cost for California Department of Technology (CDT) Independent Project Oversight (IPO)
- \$160,000 one-time cost for unanticipated/unplanned project items
- \$200,000 in ongoing annual licensing fees

Background. The State Controller's Office decommissioned PUC's legacy Human Resource Information System (HRIS) in 2014. In response, PUC developed and implemented the Electronic Timesheet System (ETS) as a stopgap measure to maintain timekeeping and data reporting. ETS was integrated with the SCO California Leave Accounting System to allow PUC to track and report employee time reports and leave information. Besides the ETS, CPUC HRD relies on manual, paper-driven processes for a vast majority of its critical functions—including position control, position management, manual data compilation and analysis, manual data reports generation, paper-driven recruitment, and the employee management process, among others. These manual processes create difficulty in completion, tracking, and providing accurate timely management reports. The current systems and processes are also lacking in meeting the necessary compliance and reporting requirements of the control and oversight agencies. Additionally, existing CPUC HR systems and processes are decentralized and lack automated workflows.

The Administration notes that the HCM system will implement (1) Automated Request for Personnel Action (RPA) process, (2) Centralized duty statements and employee records, (3) Performance management (probationary reports, annual appraisals, ongoing feedback, (4) case management, (5) dashboards, tracking and analytics for succession planning, turnover, diversity, and demographics of positions, (6) mobile/ streamlined experience, and (7) tracking and retention of documents in the online system for access and audits. The Administration notes that the request will update the current manual paper-based workflows and systems to an integrated cloud-based approach. Additionally, PUC employees will have access to a self-service portal and other online features.

PUC anticipates that the HCM will help the HRD conduct performance appraisal and probation report for all active employees, increase the number HR tasks performed, provide staff with secure options to manage their leave and pay records, and conduct CPUC workforce position management among others.

The CPUC completed Stage 1 Business Analysis of the Project Approval Lifecycle process and is nearing the end of Stage 2 Alternatives Analysis. The CPUC has identified a vendor through

which to procure and implement the HCM system. CPUC estimates that the project will take 11 to 12 months to “Go Live.” The project will include six additional months for maintenance and operations, and at the end of 18 months the project will be complete.

Staff Recommendation. Approve Spring Finance Letter.

Issue 19: Centralized Enterprise Geographical Information Systems and Data Analytics Environment (Spring Finance Letter)

Summary. CPUC requests a one-time budget increase in the amount of \$1,452,000 for fiscal year 2022-23 and ongoing costs of \$1,178,000 to provide licensing and infrastructure to implement enhanced enterprise Geographical Information Systems (GIS) and data analytics capabilities for the CPUC’s public purpose programs, service quality activities, and policy support (including federal policy activities), and to respond to the CPUC’s need for data and maps of utility services and infrastructure to inform its work.

Background. The CPUC consists of 14 divisions including Energy, Communications, Water, Transportation, Public Advocates, and Safety and Enforcement, among others. These six divisions currently utilize desktop (non-enterprise) versions of GIS software and siloed applications which maintain their data in isolated systems. Data at the CPUC is currently stored in multiple back-end database formats including Microsoft SQL Server, Oracle, PostgreSQL, Access, Excel, and flat text files (.CSV’s), etc., and data is maintained in various siloed applications which rarely share data outside their silo. When data sharing is required, the process usually requires the data provider to export their data to a flat file (.CSV) or excel spreadsheet and transfer the file via secure file transfer protocol (SFTP) to or from the CPUC. The receiver then needs to validate the data file and import the data back into a database to perform analytics. This is a time-consuming process that introduces the possibility of data corruption during the transfer process.

The CPUC currently lacks an enterprise infrastructure to maintain separate inventories of GIS and enterprise data to allow common information to be tracked and shared, prevent duplication of efforts, and track licensing at the enterprise level. The CPUC requests resources to implement enterprise level GIS and data warehousing systems to improve its organizational maturity, reduce redundancies, maintain better data quality, and allow easier and faster identification, utilization, and sharing of GIS and data resources across CPUC divisions as well as with our external business partners.

Initial costing is based on existing purchase orders and vendor quotes. Ongoing costing is based on a five percent increase in software/subscription/training costs and 20 percent of hardware costs to capture a five-year equipment replacement cycle, rounded up to the nearest \$1,000.

	One-time	Ongoing	
GIS—Software licensing	\$205,000	\$215,000	5% increase
GIS—Hardware (workstations, etc.)	\$222,000	\$44,000	20% of base cost
Infrastructure—Hardware servers and storage	\$185,000	\$37,000	20% of base cost
Infrastructure—Software licenses	\$175,000	\$184,000	5% increase
Data Analytics—Software licenses and subscriptions	\$605,000	\$635,000	5% increase
Ongoing training and support	\$60,000	\$63,000	5% increase
Total	\$1,452,000	\$1,178,000	

Staff Recommendation. Approve Spring Finance Letter.

Items Proposed for Discussion

3360 CALIFORNIA ENERGY COMMISSION

Issue 20: Energy Resources Program Account Trailer Bill Language (Spring Finance Letter)

Summary. The CEC proposes trailer bill language to raise the statutory cap on the ERPA surcharge, tie the statutory cap to the Consumer Price Index, and extend the surcharge to behind-the-meter electricity consumption.

Background. The Energy Resources Programs Account (ERPA) is the main fund supporting the California Energy Commission (CEC). Its revenues are linked to the sale of metered electricity. ERPA revenues are from a statutory surcharge on retail electricity sales, originally capped at \$0.0001 per kilowatt-hour (kWh). The statutory cap was last raised from \$0.0002 per kWh to \$0.0003 per kWh in 2002. In November 2018, the CEC exercised its remaining authority to adjust the surcharge by a hundredth of a mill (\$0.00001) to the statutory maximum of \$0.0003 per kWh. The surcharge generated approximately \$69.1 million in 2020-21 and currently costs the average household about \$2.13 annually (larger customers pay the same rate but pay more based on volume).

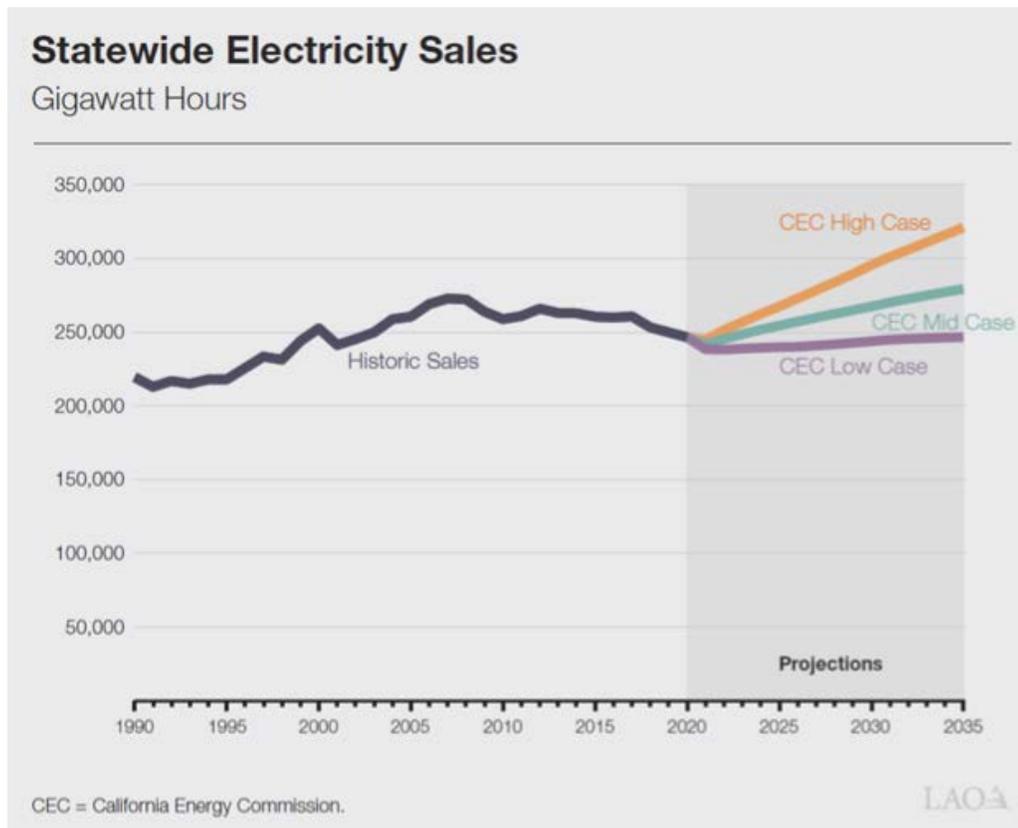
The recent growth of electricity produced behind the meter (BTM) has had an impact on both the ERPA. As more electricity consumption moves to behind the meter, the base of electricity sales from utilities subject to the consumption surcharge and fee has been gradually reduced, resulting in revenue erosion. Currently, BTM electricity generation is exempt from ERPA surcharge. Despite CEC management's actions to reduce ERPA spending by more than \$37 million over four budget cycles, a structural deficit remains and CEC projects that the ERPA's fund balance will be in the red in 2024-25.

The Administration proposes to address the ERPA structural deficit by increasing the statutory surcharge cap to an inflation adjusted \$0.000556 per kWh which will allow the CEC to incrementally adjust the surcharge as needed; tie the surcharge to the Consumer Price Index to help future-proof revenues and avoid the need for future Legislative authorizations; and extend the surcharge to BTM electricity.

Extending the surcharge to BTM electricity at the same rate as retail electricity sales would provide approximately \$9 million in new revenue annually. The Administration notes that about half of this revenue will come from the approximately 1.43 million residential BTM customers who, on average, would see a monthly bill increase of about 21 cents per month. The other half will come from approximately 1,500 non-utility generation facilities. The proposed surcharge would apply to solar, wind, and non-utility generation. The CEC will apply the surcharge to BTM effective January 1, 2023. The ERPA surcharge rate would be the same for all customers.

Legislative Analyst's Office Comments. The LAO notes that immediate action to address the deficit is not absolutely necessary. It is also worth noting that the Administration has not provided a detailed projection of the fund condition beyond 2022-23, so there is some uncertainty about when the fund will go insolvent.

Additionally, the magnitude of the structural deficit over the long-run is unclear. Revenues are projected to grow as transportation and building electrification increases electricity sales in the coming years. For instance, as shown in the figure below, the CEC projects that electricity sales will grow under both the mid-case and high-case scenarios. As a result, the degree to which a long-term increase in the surcharge rate is needed is unclear, as revenue from increasing sales could at least partially eliminate the fund deficit.



Legislature Could Defer Decision Until Future Year, Request Additional Information. Given these two factors, the Legislature could consider rejecting the Administration’s proposal this year, but adopt Supplemental Reporting Language (SRL) that requires the Administration to provide an update on the structural deficit next year, including a projection of long-term revenues and costs. This reporting requirement could be similar to SRL adopted in previous years.

Legislature Could Modify Proposal and Adopt Components with Clear Policy or Fiscal Rationale. If the Legislature wants to make changes as part of the 2022-23 budget, it could consider adopting certain aspects of the Governor’s proposal, but rejecting others. For example, extending the surcharge to behind-the-meter consumption could help ensure revenue is collected more equitably across all energy consumers. Also, the LAO thinks tying the surcharge to inflation is a reasonable strategy to ensure future revenue is sufficient to pay for growth in baseline costs, such as growth in salaries and benefits for CEC staff. In both cases, the LAO thinks there is a clear policy or fiscal rationale for these changes. The Legislature could also consider options to reduce ERPA spending, such as shifting about \$1.3 million in costs related to Electric Program Investment

Charge (EPIC) program to the Electric Program Investment Charge Fund. Currently, those costs are paid from ERPA because they exceed the 10 percent cap on EPIC administrative costs established by CPUC.

Staff Comments. The Administration proposed a similar trailer bill in last year's May Revision. The subcommittee rejected the trailer bill language due to the fiscal condition of the state, which allowed for funding from other sources as needed in the near term.

Staff Recommendation. Hold Open.

8660 PUBLIC UTILITIES COMMISSION**Issue 21: Summer Reliability and Generation Audits, and Public Safety Power Shutoff Oversight (Spring Finance Letter)**

Summary. CPUC requests \$1,892,000 ongoing for seven new permanent positions in the Safety and Enforcement Division (SED), and \$200,000 per year for three years for consultant services from the PUC Utilities Reimbursement Account. These resources will address an increased workload associated with the management of electric generation audits, establishing a real-time and ongoing generation monitoring program, and strengthening the CPUC's ability to address increasing complexities of investor-owned utility wildfire operations and Public Safety Power Shutoffs (PSPS) compliance oversight.

The seven positions are as follows:

- Electric Safety and Reliability Branch (ESRB): One new permanent full-time Program & Project Supervisor (PPS), two new permanent full-time Senior Utility Engineer (SUE), and two new permanent full-time Utilities Engineer (UE)
- Wildfire Safety and Enforcement Branch (WSEB): One new permanent full-time Program & Project Supervisor (PPS), and one new permanent full-time Senior Utility Engineer (SUE)

Background. The CPUC's Safety Enforcement Division (SED) regulates the safety of utility infrastructure by traveling to facilities for inspections, audits, and investigations, as well as responding to emergencies. Over the years, statutory requirements and CPUC orders and resolutions for the CPUC to oversee generation maintenance and operation standards and PSPS oversight have expanded. SED proposes the establishment of a stand-alone PSPS Section within the Wildfire Safety Enforcement Branch (WSEB), as well as a permanent generation audit and monitoring program that prioritizes the inspection and auditing of generation facilities on an ongoing basis. A more robust CPUC response is necessary to effectively implement the expansion of staff citation authority.

Over the last few years, the CPUC enforcement, oversight and citation responsibilities for the maintenance and operation of electric generating facilities have expanded through various statutory changes, general orders and resolutions. Additionally, the Governor issued an emergency declaration in summer of 2021 to expedite clean energy projects to relieve demand on the grid during extreme weather events, and to increase State of California Flex Alerts and restrictions to perform maintenance by CAISO. The CPUC took similar actions in response to summer reliability concerns by issuing two Decisions ordering additional procurement for the summers of 2022 and 2023, and recently issued another Decision (D. 21-12-015) to address possible shortages in the range of 2,000 MW to 3,000 MW. These actions have helped to minimize reliability issues for the summer months but have not eliminated the risk.

In 2021, ESRB also initiated its own response to summer reliability concerns by launching an electric generation monitoring program for the summer months (June 1 through October 31). ESRB modified its reporting protocols to require generators to report forced or unplanned outages

50 MW or greater that lasted two hours or longer in duration to ESRB within 24 hours of the start of the outage. For planned outages longer than 24 hours in duration, the electric generating facility was required to report the outage to ESRB at least five days in advance.

Due to the increasing threat of catastrophic wildfires caused by electric IOU equipment ignition and climate change, SED workload has increased to include additional oversight in the areas of PSPS regulation. The CPUC notes a more robust response is necessary to effectively implement the expansion of staff citation authority. SED proposes the establishment of a stand-alone PSPS Section, as well as a permanent generation audit and monitoring program that prioritizes the inspection and auditing of generation facilities on an ongoing basis.

Electric Safety Reliability Branch

The CPUC currently has jurisdiction over 156 plants, all over 50 MWs, and is responsible for performing both on-site generation inspections and on-site generation audits. CPUC conducts real-time generation inspections in person to an electric facility experiencing an outage or other incident that has impacted the plant's normal operations or reliability. These visits are shorter in duration (one to two days) and are focused on the root cause of the outage or incident. Additionally, CPUC conducts planned generation audits through a formal and thorough inspection of an electric generating facility that takes place as part of ESRB's routine annual audit schedule. The planned audit is normally conducted in absence of an incident at the generating facility.

At this time, ESRB has seven staff working half-time on generation audits and incidents at generation facilities. The Administration requests five new permanent full-time positions to ensure summer reliability at generation facilities and a more proactive response to incidents at these facilities. Specifically, CPUC requests:

- One permanent Program and Project Supervisor to supervise four Utility Engineers and implement citation enforcement authority and coordinate with other CPUC divisions, among other duties.
- Two permanent Senior Utility Engineers to provide technical power and electrical engineering expertise in conducting onsite audits and real-time monitoring of summer reliability conditions, among other duties.
- Two permanent Utility Engineers to coordinate with the Senior Utility Engineers, conduct on-side generation audits and write audit reports, and conduct other tasks assigned by ESRB leadership, among other duties.

Wildfire Safety and Enforcement Branch (WSEB)

In 2018, the CPUC created the WSEB within SED to be the primary element overseeing both internal and external PSPS actions for the CPUC. Prior to the massive expansion of utility use of PSPS events that started in 2019, the WSEB organization was designed to focus on wildfire investigations.

From 2019 to present, there have been 70 PSPS events. The responsibilities of WSEB have expanded to include participating in and supporting all CPUC PSPS proceedings and workshops,

and managing PSPS complaints. WSEB staff are responsible for PSP compliance oversight requirements, participate in workshops and meetings, implementing PSP enforcement actions, and conducts post event report compliance analyses. Currently there are five Public Utility Analysts supporting the branch in PSP and wildfire investigations. Due to the threat of catastrophic wildfires caused by electric IOU equipment ignition and climate change, SED workload has increased to include additional oversight in the areas of PSPS regulation.

SED proposes the establishment of a stand-alone PSPS Section, as well as a permanent generation audit and monitoring program that prioritizes the inspection and auditing of generation facilities on an ongoing basis. The PUC requests two new additional positions:

- One permanent Program and Project Supervisor to oversee PSPS planning, and state executives during PSPS events, oversee the evaluation of PSPS compliance and review/evaluate PSPS event reports, implement enforcement actions as needed for violations of PSPS Decisions, among other duties.
- One permanent full-time Senior Utilities Engineer to provide technical expertise in reviewing and analyzing utility use of circuit redesign, sectionalization, and emerging technologies or concepts such as Rapid Earth Fault Limiting Devices and Emergency Power Safety Shutoffs.

Consultant Services

The PUC requests \$600,000 over three years of consultant services to work with ESRB management and staff to develop technical safety procedures, guidelines, and a long-term plan to conduct audits on these new technologies and increase productivity across the CPUC's enforcement and investigation processes. These funds will be used to contract for training on renewable energy and emerging technologies to support ESRB staff. The types of training will be focused on onsite battery storage, solar and battery paired projects, hydro, offshore wind, etc. The consulting services sought will assist SED in developing future policies, rules, and regulations, and potentially advocating for modifications to General Orders that would enable ESRB to effectively regulate these technologies in the future. ESRB staff will participate in contracting with appropriate vendors.

Staff Recommendation. Hold Open.

Issue 22: Administrative Law Judge Division Intervenor Compensation Program Support (Spring Finance Letter)

Summary. CPUC requests \$866,000 per year for fiscal years 2022-23 and 2023-24, and \$596,000 ongoing effective 2024-25 from various special funds for the Administrative Law Judge Division to strengthen the administration of the Intervenor Compensation program (IComp) and compensate intervenors in a timely and efficient manner in compliance with statutory deadlines. Specifically, CPUC requests:

- One new permanent full-time Staff Services Manager (SSM) II
- One new permanent full-time Staff Services Manager (SSM) I
- One new permanent full-time Associate Governmental Program Analyst (AGPA)
- Two two-year temporary AGPA
- 0.75 FTE position authority as a net-zero augmentation to convert an existing 0.25 FTE APGA position to one FTE AGPA position
- Position authority and funding for one existing full-time AGPA

Background. The Icomp program compensates parties representing ratepayer interest groups—including environmental, environmental and social justice, small business, safety advocates, and many other interest groups—that do not otherwise have the resources to participate in Commission proceedings.

The Icomp program staff’s work begins upon the filing of a notice by an intervenor that has not previously filed at the CPUC. Program staff must review their formation documents and the purpose of the organization to determine eligibility. Staff then reviews whether the notice contains sufficient information of the intervenor’s represented interest, and whether the intervenor is likely to substantially contribute to the proceeding. Finally, staff reviews background information for the intervenor’s representative to determine compensation. For intervenors that have previously filed for compensation at the CPUC, staff reviews the notice to ensure the information is correct, and makes adjustments to the rate of compensation if necessary.

The intervenor then participates in the proceeding by attending hearings; conducting discovery; filing motions, testimonies, and briefs; and attending oral arguments at the CPUC. Within 12 to 24 months after the granting of intervenor status, the Commission usually issues a decision in the proceeding. Upon the issuance of a decision, the qualified intervenors in the proceeding file their claims for compensation. Staff checks intervenors’ claims by going through the official proceeding record, and working with the assigned Administrative Law Judge (ALJ) in the proceeding to determine an appropriate level of compensation. By statute, the claims should be reviewed, accepted, adjusted, or rejected within 75 days of filing.

The program is funded primarily by ratepayers with a small portion funded by utility user fees. The Commission directs utilities to contribute a pro-rata share of compensation awards based on relevance of the proceeding to that utility. The CPUC notes that the average claim amount range varies widely due to differences in complexity and length of each proceeding. In 2020-21, the average claim amount requested was about \$91,000. In 2020-21, approximately \$8.6 million and

98 claims were awarded through the program, with 143 claims filed and \$13.1 million claim amount requested.

The large number of current proceedings on wildfires, wildfire mitigation plans, public safety power shut-offs, COVID-19 response, and related areas are bringing many new intervenors to CPUC proceedings, including local governments whose residents have been damaged by utility-caused disasters. For each of the last several years, the CPUC has received more claims than it has been able to process, resulting in a backlog of pending claims that have risen in number each year, despite efforts to address it by redirecting staff from other units. As of August 16, 2021, there were a total of 198 pending claims, and 155 of the claims have been pending more than 75 days. PUC notes that during 2018-19, 2019-20 and 2020-21, no claims were resolved within statutory timeframes. The CPUC notes that the oldest pending claim was filed on February 15, 2019. The CPUC notes that if they are unable to process the claims timely, intervenors may pull out of proceedings. Delays in Icomp awards could also deter smaller or newer groups from participating at all.

Prior to 2015-16, Icomp program consisted of three permanent positions. In 2015-16, Icomp received one additional ADGA position bringing the total authorized positions to four. The ALJ redirected 0.25 existing AGPA to the program and one administratively established on blanket position. However, the ALJ Division is having difficulties in recruiting 0.25 position, and the additional redirected staff are unable to keep up with the increased workload.

The CPUC requests two permanent AGPA positions, two temporary AGPA positions, and to convert the 0.25 AGPA position to one full-time AGPA. The CPUC also requests one SSMII and one SSM I to provide additional management and supervision over the additional staff. With these additional positions, CPUC estimates the backlog of pending claims will be eliminated by 2025-26.

Staff Recommendation. Hold Open.

Senate Budget and Fiscal Review—Nancy Skinner, Chair
SUBCOMMITTEE NO. 2

Agenda

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Wednesday, May 4, 2022
1:30 p.m.
State Capitol, Room 112

Consultant: Anita Lee

Outcomes:
Issues 3, 4, 6-11, and 14-19 – Approved (4-0)
Issues 1, 2, 12, and 13 – (Approved 3-1, Dahle “No”)
Issue 5 – Withdrawn

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Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Tuesday, May 10, 2022
9:00 a.m.
1021 O Street, Room 1200

Consultants: Anita Lee and Joanne Roy

DISCUSSION

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DISCUSSION

CARBON CAPTURE AND STORAGE (INFORMATIONAL ITEM)

Issue 1: Carbon Capture and Storage (Informational Item)

Background

Executive Order B-55-18 established a goal of achieving carbon neutrality no later than 2045 and of achieving and maintaining net negative emissions thereafter. In a 2020 report, Lawrence Livermore National Lab (LLNL) notes that to achieve this goal, the state must remove 125 million tons per year of carbon dioxide from the atmosphere. They also note that the state must increase efforts in emission reduction measures and technologies to reduce existing emissions from large sources such as industry, and also remove carbon from the atmosphere directly.

Carbon capture and storage (also known as sequestration) is the process of capturing carbon dioxide from emissions sources, such as a power plant, cement plant, direct air capture, ethanol fermentation plant or another industrial source, and storing the carbon dioxide. Stored carbon dioxide can be reused in certain processes (including producing certain consumer goods and oil extraction), or it can permanently sequestered to limit emissions into the environment. When carbon dioxide is stored in underground geological formations, the storage is known as geological carbon storage. When carbon dioxide is consumed and stored in vegetation, soils, and water, the storage is known as biological carbon storage.

According to the 2021 Global CCS Institute (GCCSI) Global Status of CCS Report, the earliest example of carbon capture technology being used was in 1972 in Texas at a natural gas processing plant where it supplied CO₂ to a nearby oilfield for enhanced oil recovery. After decades of development and investment, there are 27 commercial-scale carbon capture projects operating worldwide today, capturing a total of 36.6 million tons of carbon per year, an amount equivalent to nearly 9% of California's annual emissions. The majority of global CCS capacity operating today was built prior to 2011, and captures carbon from natural gas processing plants.

In 2010, the California Carbon Capture and Storage Review Panel (formed by the CPUC, CEC, and ARB and composed of experts from industry, trade groups, academia, and environmental organizations) issued findings and recommendations for how to deploy CCS at a greater scale in California. Some of the key findings from that 2010 report included, "Technology currently exists for the safe and effective capture, transport, and geological storage of CO₂ from power plants and other large industrial facilities...There is a need for clear, efficient, and consistent regulatory requirements and authority for permitting all phases of CCS projects in California, including carbon dioxide capture, transport, and storage."

CARB has adopted a carbon capture and storage protocol under the Low Carbon Fuel Standard (LCFS). In 2018, CARB modified its regulations for the LCFS program, enabling fuel production facilities to obtain LCFS credits for fuel generated in conjunction with carbon capture and sequestration systems that reduce emissions associated with the fuel production. In 2020, CARB also published a report on pathways to achieve Carbon Neutrality in California. All scenarios in the report rely on some degree of carbon capture and storage. Recent reports from both the United Nations Intergovernmental Panel on

Climate Change (IPCC) and the National Academies of Sciences, Engineering and Medicine indicate that reducing future emissions may not be sufficient to meet global climate goals, and carbon capture may be a necessary component of strategies to limit emissions from industrial sources.

A recent report from LLNL notes that no carbon capture storage projects are operating in the state. LLNL notes that California's permitting requirements take 5-6 years to complete. Given California's fast-approaching climate deadlines, slow CCS permitting could cause it to be unusable for meeting those goals. The report cites a lengthy environmental review process, a lack of jurisdictional clarity, cross-agency input at local, state and federal levels, and an absence of a joint-review process as key determinants of the lengthy timeline. Furthermore, CCS projects have the potential to emit air pollutants, requiring an Authority to Construct from local air districts. This will in turn trigger a CEQA review, significantly lengthening the review timeline.

As noted previously, carbon capture and storage may also occur at powerplants. The California Energy Commission (CEC) is responsible for activities relating to the state's energy policy and planning, including but not limited to siting large thermal power plant facilities. Thermal powerplant is any thermal electrical generating facility with a capacity of 50 megawatts (MW) or more. Additionally, power plants under the CEC's jurisdiction also include biomass and natural gas technologies. Existing law designates the CEC as the lead CEQA review agency for projects subject to the CEC's powerplant siting review authority.

Most recently, the federal government, the Administration and members of the Legislature has expressed interest in carbon capture technology and projects. For example, in November 2021, the federal Infrastructure Investment and Jobs Act (IIJA) was signed into law. According to the U.S. Department of Energy (DOE), the IIJA will provide approximately \$6.5 billion over five years to support carbon management systems. However, the amount of funding available may depend on the types of technologies authorized at the state level and rules established by DOE for awarding funds. The DOE notes that approximately \$3.5 billion of the funds it received from the IIJA will be allocated to direct air capture hubs and IIJA provisions require DOE to fund multiple types of carbon capture demonstration and pilot projects.

Additionally, the Governor's January Budget proposes a total of \$210 million General Fund (\$110 million in 2022-23 and \$100 million in 2023-24) to deploy advanced technologies or develop novel strategies to reduce emissions at industrial facilities. According to the Administration, eligible projects could include electrification of heating processes that now use natural gas, energy efficiency projects, and deploying carbon capture for use in products (such as concrete). Carbon capture projects with geologic storage and petroleum and gas production facilities would be ineligible.

The LAO notes that limiting the types of eligible projects and sectors that qualify for funding creates a risk that the funds are not used to support the most promising emission-reduction projects and technologies. A more technology- and sector-neutral approach can be especially important when there is uncertainty about which technologies will prove to be most feasible and cost-effective in the long run. The LAO notes that the Legislature could consider modifying the programs and funding in ways that make a broader range of technologies and businesses eligible for the funding, while directing the administration to select projects based on their potential to help achieve long-term GHG reductions in a cost-effective manner.

Additionally, in 2021, the Legislature passed SB 596 (Becker), Chapter 246, Statutes of 2021, which tasked CARB with developing a comprehensive strategy for the state's cement sector to achieve net-zero emissions of GHGs associated with in-state cement use, including funding measures to support demonstration projects that mitigate emissions from cement production facilities. In addition, there are several pending legislative proposals related to carbon capture and sequestration projects, including at industrial facilities, cement facilities, natural gas electric generation facilities and biomass electric generation facilities, that are in various stages of the legislative policy process. The Senate's plan also includes \$200 million for carbon capture and storage.

Staff Recommendation. None. This item is for informational purposes only.

SENATE CLIMATE BUDGET PLAN

Issue 2: Senate Climate Budget Plan

Senate Proposal. The Senate proposes Climate Budget Plan of approximately \$18 billion spread over five years. Key overarching elements of the plan include:

- Build on, and fill in gaps, last year’s budget historic success on climate resilience:
 - Drought and Water Supply Reliability
 - Wildfire Resilience
 - Sea Level Rise
 - Extreme Heat
- Focus on transformative investments that make a difference in the real world.
- Maximize use of Gann Limit exceptions. Approximately 80 percent of these expenditures qualify as “exempt capital outlay” for purposes of the Gann Limit.
- Address climate needs across geographies and demographics.
- Emphasize equity.

The annual breakdown of the plan over five years is as follows:

- 2022-23 \$5.1 billion
- 2023-24 \$5.1 billion
- 2024-25 \$5.3 billion
- 2025-26 \$1.5 billion
- 2026-27 \$1.5 billion

TOTAL: \$18.5 billion

The Senate Climate Budget Plan is comprised of five main packages:

- Water and Drought
- Wildfire
- Sea Level Rise
- Combat Climate Changes in Disadvantaged Communities
- Biodiversity and Outdoor Access for All

The following provides a description of each of the above packages:

- **Water and Drought Package.** Up until now, we have focused on emergency response to drought. The state needs to recognize that climate change has permanently altered our water supply. Fundamental changes to our water system are needed to realign demand, supply, and the flexibility of the system to address long-term climate impacts.

The Senate proposes \$7.5 billion in state and federal funds spread over three years to build a climate resilient water system, as follows:

- \$2 billion to rebalance state water supply and water rights.
 - \$1.5 billion for new California Water Trust to acquire lands with senior water rights from willing sellers.
 - \$500 million to the Department of Conservation for acquisition and repurposing of lands to implement the Sustainable Groundwater Management Act.
- \$1.5 billion to ensure all Californians have safe drinking water.
- \$1.5 billion to improve watershed climate resilience regionally.
- \$1.5 billion for Drought Resilient Water Supply grants, to assist with recycling, stormwater capture, and groundwater cleanup.
- \$1 billion for Flood Management and Dam Safety grants to improve resilience of flood management system and fund public benefit portion dam safety projects.

\$2 Billion to Rebalance State Water Supply and Water Rights. Climate change is impacting hydrology throughout California. Prolonged drought conditions dramatically impact the viability of our fish and wildlife populations. While there are multiple stressors, the diversion of flow for agricultural and urban uses has outstripped what the ecosystem can handle.

California must consider new approaches to help us reduce water demand to improve freshwater flows, enhance habitat conditions, and provide clean drinking water. The Senate’s proposal establishes a voluntary water reconciliation program, helping to rebalance the state’s water supply and water rights system, rather than relying on the current regulatory processes that have failed to provide adequate flows for decades and do not adequately anticipate changing conditions.

The proposed water rights reconciliation framework prioritizes acquisition of water to reduce the impact of drought and to enhance stream and river conditions. The program uses multi-benefit water management strategies (e.g., protection of instream flows, sustainable groundwater management/recharge, floodplain restoration, and habitat enhancement) and integrates existing objectives in the Administration’s Water Resilience Portfolio, Natural and Working Lands Climate Smart Strategy, and the Pathways to 30x30 Report.

The Senate’s proposal recognizes that:

- 1) California’s water rights are over-allocated and climate change has created an urgent need to protect and enhance flows.
- 2) A science-based approach must be utilized to prioritize and measure ecological outcomes.
- 3) The State Water Resources Control Board (SWRCB) must ensure that any water protected stays protected, as well as the importance of designating an environmental water master to more transparently track and report on ecological conditions in California rivers.

Key conditions for success include:

- A determination by SWRCB and the Department of Fish and Wildlife (DFW) that a streamflow enhancement program — and specific minimal flow conditions — would make a demonstrable improvement in habitat conditions.
- Ensuring that investments align with existing approved fish and wildlife conservation plans including the Central Valley Joint Venture Plan, Klamath Basin recovery plans, and federal salmon recovery plans.
- Utilizing an environmental water master to certify that the projects would improve habitat conditions.
- Taking emergency actions to address climate change and improve habitat conditions for both listed and candidate species.
- Evaluating the impacts on disadvantaged communities, jobs, and local economies. Mitigation of those impacts are eligible for funding under the program.

The Senate Water Rights Proposal contains four elements:

- Fund permanent acquisition of senior water rights in highly stressed watersheds with the water dedicated to the environment or to drinking water supplies for disadvantaged communities. This will entail purchasing land or easements that allow the land to be converted to low water use--habitat, grazing or other guaranteed reductions in water use. Includes both coastal and valley. Acquisitions prioritized based on environmental needs, maximizing benefits.
- Strengthen water rights quantification and enforcement at SWRCB. Currently the state does not have a reliable quantification of water rights or the ability to effectively enforce.
- Grants to SGMA agencies to repurpose farm lands to lower water use to balance groundwater supply and demand. This is the groundwater equivalent of the #1.
- Mitigate third party impacts. Taking land out of production creates local and regional impacts that need to be mitigated through grants.

Program Implementation. The Senate's proposal is a voluntary program to purchase water along prioritized stream segments. Priority is given to permanent acquisitions through land purchases. The program is administered by the Wildlife Conservation Board (WCB), in consultation with SWRCB and DFW. An advisory board, the California Water Trust, will be established to advise program implementation. The advisory board will include members that represent disadvantaged communities, tribes, and environmental organizations. The advisory board will approve program guidelines and priorities. The goal is to retire water use incrementally from multiple water uses in a basin and across wide geographies to help ensure that no region or area served by a water agency is disproportionately impacted. Investments in flow augmentation will be verifiable and result in measurable improvements in flow, temperature and/or water quality. Further, investments will not replace regulatory requirements. Specific program objectives include prioritizing water acquisitions that improve state and federal wildlife refuge conditions, improve instream habitat for fish, and provide clean drinking water for communities.

Funding Allocations:

- \$400 million for the Sacramento River and tributaries, including:
 - Funding to acquire water, prioritizing additional flows to enhance habitat, land retirement, floodplain restoration, provide water for state and federal refuges, sustainable groundwater management/recharge, and conditional multi-year water lease agreements. Strong oversight and enforcement mechanisms are included to assure that water purchased with public dollars is providing public trust benefits.
 - Funding to measure streamflow, including gages and other reporting devices, that improve understanding of flow conditions.
- \$500 million for coastal water sheds, including:
 - Funding for multi-benefit water management projects including sustainable groundwater management/recharge, floodplain restoration, and stream flow enhancement. Funding is prioritized to watersheds with an approved recovery plan. Funding may be used for short- and long-term acquisitions.
 - Funding for monitoring including stream gages.
- \$100 million for the Sacramento-San Joaquin River Delta, including:
 - Funding for voluntary projects that create wetland habitat and improve flood protection. This program shall be designed to provide multiple benefits for ecosystem restoration, including refuge water supplies and flow enhancement actions beyond those included in Phase 1 of the Bay-Delta Water Quality Control Plan Update. The program will use the Delta Independent Science Board to provide monitoring and oversight.
- \$100 million for the San Joaquin River and tributaries, including:
 - Funding for voluntary projects that create wetland habitat, floodplain restoration, sustainable groundwater management/recharge, and provide water for state and federal refuges. This program shall be designed to provide multiple benefits for ecosystem restoration, including refuge water supplies and flow enhancement actions beyond those included in Phase 1 of the Bay-Delta Water Quality Control Plan Update.
- \$200 million to acquire clean drinking water for disadvantaged communities.
- \$100 million to improve water management science and agency coordination, including:
 - Funding to improve scientific evaluation and information sharing between SWRCB, DFW, the California Water Commission, the Delta Independent Science Board, and the Department of Water Resources (DWR).
 - Funding to SWRCB, DFW, and WCB for program implementation, and to establish a statewide environmental water master program.
- \$100 million to mitigate the impacts to local communities, including:
 - Funding to evaluate and reduce the impacts of the program on disadvantaged communities, jobs, and local economies.
- \$500 million to Department of Conservation (DOC) for acquisition and repurposing of lands to implement the Sustainable Groundwater Management Act.
 - The Senate's proposal calls for increasing funds for DOC's Multibenefit Land

Repurposing Program by \$500 million to fund groundwater sustainability projects that reduce groundwater use, repurpose irrigated agricultural land, and provide wildlife habitat.

\$1.5 Billion for Safe and Clean Drinking Water. This funding focuses on low-income water rates and efficiency assistance, as follows:

- \$330 million for water and wastewater, including:
 - Fund the development of a fund expenditure plan that establishes costs, mechanisms, and reasonable staffing needs for the creation of a permanent low-income rate assistance program for water utility bills.
 - Fund the first two years of a statewide low-income rate assistance program.
- \$200 million for direct installation of efficiency improvements that will save water and lower water and sewer bills in low-income households.
 - Programs include, but are not limited to, California Public Utilities Commission’s Energy Savings Assistance Program, Department of Community Services and Development (CSD) Low Income Home Energy Assistance Program (LIHEAP) and the the Department of Housing and Community Development’s Community Development Block Grant Program.
- \$40 million to CSD’s Low Income Household Water Assistance Program (LIHWAP) to help avoid water shutoffs for low-income, undocumented residents with past due balances.
- \$325 for drought resiliency to do the following:
 - Implement minimum drought resiliency measures as recommended in the final “Small Water Systems and Rural Communities Drought and Water Shortage Contingency Planning and Risk Assessment” report and enacted in SB 552 (Hertzberg), Chapter 245, Statutes of 2021.
 - Provide funding for County Drought Advisory Group (CDAG) Report that is not eligible for funding from the Drinking Water State Revolving Fund and assist with planning efforts.
- \$475 million for drought response and investment in water and wastewater infrastructure that improves resiliency and conservation prioritized for low-income communities and communities at risk of experiencing drought impacts, such as:
 - Proactive domestic well impact mitigation program at groundwater sustainability agencies.
 - Providing emergency interim, alternative water supplies.
 - Improvements or repairs to existing water systems at risk of drought and water shortage or that face other challenges resulting from drought conditions.
- \$100 million to DWR to permit DWR to allocate 2021-22 and 2022-23 funding for projects that benefit drinking water.
- \$60 million to SWRCB to support clean energy sources for wastewater treatment facilities in small disadvantaged communities, including the Green Project Reserve Fund, part of the Clean Water State Revolving Fund program.

\$1.5 Billion for Watershed Climate Resilience. A watershed is a basin, or a land area that collects and delivers water to a central point. Water moves through soils, streams, and rivers from upper elevations to lower elevations, and exists at an outflow such as a stream, river, lake, or the ocean. Watersheds are complex and unique containing different topographies, soils, vegetation, and land uses. Watersheds are affected by climate changes that alter the quantity, quality, timing, and distribution of water. The cumulative impacts of past land uses, water withdrawals, and disturbances are all exacerbated by the climate crisis. Changes vary by scale and location in a watershed, but affect the management of downstream uses, and present challenges to the management of watersheds for water quality or supply; protection of cultural resources; biodiversity; productive timber; recreation; and habitat for wildlife and rare species. Various ways to address such impacts may include supporting projects to retain soil moisture and minimize soil loss; decrease the impacts of low flows; mitigate climate change on wetland projects; and help address changes in water flow due to various stresses that impact flow regimes and affect aquatic life. The Senate proposes to appropriate \$1.5 billion over three years to address such impacts on the state's watersheds on a regional level.

\$1.5 Billion for Drought Resilience. The frequency, intensity, and duration of drought events is increasing. This pattern is expected to continue and shift outside of historic trends, making forecasting our water supply and quality more difficult. The impacts of drought on water quality and availability can be severe. Various ways to improve the state's resilience to drought include water recycling, stormwater capture, and groundwater cleanup. The Senate proposes to appropriate \$1.5 billion over three years to support programs and projects to improve communities' resilience to the impacts of drought.

\$1 Billion for Flood Management and Dam Safety. Dams and levees are critical infrastructure. Climate change is creating more severe weather conditions, such as heavier rains that can cause extreme streamflow events. Climate change impacts are likely to affect different factors that influence dam and levee risk — potential impacts of failure can be extensive, such as to public safety, homes, and the economy. Flood waters can disrupt power generation as well as block roads and railways. The Senate proposes to appropriate \$1 billion over three years for flood management and dam safety grants to improve resilience of flood management systems and fund the public benefit portion of dam safety projects.

- **Wildfire Package.** The Senate Wildfire Resilience Package is based on the following principles:
 - Provide funding for a five-year commitment of prevention and resilience funding that aligns with goals in the legislative proposal last year, such as focusing funding on multi-beneficial and regional efforts including enhancing the state's key watersheds that supply a significant amount of water for the state.
 - Work towards the state goal to treat one million acres annually (500,000 acres state/private and 500,000 federal by 2025). The state currently meets only 10 percent of this goal.

- Focus on prevention:
 - Fuels treatment
 - Prescribed burns
 - Home and community hardening.
- Improve data, surveillance, and public safety systems.
- Build capacity at regional level to focus on prevention and resiliency, including state conservancies and the Regional Forest and Fire Capacity Program.
- Develop solutions to biomass accumulation, including new wood utilization strategies.

The Senate proposes to appropriate \$6.6 billion over five years (\$1.32 billion annually) to build on the Governor’s wildfire proposals. Among the various components, include:

- \$1.5 billion for fuel reduction.
- \$95 million for biomass accumulation.
- \$35 million for workforce development and training.
- \$675 million for state conservancies.
- \$220 million ongoing to expand staffing ratios to 3.0 for CalFire fire engines.

Spending categories in the Wildfire Package are substantially based on funded categories in the wildfire package approved in the 2021 Budget Act.

- **Sea Level Rise.** The Senate proposes to appropriate \$3.3 billion spread over multiple years to improve adaptation and resilience to sea level rise, including funding to:
 - Over three years, provide \$100 million annually to fund SB 1 (Atkins), Chapter 236, Statutes of 2021, and match available federal funds.

SB 1 established the California Sea Level Rise Mitigation Act of 2021 and created the California Sea Level Rise State and Regional Support Collaborative at the Ocean Protection Council to help coordinate and fund state efforts to prepare for sea level rise associated with climate change.
 - Focus on nature-based solutions.
 - Protect communities and natural resources, such as urban waterfront protection, ports, public infrastructure, and ecosystem protection.
 - Focus on investments that encourage regional collaboration, planning, and preparation. (Model after San Francisco Bay Conservation and Development Commission’s efforts.)
 - Provide incentives for development of local funding strategies.

- **Combat Climate Change Impacts on Disadvantaged Communities.** According to the US Environmental Protection Agency (US EPA), the effects of climate change disproportionately fall on “underserved communities who are least able to prepare for, and recover from, heat waves, poor air quality, flooding, and other impacts.” The Senate proposes to appropriate a total of \$1 billion; \$200 million annually for five years to address the impacts of climate change for disadvantaged communities.
- **Biodiversity and Outdoor Access for All.** Last year’s budget agreement included funding for investments in nature-based solutions for: biodiversity protection, habitat corridors and connectivity, equitable access to nature, and urban greening. The Senate proposes to appropriate \$1 billion over multiple years for nature-based solutions, including:
 - \$500 million for 30x30 Goal (State goal of conserving 30 percent of state lands and coastal waters by 2030 to advance biodiversity and elevate the role of nature in the fight against climate change).
 - \$200 million for urban greening and urban forestry.
 - \$200 million for outdoor access through the Wildlife Conservation Board, state conservancies, State Coastal Conservancy, and other existing programs.
 - \$100 million for outdoor equity access grant program.
 - Use the project eligibility for 30x30 investments adopted in trailer bill language last year and add a science-based biodiversity requirement.

30x30 Goal. Use Existing Agencies and Program.

- Focus funding for 30x30 on existing programs that will help facilitate the protection and acquisition of land and waters.
 - Allocate funding to WCB and the state’s regional conservancies, which have a longstanding track record of effectively advancing protection and support the public use of natural resources.
- **Other Aspects of the Climate Package.** The package also includes the following:
 - ***Climate Equity Trust Fund.*** In recent years, California utility bills have typically been lower than most of the country. However, those trends are changing and California utility bills are inching higher. As stated in the CPUC 2021 report regarding utility costs and affordability, “California’s policy goals could result in rate and bill increases that would make other policy goals more difficult to achieve and could result in overall energy bills becoming unaffordable for some Californians.” The paper notes that wildfire mitigation and electrification are among the near-term needs that place upward pressure on rates and bills. The Senate’s Proposal seeks to establish the Climate Equity Trust Fund for the benefit of electricity customers and to promote affordable electricity rates. This fund may

support direct credits to ratepayer bills, direct rebates or incentives to market participants, and end-use customers, and among others.

- ***Achieve SB 100 Interim Goals.*** SB 100 established the 100 Percent Clean Energy Act of 2017 created the policy of planning to meet all of the state's retail electricity supply with a mix of Renewable Portfolio Standards- eligible and zero-carbon resources by December 31, 2045, for a total of 100 percent clean energy. The Senate's Proposal focuses on resources to help achieve interim goals of 90 percent of electricity sales to end-use customers is from renewable energy and zero-carbon resources by 2035 and 95 percent by 2040. Additionally, the Senate's Proposal prioritizes the transition to zero-carbon resources for state operations to meet 2030 carbon neutrality.
- ***High Road Labor Agreements for Clean Energy Projects.*** The Senate Proposal promotes high road labor agreements to include high quality jobs with good wages and benefits for clean energy projects.

The Plan proposes appropriations from a variety of sources, including the General Fund, special funds (e.g. Greenhouse Gas Reduction Fund), and federal funding.

Staff Comments. *Difference Between Senate Water Proposal and the Administration's Proposal for Voluntary Agreements (VAs).* VAs are designed to implement SWRCB's 2018 order and reduce litigation in a way that protects water agencies from additional cutbacks. It is in many ways outdated.

At best, the VA Memorandum of Understanding (MOU) will take effect in two or three years — if additional parties join AND SWRCB agrees to modify its regulatory actions.

The Senate Proposal does not provide guarantees to water agencies for diversions; it is not conditioned on any action by the Board. It just reduces water demand to reflect changed climate conditions.

The Senate Proposal recognizes that water demand exceeds supply now and will even more so in the future due to the new climate reality. It is designed to permanently retire significant amounts of water demand. This will help the state realign demand and supply.

Other elements of the proposal include:

- Increase drought resilient supply to urban areas by funding water recycling, efficiency, and stormwater capture.
- Improve the use of existing supplies through watershed-based measurement and investments to improve operational efficiencies.
- Funding of small system and disadvantaged community improvements and equity investments.
- Improve flood control for better stormwater capture and public safety.

The combination of the various elements of the Senate Water Proposal helps rebalance our water system to improve climate resilience.

Background.**ADDRESSING CLIMATE CHANGE AND CALIFORNIA: THE BASICS**

What is Climate Change? According to the US Environmental Protection Agency (US EPA), when energy from the sun reaches the Earth, the planet absorbs some of this energy and radiates the rest back to space as heat. The Earth's surface temperature depends on this balance between incoming and outgoing energy. Average conditions tend to remain stable unless the Earth experiences a force that shifts the energy balance. A shift in the energy balance causes the Earth's average temperature to become warmer or cooler, leading to a variety of other changes in the lower atmosphere, on land, and in the oceans.

A variety of physical and chemical changes can affect the global energy balance and force changes in the Earth's climate. Some of these changes are natural, while others are influenced by humans. These changes are measured by the amount of warming or cooling they can produce, which is called "radiative forcing." Changes that have a warming effect are called "positive" forcing, while changes that have a cooling effect are called "negative" forcing. When positive and negative forces are out of balance, the result is a change in the Earth's average surface temperature.

Changes in greenhouse gas (GHG) concentrations in the atmosphere affect radiative forcing. GHGs absorb energy that radiates upward from the Earth's surface, re-emitting heat to the lower atmosphere and warming the Earth's surface. Human activities (especially the burning of fossil fuels such as coal, oil, and gas) are a significant factor to increased concentrations of GHGs that can remain in the atmosphere for decades, centuries, or longer, so the corresponding warming effects will last for a long time.

The four main GHGs include:

- ***Carbon dioxide (CO₂)***. Carbon dioxide enters the atmosphere through burning fossil fuels (coal, natural gas, and oil), solid waste, trees and other biological materials, and also as a result of certain chemical reactions (e.g. manufacture of cement). CO₂ is removed from the atmosphere (or "sequestered") when it is absorbed by plants as part of the biological carbon cycle.

Methane (CH₄). Methane is a potent GHG — that is 25-28 times greater than carbon dioxide — is the primary GHG driving climate change in California. It is the second largest source of global GHG emissions and is responsible for 20 percent of current global warming.

Methane is emitted during the production and transport of coal, natural gas, and oil. Methane emissions also result from livestock and other agricultural practices, land use and by the decay of organic waste in municipal solid waste landfills. In 2017, methane accounted for nine percent of GHG emissions in California. In California, livestock enteric fermentation (i.e. digestive gas) and manure management, among other agricultural practices, contribute to a majority of statewide methane emissions. In addition, methane emissions can be challenging to control because they arise from these natural processes.

- ***Nitrous Oxide (N₂O)***. Nitrous oxide is emitted during agricultural land use, industrial activities, combustion of fossil fuels and solid waste, as well as during treatment of wastewater.
- ***Fluorinated Gases***. Hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and nitrogen trifluoride are synthetic, powerful GHGs that are emitted from a variety of industrial processes.

Fluorinated gases are sometimes used as substitutes for stratospheric ozone-depleting substances (e.g. chlorofluorocarbons, hydrochlorofluorocarbons, and halons). These gases are typically emitted in smaller quantities, but because they are potent GHGs, they are sometimes referred to as High Global Warming potential gases (“High GWP gases”). Fluorinated gases are used in a variety of applications, such as refrigeration, air conditioning systems, heat pump equipment, and as blowing agents for foams, aerosol propellants, and solvents.

Each gas’s effect on climate change depends on three main factors:

- ***How Much Is In the Atmosphere?*** Concentration, or abundance, is the amount of particular gas in the air. Larger emissions of GHGs lead to higher concentrations in the atmosphere. GHG concentrations are measured in parts per million, parts per billion, and even parts per trillion. One part per million is equivalent to one drop of water diluted into about 13 gallons of liquid (roughly the fuel tank of a compact car).
- ***How Long Do They Stay In the Atmosphere?*** Each of these gases can remain in the atmosphere for different amounts of time, ranging from a few years to thousands of years. All of these gases remain in the atmosphere long enough to become well mixed, meaning that the amount that is measured in the atmosphere is roughly the same all over the world, regardless of the source of the emissions.
- ***How Strongly Do They Impact the Atmosphere?*** Some gases are more effective than others at making the planet warmer and “thickening the Earth’s blanket.” For each GHG, a Global Warming Potential (GWP) has been calculated to reflect how long it remains in the atmosphere, on average, and how strongly it absorbs energy. Gases with a higher GWP absorb more energy, per pound, than gases with a lower GWP, and thus contribute more to warming the Earth.

According to the National Aeronautics and Space Administration, climate change involves many dimensions — science, economics, society, politics, and moral and ethical questions — and is a global problem, felt on local scales, that will be around for decades and centuries to come. For example, CO₂, the heat-trapping GHG that has driven recent global warming, lingers in the atmosphere for hundreds of years, and the planet (especially the oceans) takes a while to respond to warming. So even if emitting all GHGs stopped today, global warming and climate change will continue to affect future generations.

The amount of climate change is determined by how our emissions continue and how our climate system responds to those emissions. Despite increasing awareness of climate change, emissions of GHGs continue on a relentless rise.

Net-Zero GHG Emissions Target. More than 130 countries have now or are considering a target of reducing emissions to net zero by mid-century. Achieving net-zero GHG emissions — a state where GHG emissions either reach zero or are entirely offset by equivalent atmospheric GHG removal — is essential in all scenarios that would keep Earth’s average temperature within 1.5 degrees Celsius (C) of its historic average. Net-zero GHG emissions is often used interchangeably with “carbon neutrality,” however net-zero GHG emissions implies the inclusion of GHGs other than those that contain carbon, such as nitrous oxide, as defined by AB 32 (Nunez, Chapter 488, Statutes of 2006).

According to the United Nations Environment Programme (UNEP) 2020 Emissions Gap Report, which provides an annual update on global progress towards emissions reduction, the consensus is that, globally, we are not on track to meet that goal. However, the report does state that, “the growing number of countries committing to net-zero emissions goals by mid-century is the most significant climate policy

development of 2020. To remain feasible and credible, these commitments must be urgently translated into strong near-term policies and action.”

In California, carbon neutrality by 2045 was set as a goal for the state under Governor Brown’s Executive Order (EO) B-55-18. Prior to that, EO S-3-5 by Governor Schwarzenegger set the GHG reduction target of 80 percent below 1990 levels by 2050. A few additional sweeping targets have also been set to help achieve these goals including SB 100 (de Leon), Chapter 312, Statutes of 2018, to get California to 100 percent zero-carbon energy by 2045, EO N-79-20 to phase out sales of gas-powered cars in the state by 2035, and EO N-82-20 to conserve 30 percent of the state’s land and waters by 2030. Notably, besides SB 100 and the SB 32 target of 40 percent GHG reduction by 2030, all of these goals are established solely by executive order and thus, are not codified in statute.

Addressing Climate Change. There are two main categories of addressing climate change: mitigation and adaptation. Within these two categories are various ways to address climate change, including the following:

Mitigation. Mitigation means limiting the magnitude of future warming by preventing or reducing the emission of GHGs into the atmosphere. Mitigation is achieved either by:

Reducing the Sources of These Gases. The most commonly understood way of reducing GHG emissions is switching from fossil fuels to low-carbon energy sources, such as wind and solar power, and represents one of the major strategies for reducing GHG emissions into the atmosphere.

Carbon Capture and Sequestration (CCS). This is a tricky one. First, is it reducing or removing GHG emissions? CCS fits within the “mitigation” category and generally is considered a way of *reducing* emissions — rather than *removal* — because it is capturing the carbon before it enters the atmosphere.

Second, CCS can be a confusing term because people use it in two different ways depending on what they consider CCS to encompass: (1) “CCS” may be used in a broader sense that includes both natural carbon sinks and technological processes; or, (2) “CCS” may refer to the process of separating CO₂ from a point source, such as the flue of a gas-fired power plant or a cement plant, and putting it into long-term storage, usually by injecting CO₂ into a geological reservoir.

- The US Geological Services uses the term broadly, describing “carbon sequestration” as both natural and deliberate processes by which CO₂ is either removed from the atmosphere or diverted from emission sources and stored in ocean, terrestrial environments (vegetation, soils, and sediments), and geologic formations. In this broader sense of the term, carbon sequestration can either be terrestrial/biological or geologic.

On the other hand, US EPA uses a narrower definition of CCS meaning a set of technologies that can reduce CO₂ emissions from new and existing coal- and gas-fired power plants and large industrial sources. US EPA describes CCS as a three step process that includes:

- 1) Capture of CO₂ from power plants or industrial processes.
- 2) Transport of the captured and compressed CO₂ (usually in pipelines).
- 3) Underground injection and geologic sequestration (also referred to as storage) of the CO₂ into deep underground rock formations. These formations are often a mile or more beneath the surface

and consist of porous rock that holds the CO₂. Overlying these formations are impermeable, non-porous layers of rock that trap the CO₂ and prevent it from migrating upward.

The permanence of geologic sequestration depends on the effectiveness of several CO₂ trapping mechanisms. After CO₂ is injected underground, it will rise buoyantly until it is trapped beneath an impermeable barrier, or seal. In principle, this physical trapping mechanism, which is identical to the natural geologic trapping of oil and gas, can retain CO₂ for thousands to millions of years. Some of the injected CO₂ will eventually dissolve in groundwater, and some may be trapped in the form of carbonate minerals formed by chemical reactions with the surrounding rock. All of these processes are susceptible to change over time following CO₂ injection.

Scientists are studying the permanence of these trapping mechanisms and developing methods to determine the potential for geologically sequestered CO₂ to leak back to the atmosphere. The capacity for geologic carbon sequestration is constrained by the volume and distribution of potential storage sites.

To fully assess the potential for geologic carbon sequestration, economic costs and environmental risks must be taken into account. Infrastructure costs will depend on the locations suitable storage sites. Environmental risks may include seismic disturbances, deformation of the land surface, contamination of potable water supplies, and adverse effects on ecosystems and human health.

As noted above, CCS is generally considered by experts to be a CO₂ *reduction* strategy, not a CO₂ *removal* strategy, since it is only reducing CO₂ from anthropogenic sources that would have otherwise entered the atmosphere, rather than removing what was already there.

According to a report called *California's Energy Future — The View to 2050* by the California Council on Science and Technology and updated in 2015, any use of fossil fuels for electricity generation would need to be paired with CCS to meet the current 2050 GHG emissions target of 80 percent reduction. CCS is adoptable in California due to the existing geological storage from the state's history of fossil fuel extraction. However, according to a Lawrence Livermore National Lab (LLNL) report published in February 2021, no CCS could be scaled up at the pace needed due to the current regulatory framework for screening and authorizing projects. CARB has already adopted a CCS protocol under the Low Carbon Fuel Standard, including for out-of-state CCS projects. In addition to the economic and environmental concerns noted above, CCS remains controversial because it could prolong the life of fossil fuels and delay the transition to more sustainable fuels.

GHG Removal and Sequestration. Another way to address GHG emissions, is atmospheric GHG removal (also called “negative emissions” or “carbon dioxide removal”). For GHG removal options in California, LLNL produced a report in 2020 called *Getting to Neutral*, where LLNL determined that the state will need to remove on the order of 125 million tons of CO₂-equivalents per year from the atmosphere by 2045 to achieve carbon neutrality and remain in line with the current goal of 80 percent GHG emissions reduction by 2050. The report also concluded that “California can achieve this level of negative emissions at modest cost, using resources and jobs within the state, and with technology that is already demonstrated or mature.” The methods outlined in the report are capture and storage of carbon through nature-based solutions on natural and working lands, conversion of waste biomass to fuels and store CO₂, and direct air capture and CO₂ storage.

- *Nature-Based Solutions.* Nature-based climate solutions are actions that work with and enhance nature to help address societal challenges and includes terrestrial/biological sequestration. (These can sometimes result in decreasing emissions, but the main goal is more about long-term increase in carbon sequestration.). Nature-based solutions include actions such as directed land use

decisions that avoid conversion of open space or agricultural land for more intensive uses, landscape restoration, and alternative management for farms and forests. Actions can occur in natural ecosystems in urban, ex-urban, rural, wildland, or other environments. It is an umbrella concept to describe a range of ecosystem-related approaches that confer multiple benefits beyond emission reductions and carbon sequestration, such as landscape adaptation and resilience, improved air quality, biodiversity and habitat protection, improved water quality and quantity, and reduced impacts of extreme events such as floods or wildfires.

- Terrestrial/Biological Carbon Sequestration. Terrestrial sequestration (sometimes termed “biological sequestration”) is typically accomplished through forest and soil conservation practices that enhance the storage of carbon (such as restoring and establishing new forests, wetlands and grasslands) or reduce CO₂ emissions (such as reducing agricultural tillage and suppressing wildfires). These practices are implemented to meet a variety of land-management objectives. Existing terrestrial carbon storage is susceptible to disturbances such as fire, disease, and changes in climate and land use. The capacity of terrestrial ecosystems to sequester additional carbon is uncertain.

Healthy land can sequester and store carbon emissions, limit future carbon emissions into the atmosphere, protect people and nature from the impacts of climate change, and build resilience to future climate risks. Unhealthy lands have the opposite effect — they release more GHGs than they store, increase climate risks to people and nature, and are more vulnerable to future climate change impacts. Nature-based solutions depend on careful management of natural and working lands (NWL) to enhance biological removal of CO₂ from the atmosphere, reduce emissions of GHGs, and preserve existing carbon stores in NWL.

California’s NWL include rangelands, forests, woodlands, wetlands, grasslands, shrubland, farmland, riparian areas, and urban green space that cover more than 90 percent of the state. However, some sources show that California’s NWL are a net GHG source, losing more carbon than they are sequestering, with wildfire being the largest cause of carbon loss. A number of entities in California’s executive branch are developing policy and implementing programs to mitigate disturbances on NWL and protect these lands from conversion and to more intensive land uses. These can sometimes result in decreasing emissions, but the main goal is long-term increase in carbon sequestration.

- Technology-Based Solutions. CO₂ removal technologies are, for the most part, newer technologies that have not been scaled up or widely adapted in the state. Scientists are exploring new ways to remove and store carbon from the atmosphere using innovative technologies, and in some cases using it as a resource. Examples of technological carbon sequestration include:
 - Direct Air Capture (DAC). DAC is a process where specially designed machines are used to remove CO₂ from the ambient air (rather than a point source) and permanently store it underground or turn it into valuable products. This process is energy intensive and expensive, ranging from \$500-\$800 per ton of carbon removed. It is the most expensive CO₂ removal option, but it has nearly unlimited technical capacity, provided its energy needs can be met from a low-carbon source. Several commercial DAC plants are in operation or planning across Europe and the US, however it has not been deployed widely and is still a relatively new technology. While DAC can be effective, it is still too costly to implement on a mass scale.

- Engineered Molecules. Scientists are engineering molecules that can change shape by creating new kinds of compounds capable of singling out and capturing CO₂ from the air. The engineered molecules act as a filter, only attracting the element it was engineered to seek.
- Graphene Production. The use of CO₂ as a raw material to produce graphene, which is used to create screens for smart phones and other tech devices. Graphene production is limited to specific industries.

Enhancing the Storage of These Gases. Mitigation extends to the protection of natural carbon “sinks” like the forests and oceans. A carbon sink is something that absorbs more carbon from the atmosphere than it releases. For example, natural carbon sinks include in disturbed forests and soils, oceans, and photosynthesis of plants. New sinks can be created though, for example, forest regeneration.

Overall, mitigation may require the use of new technologies, clean energy sources, changes in people’s behavior, or making older technology more efficient. In short, mitigation is a human intervention that reduces the sources of GHG emissions and/or enhances the sinks.

Adaptation. Adaptation to climate change means taking actions to prepare for and adjust to both the current effects of climate change and the predicted impacts in the future. These adjustments may be ecological, social, or economic responses to actual or expected climate stimuli and their impacts. It refers to changes in processes, practices and structures to moderate potential damages or to benefit from opportunities associated with climate change. Adaptation actions take many shapes and forms, depending on the community, business/organization, country, or region — there is no “one-size-fits-all” solution.

Examples of adaptation include building flood defenses, switching to drought-resistant crops, planning for heatwaves and higher temperatures, installing water-permeable pavements to better deal with floods and storm waters, and improving water storage and use. Adaptation is a key component of the long-term response to climate change to protect people, livelihoods, and ecosystems.

“Adaptation” is often accompanied by “resilience.” Adaptation actions and programs, which are designed to prepare for and respond to changing climate changes, taken together have a goal of building resilience. Resilience is “the capacity of any entity — an individual, a community, an organization or a natural system — to prepare for disruptions, to recover from shocks and stresses, and to adapt and grow from a disruptive experience. Adaptation actions contribute to increasing resilience, which is a desired outcome or state of being” (*California’s Fourth Climate Change Assessment, p. 15-16*).

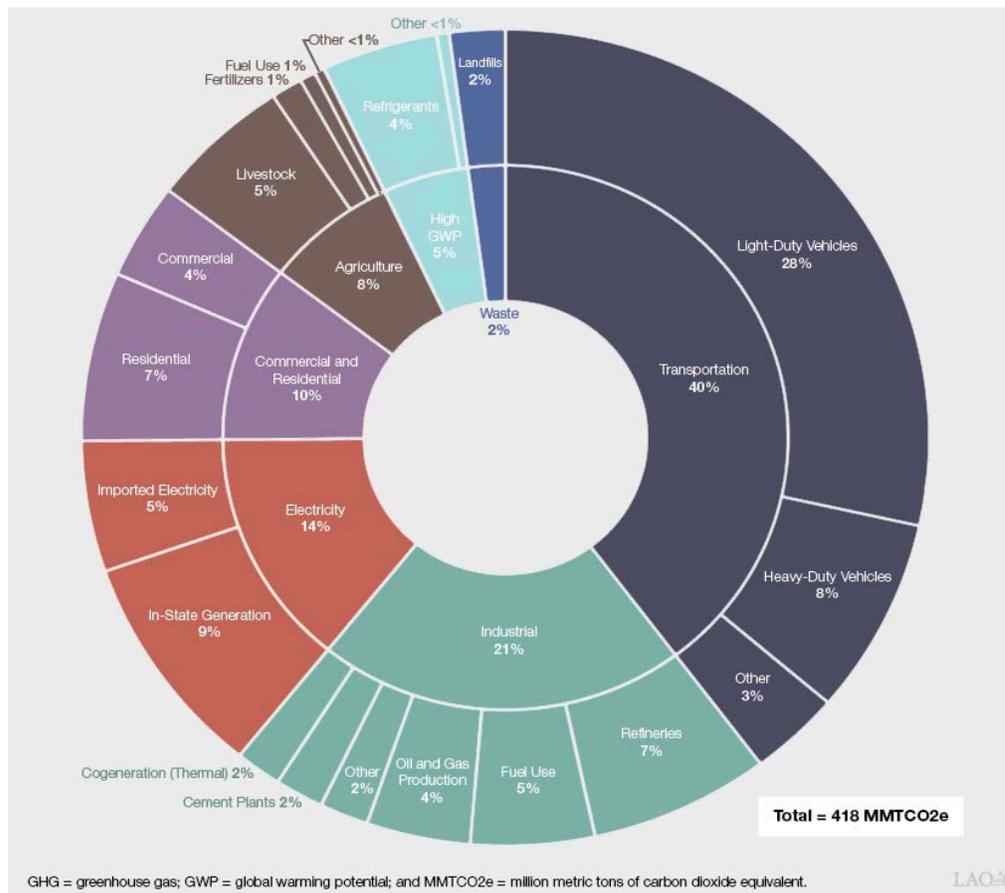
Climate Change and California

Sources of GHG Emissions in California. California is responsible for approximately one percent of all global GHG emissions. The main sources of state GHG emissions are:

- *Transportation* 40 percent
- *Industrial* 21
- *Electricity* 14
- *Commercial & Residential* 10
- *Agriculture* 8
- *High GWP* 5
- *Waste* 2

The chart below provides a further breakdown of the sources of GHG emissions in California:

Breakdown of Sources of GHG Emissions in California

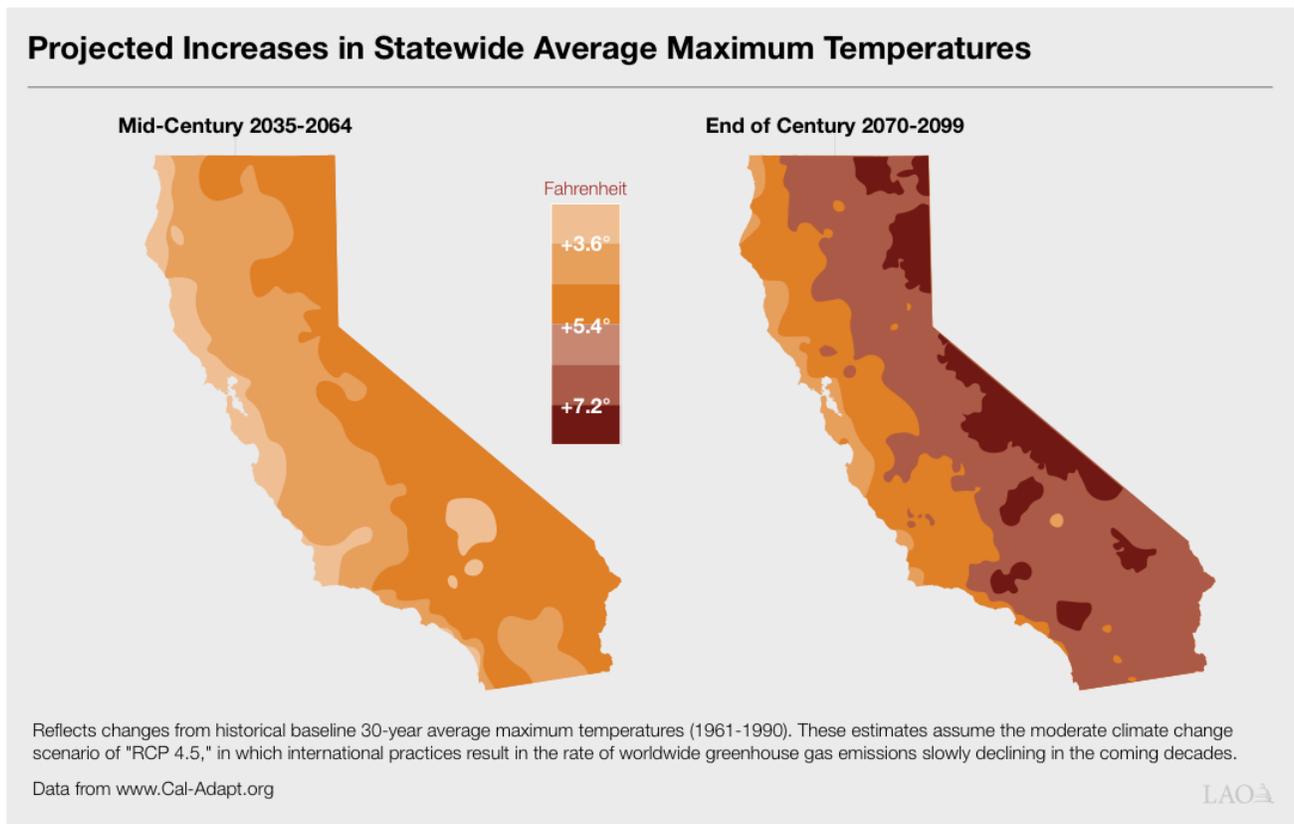


Source: Legislative Analyst’s Office

Temperatures Rising in California. According to Scripps Institution of Oceanography, California has one of the world’s most varied and volatile climates. Already subject to drought, wildfires, and extreme weather, California’s environmental and social problems will be exacerbated by a warmer world. Temperatures will continue to rise in coming decades due to GHGs that are accumulating in the atmosphere from transportation, industry, and other human activity.

Average summer temperatures in California have risen by approximately 3 degrees Fahrenheit (F) since 1896, with more than half of the increase occurring since the early 1970s. If global GHG emissions continue at current rates, the state is likely to experience further warming by more than 2 degrees F by 2040, more than 4 degrees F by 2070, and by more than 6 degrees F by 2100. Some of the most impressive impacts of warming will be felt during short period heat events (e.g. days exceeding 106.6 degrees F). For example, if emissions continue at current rates, Fresno will likely experience 43 extreme heat days annually between 2050 and 2099; 10 times more than its yearly average between 1861 and 2005.

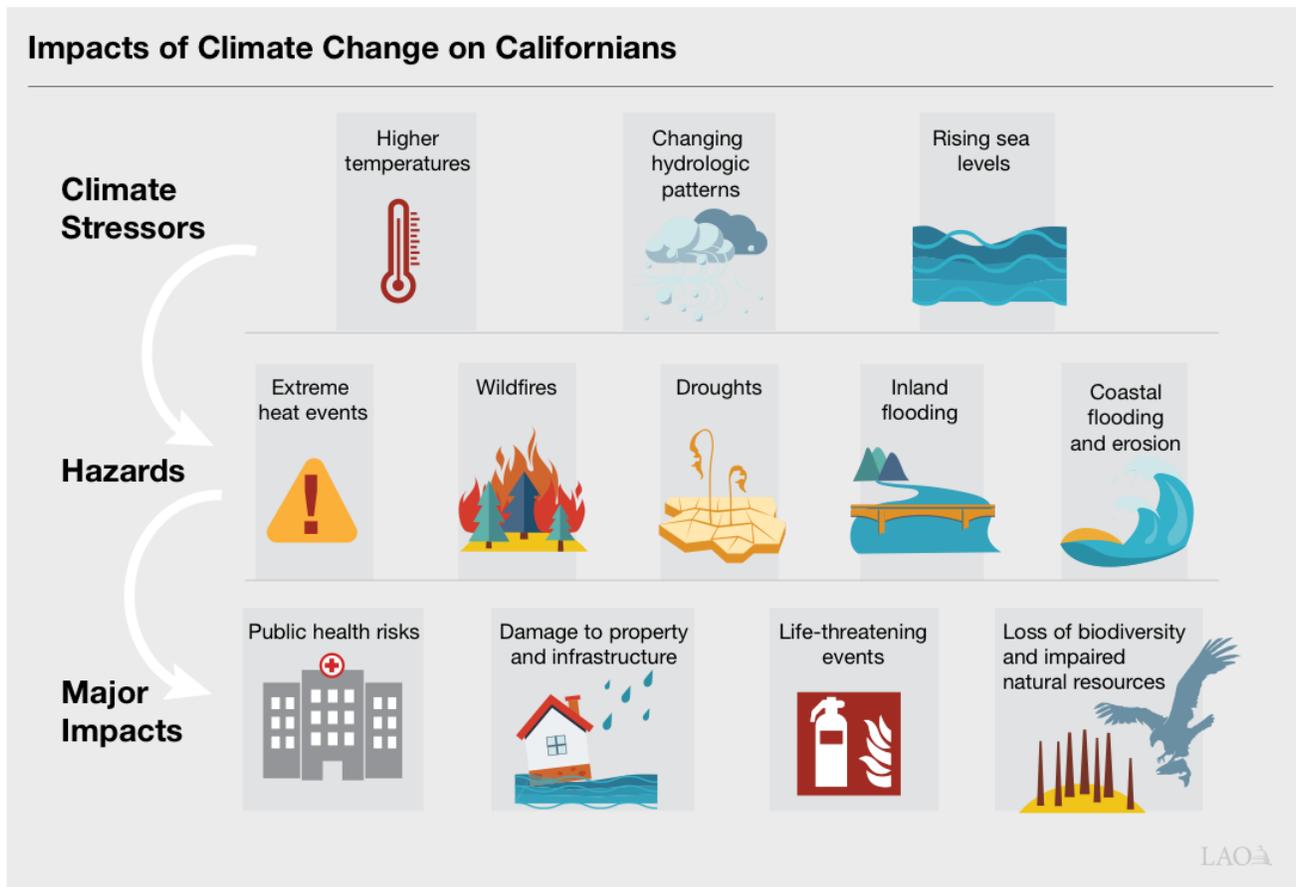
The figure below shows the projected increases in statewide average maximum temperatures across the state.



Source: LAO

California’s unique landscape and coastal setting affect the patterns of warming. For example, Scripps climate researchers have detected a trend in California’s heat waves, with particularly strong impacts along the coast. Specifically, they found that some heat waves have become increasingly more humid. These events have produced markedly warmer nighttime temperatures, a trend consistent with climate change projections. Moreover, the mid-summer heat waves are getting stronger in generally cooler coastal areas. This has particular importance for the millions of coastal dwelling Californians whose everyday lives are acclimated to moderate temperatures.

Climate Change is Projected to Have Significant Effects in California. According to LAO, scientific research predicts that climate change could have several consequential impacts as shown in the figure below:



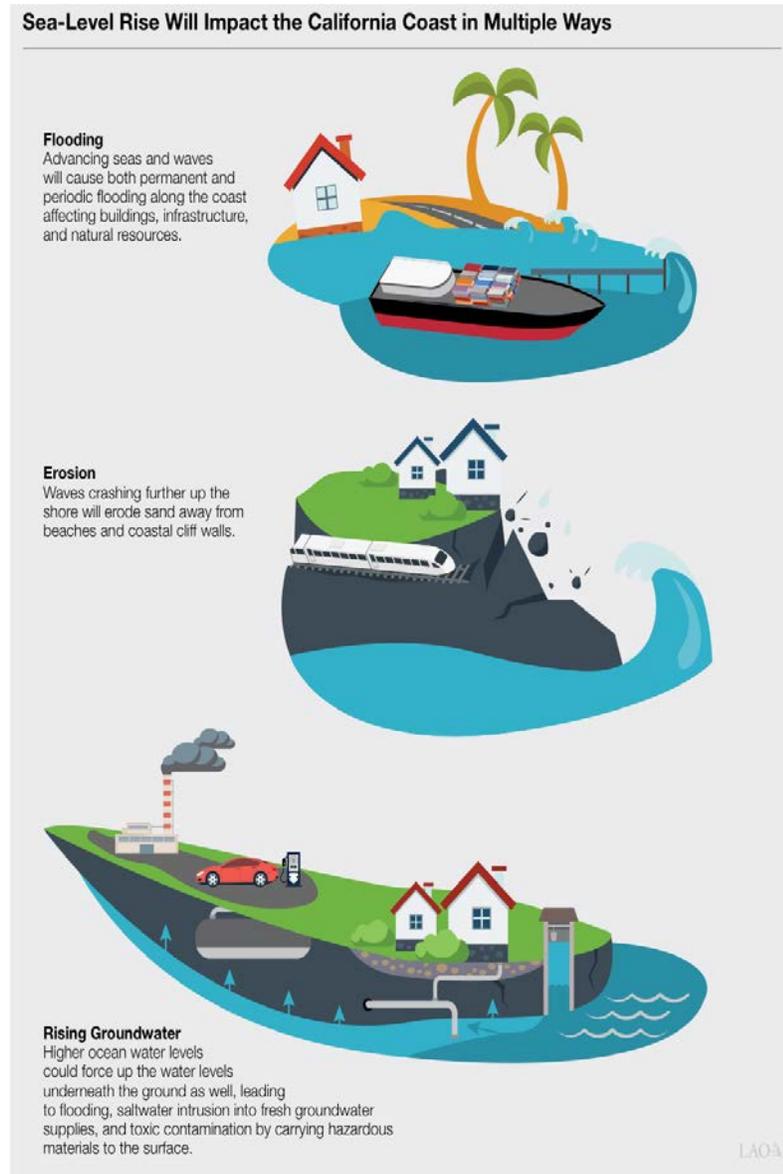
Source: LAO

The major impacts of climate change on this state include:

- Sea-Level Rise (SLR)
- Flooding
- Temperature Increases
- Drought
- Warming Oceans
- Wildfires

A description of each of these impacts is as follows:

- **Sea-Level Rise (SLR).** Recent estimates project that compared to 2000, sea levels along the California Coast south of Mendocino will rise between 1.5 inches and one foot by 2030 and between five inches and two feet by 2050.



Source: LAO

These changes would impact both human and natural resources along the coast, increasing the risk of flooding of buildings and infrastructure, salt water contaminating groundwater basins, and beaches eroding. The Intergovernmental Panel on Climate Change Oceans Report states that SLR will escalate and increase the frequency of extreme events such as storm surges, with significant impacts on coastal communities — events that used to occur just once per century in the past will occur every year by mid-century in many regions. In California, the infrastructure that is critical to the state’s \$44 billion annual economy — including roads, rail lines, sewage treatment plants, ports, and power plants — is becoming more vulnerable to increased climate-related flooding.

- ***Flooding.*** Climate models predict more intense storm patterns, which would increase the risk of inland flooding. Floods cause significant risk to human life, as well as damage to roads, buildings, and other infrastructure.
- ***Temperature Increases.*** Extreme heat events are projected to worsen throughout the state. By midcentury, for example, the Central Valley is projected to experience high heat events that are two weeks longer than current patterns.

Changing temperatures could affect human health, agricultural production, and natural habitats. For example, warmer temperatures lead to the spread of mosquito-borne diseases like Zika and West Nile virus.

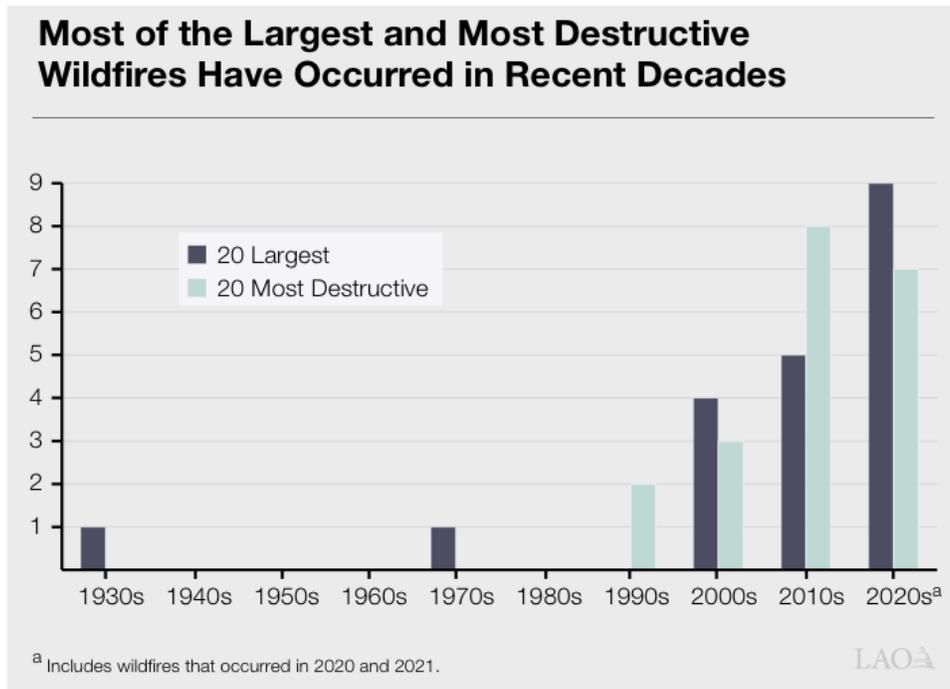
Heat waves are the natural disaster responsible for the most weather-related deaths in California and the World over the last 30 years, and scientists predict warmer temperatures will bring more of them. This is already happening and the trend has been clearly observed. The 2006 heat wave killed over 600 people, resulted in 16,000 emergency department visits, and led to nearly \$5.4 billion in damages. Research suggests that mortality risk for those 65 or older could increase ten-fold by the 2090s because of climate change. Scientists found that heat waves driven by Santa Ana winds can impact hospitalizations for heat-related illness in fall, spring, and winter. The findings stress that heat-related illnesses are not just limited to the summer in that area, and could be exacerbated by warming temperatures in the future year-round.

- ***Drought.*** Warmer temperatures would contribute to more frequent and intense droughts by leading to more precipitation falling as rain rather than snow, faster melting of winter snowpack, greater rates of evaporation, and drier soils. These conditions would decrease the amount of spring snowmelt runoff upon which the state historically has depended for its annual water supply, as well as increase the demand for irrigation water in both agricultural and urban settings.
- ***Warming Oceans.*** Evidence indicates that climate change is degrading the state's marine environment. In recent years, California's coastal environment has experienced a historic marine heat wave, record harmful algal bloom, fishery closures, and a significant loss of northern kelp forests.

The combination of warmer water temperatures, disease, invasive species, and the collapse of sea star populations statewide has placed California's North Coast kelp forest ecosystems in a state of emergency, with South Coast kelp struggling severely as well.

Ocean acidification and oxygen loss in the California Current is further impacting biomass production and species composition. Climate change overall exacerbates the effect of numerous other stressors on species populations, such as pollution and habitat destruction.

- Wildfires.** Climate change is expected to make forests more susceptible to extreme wildfires. One study, for example, predicts that by 2100 the frequency of extreme wildfires burning over approximately 25,000 acres will increase by nearly 50 percent, and that the average area burned statewide will increase by 77 percent. Wildfires in California have become increasingly large and destructive over the past couple of decades.



Implementing effective strategies to increase protection and resilience against these wildfires is complex, in part due to the wide range of entities responsible for managing lands across the state, including local, state, and federal agencies; tribes; small private landowners; and timber harvest companies. Successfully implementing forest health and wildfire mitigation projects often require public and private entities to work together, particularly in order to complete larger, more complex and cross-jurisdictional projects than if they work independently.

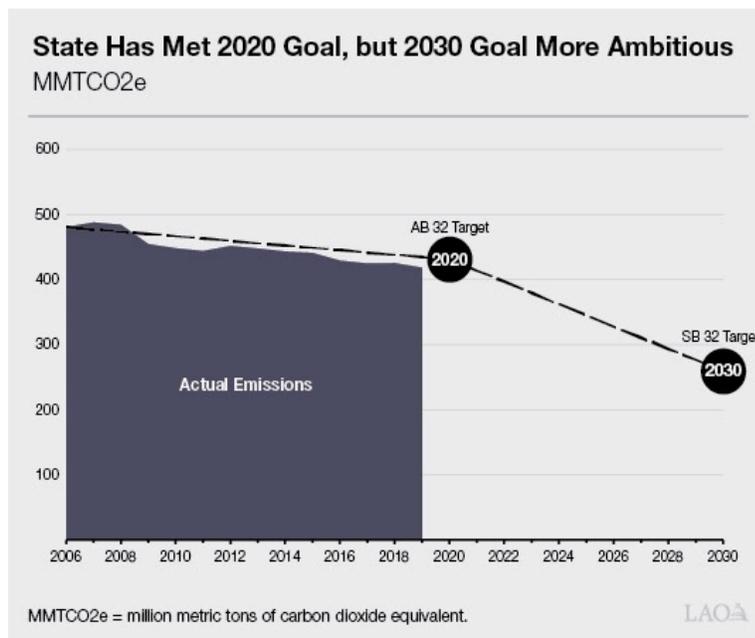
The Cost to California. Climate change comes with a huge price tag for every government, and California is no exception. For example, California 2018 wildfires, less than half the size of the 2020 conflagrations, cost \$148.5 billion in damages, with \$27.7 billion (19.9 percent) in capital losses, \$32.2 billion (22 percent) in health costs and \$88.6 billion (59 percent) in indirect losses with a majority of those far from the actual wildfire footprint. The cost of water and energy is predicted to increase significantly as well, especially in the Western United States. Some research suggests that under a business-as-usual scenario, between the years 2025 and 2100, estimates of the cost of providing water in the western states in the US will increase from \$200 billion to \$950 billion per year, nearly an estimated one percent of the US gross domestic product.

There is a greater human cost to climate change as well. In addition to capital losses, increased cost of resources and health costs, the impacts of climate change on mental health, food security, displacement and migration, and more are just coming into conversation and are still difficult to quantify.

California Goals and Overall Strategies to Address Climate Change

GHG Emissions Reduction Goals. According to LAO, AB 32 (Nunez), Chapter 488, Statutes of 2006 established the goal of limiting GHG emissions statewide to 1990 levels — 431 million metric tons of carbon dioxide equivalent (MMTCO₂e) — by 2020. (CO₂ is a standardized unit of measurement that is used to compare emissions from different GHGs — such as CO₂, methane, and nitrous oxide — based on their global warming potentials.) In 2016, SB 32 (Pavley), Chapter 249, Statutes of 2016, extended the limit to 40 percent below 1990 levels — to 259 MMTCO₂e — by 2030.

As shown in the figure below, emissions have decreased since AB 32 was enacted and were below the 2020 target in 2019. However, the rate of reductions needed to reach the SB 32 target are much greater.



Source: Legislative Analyst's Office

AB 32 Climate Change Scoping Plan. Pursuant to AB 32, CARB developed, and periodically updates, California's Climate Change Scoping Plan, which lays out the state's strategy for meeting its emission reduction goals, including targets and standards for clean energy, clean transportation, energy efficiency, land use and agriculture, industry, and other key sectors.

The Scoping Plan was first approved by CARB in 2008 and must be updated at least every five years. Since 2008, there have been two updates to the Scoping Plan. Each of plans have included a suite of policies to help the state achieve its GHG targets, in large part leveraging existing programs that have the primary goal of reducing harmful air pollution.

The state achieved its 2020 GHG emissions reductions target of returning to 1990 levels four years earlier than mandated by AB 32. The state is currently implementing strategies in the 2017 Scoping Plan Update to further reduce its GHG emissions by 40 percent below 1990 levels by 2030. The anticipated 2022 Scoping Plan Update will assess progress towards achieving the SB 32 2030 target and lay out a path to achieve carbon neutrality by 2045.

Climate change programs in the state reduce GHG emissions that come from many sectors of the economy. These programs include regulations, market programs, and incentives that are intended to transform areas of transportation, industry, fuels, and others.

2021 State Climate Adaptation Strategy. The Administration's draft Strategy was released in October 2021 and outlines key climate resilience priorities, includes specific and measurable steps, and serves as a framework for action across sectors and regions. The Strategy describes the state's policy approach to addressing the impacts of climate change, but not intended to be a commitment to any particular project or program. Priorities outlined in the draft Strategy include:

- Strengthen protections for climate vulnerable communities.
- Bolster public health and safety in light of increasing climate risks.
- Build a climate resilient economy.
- Accelerate nature-based climate solutions and strengthen climate resilience of natural systems.
- Make decisions based on best available climate science.
- Partner and collaborate to leverage resources.

State Actions Addressing Climate Change

Over the years, the state has implemented a broad portfolio of actions to address climate change. The following are a sampling of state measures in a variety of sectors and are broken down by sectors:

- Nature-Based Solutions
- Forest and Wildfire
- Water
- Oceans and Coasts
- Biodiversity
- Energy
- Transportation
- Agriculture
- Multi-Sector Measures

Nature-Based Climate Change Solutions

As noted above, nature-based climate change solutions consist of actions to reduce or sequester GHG emissions in natural ecosystems. They can take place in a variety of environments, such as urban, exurban (a semirural region beyond the suburbs where not many houses are built and where rich people often live), rural, and wildlands.

Natural and Working Landscapes. Natural and working lands are the foundation of California's nature-based climate change solution sector. Healthy land can sequester and store carbon emissions, limit future carbon emissions into the atmosphere, protect people and nature from the impacts of climate change, and build resilience to future climate risks. Unhealthy lands have the opposite effect — they release more

GHGs than they store, increase climate risks to people and nature, and are more vulnerable to future climate change impacts.

Natural and working lands cover approximately 90 percent of the state's 105 million acres, including:

- Forests — lands with greater than or equal to 10 percent canopy cover comprised of live trees, such as oak woodlands, riparian forests, and conifer forests.
- Shrublands & Chaparral — lands with greater than or equal to 10 percent canopy cover comprised of shrubs or chaparral. These lands are dominated by woody plants such as manzanita, sage brush, and huckleberry oak.
- Developed Lands — lands developed for human use, such as urban, suburban, and rural communities; urban forests; and physical infrastructure.
- Wetlands — lands saturated by water for all or portions of a year, such as coastal wetlands, floodplains, peat lands, mountain meadow wetlands, and vernal pools.
- Seagrasses & Seaweeds — seagrasses are marine flowering plants, such as eelgrass and surf grass. Seaweeds are algae, such as kelp.
- Croplands — lands with annual or perennial crops and fallow land, such as perennial orchards and irrigated annual crops.
- Grasslands — lands with less than 10 percent tree canopy cover that are dominated by grasses or herbaceous vegetation.
- Sparsely Vegetated Lands — lands characterized primarily by low levels of vegetation, including deserts, beaches, and areas covered by ice, snow, and bare rock.

According to the UNEP, “By working with nature, we have the potential to reduce emissions by more than a third of what is needed by 2030 without nature, we will not be able to achieve 1.5 degrees Celsius or net-zero emissions by 2050, nor will we achieve the Sustainable Development Goals.”

Natural and Working Lands (NWL) Climate Smart Strategy. The purpose of the NWL Climate Smart Strategy is to align relevant existing state efforts under one cohesive strategy and identify land management actions that help protect climate-vulnerable communities, achieve carbon neutrality, improve public health and safety, and expand economic opportunity. The draft *Natural and Working Lands Climate Strategy* was released on October 11, 2021. This Strategy will inform the 2021 State Adaptation Strategy and the 2022 Scoping Plan. This Strategy does the following:

- Defines California's eight natural and working landscapes. (*See above.*)
- Describes how these lands can deliver on the state's climate goals.
- Highlights priority nature-based climate solutions to address the climate change.
- Explores opportunities for regional climate smart land management.

- Identifies options to track nature-based climate action and measure progress.
- Outlines approximately 200 opportunities to scale climate smart land management across regions and sectors in the state.

30x30 Strategy. In October 2020, Governor Newsom signed the Nature-Based Solutions Executive Order (EO) N-82-20, emphasizing the role of natural and working lands in the fight against climate change and advancing biodiversity conservation. As part of the EO, the state commits to the goal of conserving 30 percent of lands and coastal waters by 2030. In December 2021, the draft 30x30 strategy was released and does the following:

- Describes the key objectives and core commitments that are a part of California's 30x30 conservation framework.
- Defines conservation for the purpose of the 30x30 initiative and establishes a current baseline of conserved areas.
- Outlines strategic actions necessary to achieve the 30x30 target.
- Introduces CA Nature, a suite of publicly available applications to identify conservation opportunities and track progress.

Forest and Wildfire

Wildfire and Forest Resilience Action Plan. Climate change increases the frequency and severity of catastrophic wildfires. There is strong consensus that climate change extends the periods of wildfire risk and enhances the likelihood of fires. Land use and forest management practices are also contributing factors but cannot fully explain the magnitude of wildfires in recent years. In January 2021, the Governor's Forest Management Task Force released *California's Wildfire and Forest Resilience Action Plan*. The Plan is intended to accelerate efforts to:

- Restore the health and resilience of forests, grasslands, and natural places.
- Improve the fire safety of our communities.
- Sustain the economic vitality of rural forested areas.

To meet these goals, the Plan lays out that the following will need to be achieved:

- Scale-up forest management to meet the state and federal one million-acre annual restoration target by 2025.
- Significantly expand the use of prescribed fire across the state.
- Restore areas burned by catastrophic fire.
- Support communities, neighborhoods, and residents in increasing their resilience to wildfire.

- Utilize a statewide network of regional plans to ensure coordinated, comprehensive action across the state.
- Develop a comprehensive program to assist private forest landowners, who own more than 40 percent of the state's forested lands.
- Create economic opportunities for the use of forest materials that store carbon, reduce emissions, and contribute to sustainable local economies.
- Improve and align forest management regulations. Spur innovation and better measure progress.

Forest Health Program. The Forest Health Program works to address the risk of California's forests from extreme disturbance events including catastrophic wildfires, drought, and pest mortality. The purpose of the program is to conserve forests and improve forest health by significantly increasing fuels reduction, fire reintroduction, treatment of degraded areas and conservation of threatened forests with landscape-scale projects developed and led by regionally-based efforts.

Regional Forest Fire Capacity Program (RFFC). Created in 2018, the Department of Conservation (DOC) provides non-competitive block grants to state conservancies, resource conservation districts, and other entities to facilitate regional coordination for forest health and wildfire resilience.

Urban and Community Forestry Grant Program. Through this program, CalFire works to optimize the benefits of trees and related vegetation through multiple-objective projects. The mission of the program is to lead the effort to advance the development of sustainable urban and community forests in the state.

Urban Greening Grant Program. CNRA's Urban Greening Grant Program funds projects that reduce GHG emissions by sequestering carbon, decreasing energy consumption, and reducing vehicle miles traveled, while also transforming the built environment into places that are sustainable, enjoyable, and effective in creating healthy and vibrant communities.

California Conservation Corps' (CCC's) Targeted Conservation Programs and Grant Programs. Under its Targeted Conservation Program, CCC operates three programs dedicated to forest health and resiliency. Through these programs, corpsmembers reduce overgrown and dying trees, plant trees, and build fire breaks. The CCC also operates the Watersheds Program, which has the mission to conserve, restore, and enhance anadromous watersheds. Also, CCC administers several programs and grants to conserve, restore, and enhance natural resources, including watershed protection and wildland fire prevention projects.

California Tahoe Conservancy's Climate Change Adaptation Program. The Conservancy's strategic plan includes a goal to foster Basin-wide climate change adaptation and sustainable communities. To achieve this goal, the Conservancy focuses on four areas: developing the Lake Tahoe Climate Adaptation Action Portfolio, providing grants to support climate change adaptation, adapting Conservancy programs and land management to changing climate conditions, and engaging partners and collaborating with scientists.

Water

California Water Resilience Portfolio. According to CNRA, climate change projections indicate a future characterized by more intense droughts and floods and winter storms that bring less snow and more rain. We cannot exactly predict how the interplay of higher average temperatures, increased variability in precipitation, depletion of soil moisture, and accelerated evapotranspiration will affect the hydrological cycle. To cope with a likely future of “wetter wets” and “drier dries,” California water managers must plan and invest in strategies that include more efficient use of water, recycling of water, additional water storage, additional conveyance to facilitate recharge of aquifers, improved forecasting tools, better data about river flows and water consumption, and restoration of upper watersheds.

The Water Resilience Portfolio was released in July 2020, which is the Administration’s blueprint for equipping the state to cope with more extreme droughts, floods, and rising temperatures, while addressing long-standing challenges that include declining fish populations, over-reliance on groundwater, and lack of safe drinking water in many communities. Goals and actions are organized in four categories:

- ***Maintain and Diversify Water Supplies.*** State government will continue to help regions reduce reliance on any one water source and diversify supplies to enable flexibility as conditions change.
- ***Protect and Enhance Natural Ecosystems.*** Restore the environmental health of river systems in order to sustain fish and wildlife. This entails effective standard setting, continued investments, and more adaptive, holistic environmental management.
- ***Build Connections.*** The state aims to improve physical infrastructure to store, move, and share water more flexibly and integrate water management through shared use of science, data, and technology.
- ***Be Prepared.*** Each region must prepare for new threats, including flashier floods, deeper droughts, and hotter temperatures. State guidance will enable preparation, protective actions, and adaptation.

The portfolio includes 142 separate actions to be taken by state agencies to support local efforts to maintain and diversify water supplies, protect and enhance natural systems, build connections (whether human, physical, or digital), and prepare for future risks.

Sierra Nevada Conservancy’s Improvement Program (WIP). A watershed is a land area that channels rainfall and snowmelt to creeks, streams, and rivers, and eventually to outflow points such as reservoirs, bays, and the ocean. While some watersheds are relatively small, others encompass thousands of square miles and may contain streams, rivers, lakes, reservoirs, and underlying groundwater that are hundreds of miles inland.

The Sierra Nevada Region is the primary source of water for the California Water Project and the federal Central Valley Project. Together, these two systems deliver water to two-thirds of California’s population (such as the Bay Area, Sacramento, and Los Angeles regions) and provide irrigation water for more than one-third of the agricultural land (such as farms and ranches in the Sacramento and San Joaquin Valleys) in the state.

WIP is a large-scale, coordinated, and collaborative program to restore the health of the state’s primary watershed and create resilient Sierra Nevada communities through increased investments and policy

changes that increase the pace and scale of restoration. It is recognized by state policy and planning documents as a model program for addressing the growing challenges facing the Sierra Nevada Region in a changing climate. WIP actions include:

- Restoring Sierra forests and watersheds to a healthier state
- Improving the quantity and quality of water throughout the year
- Reducing GHG emissions and stabilize carbon storage
- Improving local socio-economic conditions and public safety
- Improving habitat for wildlife, fish, and plant species
- Reducing the risk of large, damaging wildfires
- Preserving working landscapes
- Protecting air quality

DWR's Climate Change Program. DWR's climate change program performs a range of activities to support climate change analysis and adaptation planning by local and regional water managers, fund climate monitoring and research, and develop water sector policies and management practices. DWR is also developing its own comprehensive Climate Action Plan.

DOC's Climate Change Initiatives. DOC administers several programs, including the Watershed Coordinator Program, which enables local governments and non-profits to develop plans and projects to improve watershed health, to achieve targeted state and local and natural resources climate resiliency goals including forest health and groundwater sustainability.

Urban Flood Protection Grant Program. CNRA's Urban Flood Protection Grant Program funds multibenefit projects in urban areas to address flooding. Projects include stormwater capture and reuse, planning and implementation of low-impact development, restoration of urban streams and watersheds, and increasing permeable surfaces to help reduce flooding.

Oceans and Coasts

Strategic Plan to Protect California's Coast and Ocean 2020-2025. Climate change impacts the oceans and coasts in alarming ways. The International Panel on Climate Change recently found that coastal ecosystems are under stress from ocean warming, intensified marine heat waves, ocean acidification, loss of oxygen, and sea level rise, and that impacts to species, biodiversity, and ecosystem services are already being observed. The Ocean Protection Council (OPC) released the *Strategic Plan to Protect California's Coast and Ocean 2020-2025*, which is meant to provide a roadmap to address these challenges and includes the following goals:

- Safeguard coastal and marine ecosystems and communities in the face of climate change.
- Advance equity across ocean and coastal policies and actions.
- Enhance coastal and marine biodiversity.
- Support ocean health through a sustainable blue economy.

OPC's Climate Change Program. OPC's Climate Change Program seeks to prepare for and reduce harmful impacts of climate change on ocean and coastal resources by encouraging adaptation and mitigation, and engaging decision makers at all levels of government. OPC helps the state address the

impacts of SLR and ocean acidification through advancing science, monitoring change, developing adaptation strategies and policy guidance, and engaging in national and international partnerships.

State Coastal Conservancy's (SCC's) Climate Change Initiatives. SCC has a range of measures including: helping communities assess their vulnerability to SLR and create adaptation plans to counter threats of SLR; helping to plan, design, and implement living shorelines that use oyster beds, wetlands, dunes, and other natural habitats to buffer the impacts of rising seas and increased storm events while providing multiple benefits; helping rangeland and agricultural lands adapt to changing climates including grazing operations, grassland restoration, and water and soil conservation projects such as water catchments and storage design; and working to protect natural and working lands that remove and capture these gases in photosynthesis. Additionally, SCC adopted a Climate Change Policy that informs all aspects of its work and amended its Project Selection Criteria to ensure that all SCC projects are designed with climate change in mind.

San Francisco Bay Conservation and Development Commission's (BCDC's) Climate Change Initiatives. BCDC facilitates resilience through its permitting program, which requires developments to address SLR impacts in their design. Additionally, BCDC's Adapting to Rising Tides (ART) Program provides support, guidance, tools, and information to help agencies and organizations address sea level rise.

San Joaquin Delta Conservancy Carbon Management Program. The Delta Conservancy incentivizes landowners to convert to practices that reduce carbon emissions and land subsidence that result from oxidation of highly organic peat soils in the Delta. A voluntary market protocol was approved by the American Carbon Registry in 2017 for restoration of coastal and delta wetlands in the state. In 2020, the program completed the first verification and certification of wetland carbon credits anywhere in the world.

Biodiversity

California Biodiversity Collaborative. The Collaborative is a new platform to enable active stewardship of the state's biodiversity by providing a forum to coordinate public and private programs and investments; to share information and build on best practices; and to facilitate partnerships and increase understanding.

Department of Fish and Wildlife's (DFW's) Climate Change Initiatives. DFW's Science Institute's Climate Change Program evaluates climate risks to biodiversity and supports integration of climate science and adaptation into the department's programs and activities. DFW is addressing climate change in species and habitat management, land management, conservation planning, and scientific endeavors. DFW's Wetland Restoration for GHG Reduction Program addresses both climate change adaptation and mitigation by restoring or enhancing wetlands and watershed ecosystems.

Wildlife Conservation Board's (WCB's) Climate Adaptation and Resiliency Program. This program funds projects that provide climate adaptation and resilience on natural and working lands. These projects must be consistent with the state's climate adaptation strategy, contribute to the goals of AB 32, support WCB's Strategic Plan, and help fulfill WCB's mission to protect, restore, and enhance the state's natural resources for wildlife and for public use and enjoyment.

Energy

Renewable Portfolio Standard (RPS). Established in 2002, the RPS requires electricity providers (i.e., utilities, cooperatives, and community choice aggregators) to ensure that renewable energy constitutes a specified minimum portion of their electric load. Investor-owned electric utilities must serve 33 percent of their electric load by 2020, and 60 percent of their electric load by 2030, with renewable energy. Beyond this, SB 100 (de Leon), Chapter 312, Statutes of 2018, further increased the RPS target to 100 percent by 2045. CPUC and CEC jointly implement the RPS program. The goals of the program include:

- Displacing fossil fuel use
- Building new renewable power plants
- Reducing GHG emissions
- Ensuring reliable operation of the electrical grid
- Promoting customer affordability through stable customer rates

Overall, retail sellers either met or exceeded the 33 percent interim RPS target by December 31, 2020.

Green Building Standard. The Green Building Standard requires commercial and residential buildings to meet minimum energy efficiency standards. In California, commercial and residential account for approximately a quarter of the state's GHG emissions through their use of electric and natural gas. In January 2008, the California Building Standards Commission (BSC) approved the California Green Building Standards Code, also referred to as CALGreen, which went into effect in August 2009.

CALGreen is designed to improve public health, safety, and welfare through the use of sustainable construction and building concepts that reduce environmental impacts or create environmental benefits. The code applies to the planning, design, operation, construction, use, and occupancy of newly-constructed buildings in the state. CALGreen is enforced by local agencies.

CEC develops building energy efficiency standards, which are a core element of CALGreen. CEC's building energy efficiency standards, often referred to as Title 24, are designed to require cost-effective measures such as building insulation, efficient lighting and appliances, and air system improvements to reduce building energy use and save energy and maintenance costs over the life of a building. CEC updates the standards every three years.

Low-Carbon Fuel Standard (LCFS). Emissions from the transportation sector is responsible for 50 percent of GHG emissions, 80 percent of nitrogen oxide emissions, and 95 percent of particulate matter emissions in the state.

LCFS is designed to reduce the carbon intensity (CI) of transportation fuels (e.g. diesel and gasoline) by 20 percent by 2030 while providing a range of low-carbon and renewable alternatives. The program aims to reduce California's overall dependency on petroleum and improve statewide air quality. Substitutes for conventional gasoline include ethanol, electricity, and hydrogen fuel. Substitutes for conventional diesel include biodiesel, renewable diesel, fossil fuel natural gas, and renewable natural gas (biomethane).

CARB implements and enforces California's LCFS program, which includes the following elements:

- *Scope.* The LCFS aims to reduce the carbon intensity of transportation fuels sold in-state by 20 percent through 2030 through annually decreasing targets. CI is a measure of the GHG emissions released by the full lifecycle of a fuel, including production, transportation, and consumption.

- *Regulated Parties.* Petroleum fuel importers, refiners, and wholesalers in California are required to reduce CI across their product lines under the LCFS. Other entities, such as biofuel refiners and electric and natural gas suppliers, can opt into the program to generate credits.
- *CI Target.* Benchmarks for gasoline and diesel fuel carbon intensity are calculated each calendar year with the goal of reducing carbon intensities over time.
- *LCFS Compliance.* The program achieves the goal to reduce statewide CI of fuels by getting a standard that conventional fuel suppliers, such as refineries, must meet each year. To ensure that the CI of its overall fuel pool meets the annual LCFS target, a regulated entity must lower the CI of its fuel pool (by substituting cleaner fuels) and/or purchase LCFS credits from other regulated entities. Compliance is demonstrated through a system of credits and deficits. Suppliers of conventional fuels such as gasoline and diesel (“regulated parties” must comply by obtaining enough credits to cover their deficits each year. Other entities (“opt-in parties”) can voluntarily participate in the program by supplying lower CI substitute fuels to generate credits to sell to regulated parties.
- *Credits.* The gap between the CI target and the intensity of certain fuel types dictates the LCFS credit deficit or generation. For example, a diesel refiner will need to purchase LCFS credits to compensate for CI of the fuel above the target, whereas a biofuel refiner will generate and then sell LCFS credits for intensity of the fuel below the target. Credits are valued as dollars per metric ton of avoided carbon dioxide equivalent emissions. The LCFS Program allows producers and importers to generate, acquire, transfer, bank, borrow, and trade credits. LCFS credits do not expire and any surplus of LCFS credits can be banked for future compliance.
- *Use of Revenues.* Electric distribution utilities that generate LCFS credits are required to sell the credits and use the revenue to benefit current or future electric vehicle customers through rebate programs. For all other credit-generating entities, the revenues are an incentive to participate in the LCFS and develop more low-carbon fuels.

Since going into effect, LCFS has increased the statewide use of low-carbon fuels. For example, the share of alternative fuels in transportation grew from 6.1 percent to 8.5 percent between 2011 and 2017. The majority of this share comes from blended ethanol, biodiesel, and renewable diesel fuels.

Advanced Clean Cars Program. This program combines the control of smog-causing (criteria) pollutants and GHG emissions into a single coordinated package of two distinct efforts: (1) Low-Emission Vehicle (LEV) regulation for criteria and GHG emissions; and (2) Zero-Emission Vehicle (ZEV) regulation. The goal of the program is to guide the development of environmentally advanced cars that will continue to deliver the performance, utility, and safety that car owners have come to expect.

When CARB adopted Advanced Clean Cars in 2012, the Board committed to conducting a comprehensive midterm review of three elements of the program: (1) the ZEV regulation, (2) the one milligram per mile particulate matter standard, and (3) the light-duty vehicle GHG standards for 2022 and later model years. At its March 2017, CARB concluded the following:

- Adopted GHG standards remain appropriate for 2022 through 2025 model years.
- Continue with existing technology-forcing ZEV requirements to develop the market.

- Direct staff to immediately begin rule development for 2026 and subsequent model years.
- Continue and expand complementary policies to help support an expanding ZEV market.
- The particulate matter standard is feasible but further action is needed to ensure robust control.

Following CARB's direction to begin development of standards for model years after 2025, Advanced Clean Cars II (ACC II) is currently in process of establishing the next set of LEV and ZEV requirements to contribute to meeting federal ambient air quality ozone standards and California's carbon neutrality targets. The main objectives of ACC II are: (1) Maximize criteria and GHG emission reductions through increased stringency and real-world reductions; and, (2) Accelerate the transition to ZEVs through both increased stringency of requirements and associated actions to support wide-scale adoption and use. A rulemaking package is anticipated to be presented to the Board in June 2022.

LEV Regulation for Criteria Pollutants and GHG Emissions. CARB adopted the first LEV regulations in 1990, requiring manufacturers to produce light- and medium-duty vehicles that emitted fewer criteria pollutants like carbon monoxide and nitrogen oxides. In 2004, CARB added the first vehicle GHG emission limitations. Finally, as part of the Advanced Clean Cars Program, the LEV regulations were amended in 2012 to strengthen the program by including increasingly stringent criteria pollutant and GHG emission standards for new passenger vehicles through the 2025 model year. In July 2019, CARB reached an agreement with major automakers to proactively adopt a modified version of the GHG standards despite conflict with the US EPA over their validity under the Clean Air Act.

In order for a manufacturer to certify that a vehicle for sale in California meets LEV standards, it must follow stringent emission testing procedures and requirements, and receive verification from CARB. CARB estimates that cars will emit 75 percent less in criteria pollutants and 40 percent less in GHG emissions in 2025 compared to 2012 model year vehicles.

California's GHG regulations are projected to reduce GHG emissions from new vehicles by approximately 40 percent (from 2012 model year vehicles) in 2025. Studies indicate that they are technologically feasible and will likely save consumers money over the life of the vehicle because lower fuel use accompanies reductions of GHGs. Technologies to achieve the new standards include engine and emission control advancements, wider application of advanced hybrid technology, and greater use of stronger and lighter materials.

ZEV Regulation. The ZEV regulation requires manufacturers to increase the number of vehicles available for sale that do not emit any exhaust, including battery electric, hydrogen fuel cell, and plug-in hybrid electric vehicles in order to achieve the state's long-term emissions reduction goals. These vehicle technologies include full battery-electric, hydrogen fuel cell, and plug-in hybrid electric vehicles. Manufacturers are required to produce for sale in the state a certain percentage of ZEVs and plug-in hybrid electric vehicles in a given year. Every vehicle receives credits based on the number of miles the vehicle can travel powered by non-emitting sources. A manufacturer can bank credits to use for compliance in future years or trade or sell credits. CARB oversees the compliance process and posts annual credit information on its website. Updated estimates show about eight percent of California new vehicle sales in 2025 will need to be ZEVs and plug-in hybrids to comply with the requirements.

CEC's Climate Change Initiatives. CEC manages numerous programs and efforts that help the state meet its climate goals by increasing energy efficiency and conservation, as well as advancing renewable energy and low-carbon technologies.

California Geologic Energy Management Division's (CalGEM's) Carbon Capture and Sequestration Program. CalGEM facilitates the state's Carbon Capture and Sequestration Program, which involves the capture, transport, and long-term storage of CO₂ in geological reservoirs deep underground that would otherwise be released to the atmosphere.

Transportation

Transportation Infrastructure Spending. SB 1 (Beall), Chapter 5, Statutes of 2017, increased the state's gasoline tax by \$0.12 per gallon, raising over \$5 billion annually for transportation projects, including improvements in efficiency and emission reduction.

Sustainable Transportation Planning. SB 375 (Steinberg), Chapter 728, Statutes of 2008 and SB 743 (Steinberg), Chapter 386, Statutes of 2013, set regional GHG emission reduction targets for passenger vehicles and required agencies to assess and mitigate the vehicle miles traveled (VMT) impacts of new developments. SB 150 (Allen), Chapter 646, Statutes of 2017, required a CARB report on the progress and implementation of SB 375, and found that the state was falling well short of meeting those goals.

Agriculture

Climate-Smart Agriculture (CSA). Agriculture is California's fifth largest emitting sector, producing eight percent of the state's GHG emissions; and accounts for most of California's nitrous oxide (N₂O) emissions, primarily from fertilizer and manure added to soil, which have global warming potential up to 298 times that of CO₂.

CSA involves agricultural practices such as mulching, crop rotation, and integrated crop-livestock management that increase resiliency and productivity of agriculture in the face of climate change while reducing associated emissions. "CSA" can be used interchangeably with terms like regenerative agriculture or agroecology. While similar in strategy and terminology, regenerative agriculture differs from CSA in that it focuses on replacing conventional farming practices that degrade soil with ones that regenerate soil's capacity to sequester carbon and nitrogen. CSA comprises management practices that:

- Improve farming efficiencies, including water and energy use.
- Promote sustainable land practices.
- Increase soil health and carbon sequestered in soil.

In order to address emissions from the agricultural sector, the state has developed a suite of CSA programs to reduce GHG emissions and provide multiple benefits that improve the health and adaptability of farms, ecosystems, and communities. CSA programs include:

- ***Alternative Manure Management Program (AMMP).*** CDFA administers AMMP provides financial assistance for dairy and other livestock producers for the implementation of improved manure management practices, including storage and field application, that avoid the GHG emissions generated by transitional anaerobic digester treatments.
- ***Sustainable Agricultural Lands Conservation Program (SALCP).*** On behalf of the Strategic Growth Council, the Department of Conservation administers SALCP, which protects agricultural lands that are at risk of conversion to other uses. The program funds agricultural

conservation easements to maintain farmland in addition to funding local government grants to improve farmland conservation.

- ***State Water Efficiency and Enhancement Program (SWEET)***. CDFA administers SWEET, which provides grants to implement irrigation systems for agriculture that reduce GHGs, reduce on-farm energy use, and conserve water.
- ***Healthy Soils Program (HSP)***. CDFA administers HSP, which is a collaboration of state agencies, to promote and develop healthy soils that can boost productivity and longevity as well as sequester carbon. HSP actions include protecting and restoring soil organic matter, identifying financing opportunities, funding research to support healthy soils, increasing the generation and use of compost, and promoting interagency coordination.

DOC's Climate Change Initiatives. DOC administers several programs related to land conservation. In terms of agriculture, DOC programs include: the Sustainable Agriculture Lands Conservation (SALC) Program, which facilitates the purchase of agricultural easements, development of agricultural land strategy plans, and other mechanisms that result in GHG reductions and a more resilient agricultural sector; and the Working Lands and Riparian Corridors Program, which funds watershed restoration projects and conservation projects on agricultural lands.

Multi-Sector Measures

California Climate Investments (CCI) Cap-and-Trade Program. CCI is the umbrella initiative for programs funded by revenues from Cap-and-Trade auctions. These funds are used to reduce pollution that causes climate change and other benefits that include improving public health, quality of life, and economic opportunity in the state's most burdened communities. CCI projects include affordable housing, renewable energy, public transportation, zero-emission vehicles, environmental restoration, more sustainable agriculture, recycling, and more.

At least 35 percent of these investments are made in disadvantaged communities and low-income communities and households. SB 535 (de Leon), Chapter 830, Statutes of 2012, directed at least a quarter of the proceeds go to projects that provide a benefit to disadvantaged communities and at least 10 percent of the funds go to projects located within those communities. AB 1550 (Gomez), Chapter 369, Statutes of 2016, modified the investment minimums to disadvantaged communities and increased the percentage of funds directed — at least 25 percent — that should go to projects within and for the benefit of disadvantaged communities and at least an additional 10 percent to go for low-income households or communities.

The five main steps for CCI program administration include:

- ***Fund Generation***. The Cap-and-Trade Program includes an auction in which polluting entities purchase allowances from the state. Proceeds are deposited into GGRF.
- ***Fund Appropriation***. The Legislature and Governor authorize agencies to make expenditures from GGRF for specified programs and periods of time.
- ***Fund Allocation***. Once agencies are appropriated funds from GGRF, the agencies allocate these funds to one or more selected funding recipients within the funded programs.

- *Fund Awards.* Agencies award funds to recipients. At this stage, GHG emissions reductions are estimated as well since project designs are known.
- *Fund Implementation.* The funding recipient receives funds and develops projects over a set timeframe.

The Cap-and-Trade regulation establishes a declining limit on major sources of GHG emissions throughout the state, and is intended to create economic incentive for investment in cleaner, more efficient technologies. The program applies to emissions that cover approximately 80 percent of the state's GHG emissions. ARB creates allowances equal to the total amount of permissible emissions (i.e., the "cap"). One allowance equals one metric ton of carbon dioxide equivalent emissions (using the 100-year global warming potential). Each year, fewer allowances are created and the annual cap declines. An increasing annual auction (or floor) prices for allowances and the reduction in annual allowances is intended to create a steady and sustained carbon price signal to prompt action to reduce GHG emissions.

Revenue from quarterly Cap-and-Trade auctions are deposited in the Greenhouse Gas Reduction Fund (GGRF), and the funds are allocated to various programs, which are mostly climate-related.

Short-Lived Climate Pollutants (SLCPs). SLCPs include GHGs such as methane, hydrofluorocarbons, and anthropogenic black carbon. SLCPs are powerful climate forcers that have relatively short atmospheric lifetimes. For example, the atmospheric lifetime of methane is about 12 years. For comparison, CO₂ has a variable atmospheric lifetime since some portion of excess CO₂ is absorbed quickly by the oceans and terrestrial vegetation, while some remains in the atmosphere for thousands of years. Despite the comparatively short period of time that it remains in the atmosphere, methane is a potent GHG that is 25 times more effective at trapping heat in the atmosphere than CO₂ over a 100-year period.

SB 1383 (Lara), Chapter 395, Statutes of 2016, directed CARB to approve and begin implementing a comprehensive strategy to reduce SLCPs in the state to achieve, from 2013 levels, a 40 percent reduction in methane, a 40 percent reduction in hydrofluorocarbon gases, and a 50 percent reduction in anthropogenic black carbon, by 2030. Measures designed to achieve these reductions are organized across three primary sectors:

Agriculture. California dairy and livestock are responsible for over half of the state's methane emissions and are the largest source of dairy-related methane in the country. In response to SB 1383, CARB, along with other state agencies, convened a Dairy and Livestock GHG Emission Working Group to provide recommendations to inform actions related to reducing methane emissions from agricultural operations and incentivizing funding and research.

Oil and Gas. In 2017, CARB issued the GHG Emission Standards for Crude Oil and Natural Gas Facilities, or the Oil and Gas Regulation, after a three-year workshop and proposal process. The regulations are designed to reduce emissions from oil and gas production, processing, storage, and transmission compressor stations. The regulation requires oil and gas producers to address both fugitive and vented emissions of methane from new and existing oil and gas facilities through emission control plans, leak testing, and repairs. CARB estimates compliance will reduce methane emissions by over one million tons annually. In addition, natural gas storage facility operators (whose product is primarily methane) must conduct continuous leak monitoring and prevention.

Organics/Landfills. AB 341 (Chesbro), Chapter 476, Statutes of 2011, directed CalRecycle to examine existing efforts and propose strategies to reduce the amount of solid waste going to landfills by 75 percent

by 2020. SB 1383 (Lara) established a statewide target of reducing the amount of organic waste sent to landfills 75 percent below 2014 levels by 2025. CalRecycle must achieve recovery of at least 20 percent food waste by 2025. The state’s infrastructure currently diverts about half of the waste stream, but is not large enough to meet the state’s climate goals and handle the large amount of potentially recyclable materials collected by local governments and the solid waste industry.

Indicators of Climate Change in California. The Office of Environmental Health Hazard Assessment (OEHHA) researches and presents indicators in periodic reports describing how the state’s climate is changing and how these changes are affecting the state. Indicators are scientifically-based measurements that track trends in various aspects of climate change. The 2018 report compiled 36 indicators grouped into four categories: human-influenced drivers of climate change, such as GHG emissions; changes in the state’s climate; impacts of climate change on physical systems, such as oceans and snowpack; and the impacts of climate change on biological systems — humans, vegetation, and wildlife.

Adaptation Clearinghouse. This website provides users with a consolidated searchable database of California-specific resources for local, regional, and statewide climate adaptation planning and decision-making.

Adaptation Planning Guide. California Office of Emergency Services (Cal OES) works with state partners to regularly update this guide designed to support local governments, regional organizations, and climate collaborative groups to integrate best practices and current science into their adaptation efforts.

THE BUDGET ACT OF 2021

The 2021 Budget Act included \$15 billion (\$13.1 billion General Fund) allocated over three years to support a suite of natural resources packages, including: climate resilience; wildfire and forest prevention and resilience; water and drought; zero-emission vehicles; sustainable agriculture; and circular economy (recycling). Collectively, these packages (some of which cover multiple years) are intended to protect against, and address, climate change impacts.

Climate Resilience Package. The 2021 Budget Act included \$3.69 billion General Fund over three years to support investments that address the state’s multi-faceted climate risks. These funds will build community resilience and capacity where resources are most needed. Investments will support multi-benefit and nature-based solutions, which includes funding to support climate change impacts on fish and wildlife, habitat restoration, and activities that accelerate climate smart management of California’s natural and working lands. Funds are also included to address the impacts of extreme heat, build ocean and coastal resilience, and support California’s fifth climate assessment.

The amount of spending for each of main categories are:

- \$800 million Extreme Heat
- \$1.371 billion Multi-Benefit and Nature Based Solutions
- \$612 million Building Ocean and Coastal Resilience
- \$819 million Community Resilience
- \$87 million Other

The chart below details allocations for the Climate Resilience Package:

Climate Resilience Package
(Dollars in Millions)

Investment Category	Department	Program	2021-22	2022-23	2023-24	Total
Extreme Heat	California Natural Resources Agency	Urban Greening	\$50	\$100	\$100	\$250
	Department of Community Services and Development	Low Income Weatherization	\$0	\$25	\$25	\$50
	Strategic Growth Council	Community Resilience Centers/Extreme Heat and Community Resilience Program	\$0	\$50	\$150	\$200
	Various	Extreme Heat Set Aside	\$0	\$150	\$150	\$300
Multi-Benefit and Nature Based Solutions	Department of Fish and Wildlife	Climate Change Impacts on Wildlife	\$15	\$35	\$0	\$50
	Department of Water Resources	Habitat Restoration	\$0	\$125	\$75	\$200
	Wildlife Conservation Board	Protect Fish and Wildlife from Changing Conditions	\$31	\$222	\$100	\$353
	Various	Multi-Benefit and Nature Based Solutions Set Aside	\$0	\$593	\$175	\$768
Building Ocean and Coastal Resilience	Ocean Protection Council	Ocean Protection	\$0	\$50	\$50	\$100
	State Coastal Conservancy	Coastal Protection and Adaptation	\$0	\$350	\$150	\$500
	Department of Parks and Recreation	State Parks Sea Level Rise Adaptation Strategy	\$12	\$0	\$0	\$12
Community Resilience	Strategic Growth Council	Transformative Climate Communities	\$115	\$165	\$140	\$420
		Regional Climate Collaboratives	\$10	\$10	\$0	\$20
	Office of Planning and Research	Climate Adaptation & Resilience Planning Grants	\$10	\$10	\$5	\$25
		Vulnerable Communities Platform and CalAdapt Mapping	\$5	\$0	\$0	\$5
		Regional Climate Resilience	\$25	\$125	\$100	\$250
	Various	Conservancy Funding	\$60	\$0	\$0	\$60
	Cal Volunteers	California Climate Action Corps	\$5	\$5	\$5	\$14
California Environmental Protection Agency	Environmental Justice Initiative	\$10	\$10	\$5	\$25	
Other	Department of Conservation	Biomass to Hydrogen/Biofuels Pilot	\$0	\$50	\$0	\$50
	Various	Fifth Climate Assessment	\$22	\$0	\$0	\$22
	Air Resources Board	Fluorinated Gas Reduction Incentive Program	\$0	\$15	\$0	\$15
Total			\$369	\$2,090	\$1,230	\$3,689

Source: Department of Finance

According to the LAO, the budget package adopted in September 2021 appropriated \$369 million for climate change related activities in 2021-22, all from the General Fund. Moreover, the budget agreement included intent to provide additional General Fund for climate resilience activities in the coming years—\$2.1 billion in 2022-23 and \$1.2 billion in 2023-24—for a three-year total of \$3.7 billion. As shown in the figure, funds will support multiple activities across several departments and respond to various climate change impacts, including extreme heat, sea-level rise along the coast, and threats to the state’s biodiversity. While certain activities will be undertaken by state departments—such as DFW’s efforts to protect the state’s fish and wildlife from changing conditions—the majority of the funds will be allocated through grant programs to local governments or nongovernmental organizations. Because several of the funded activities represent new programs or initiatives, in many cases, budget trailer legislation included language guiding specifically how funds should be prioritized and allocated.

Wildfire Prevention and Resilience Package. In April 2021, the Legislature passed and the Governor signed an early action package totaling \$536 million (\$411 General Fund; \$125 million GGRF) for a broad set of investments that support a statewide strategy on forest health and fire prevention. This funding was designed to start critical projects before the upcoming fire season and launch several new programs.

In September 2021, an additional \$988 million was allocated for 2021-22 (\$758 million General Fund; \$230 million GGRF) for wildfire prevention and resilience projects and programs.

In total, the amount of spending for each of the main categories were:

- \$825 million Resilient Forests and Landscapes
- \$494 million Wildfire Fuel Breaks
- \$47 million Community Hardening
- \$82 million Science-Based Management
- \$76 million Economic Development of the Forest Sector

The table below details the Wildfire Prevention and Resilience Package approved last session:

Wildfire Resilience Expenditure Plan
(Dollars in Millions)

Investment Category	Department	Program	Early Action 2020-21	2021-22	Total
Resilient Forests and Landscapes	CAL FIRE	Forest Health Program	\$155	\$160	\$315
		Forest Improvement Program for Small Landowners	\$10	\$40	\$50
		Forest Legacy & Demonstration Forests	\$8	\$19	\$27
		Urban Forestry	\$10	\$20	\$30
		Tribal Engagement	\$1	\$19	\$20
	State Parks, Fish & Wildlife	Stewardship of State-Owned Land	\$30	\$145	\$175
Conservancies	Project Implementation in High-Risk Regions	\$69	\$139	\$208	
Wildfire Fuel Breaks	CAL FIRE	CAL FIRE Unit Fire Prevention Projects	\$10	\$40	\$50
		Fire Prevention Grants	\$123	\$120	\$243
		Prescribed Fire & Hand Crews & Contract Counties	\$15	\$49	\$64
	California Conservation Corps	Fuel Reduction Crews & Residential Centers	\$0	\$27	\$27
Department of Conservation	Regional Forest Capacity	\$50	\$60	\$110	
Community Hardening	CalOES & CAL FIRE	Home Hardening	\$25	\$0	\$25
	CAL FIRE	Defensible Space Inspectors	\$2	\$13	\$15
	CAL FIRE & University of California	Land Use Planning & Public Education Outreach	\$0	\$7	\$7
Science-Based Management	CAL FIRE	California Vegetation Treatment Program	\$3	\$20	\$23
	Natural Resources Agency	LIDAR Remote Sensing	\$0	\$25	\$25
	CAL FIRE	Interagency Forest Data Hub	\$0	\$10	\$10
	CAL FIRE	Prescribed Fire Liability Pilot	\$0	\$20	\$20
	Air Resources Board and Water Board	Prescribed Fire Permitting	\$0	\$4	\$4
Economic Development of the Forest Sector	I Bank	Climate Catalyst Fund	\$16	\$33	\$49
	CAL FIRE	Workforce Training	\$6	\$18	\$24
	Office of Planning & Research	Market Development	\$3	\$0	\$3
Total			\$536	\$988	\$1,524

Source: Department of Finance

According to the LAO:

- ***Most Funding Was One-Time From General Fund.*** Of the total funding for the package, \$411 million is from the General Fund and \$125 million is from GGRF. The amounts from the General Fund are provided on a one-time basis, though in many cases departments anticipate expending the funds over multiple years. The amounts from GGRF are intended to bring total GGRF spending on forest health and prescribed fire activities to \$200 million annually, consistent with requirements in SB 901 (Dodd), Chapter 626, Statutes of 2018. (The *2020-21 Budget Act* provided less than the statutory direction because of uncertainty about the amount of GGRF revenues at the time the budget act was adopted in June 2020.)
- ***Early Action Intended to Provide Immediate Funding in Advance of Fire Season.*** The adoption of the early action package was intended to enable departments to start work immediately on projects rather than waiting until the passage of the 2021-22 budget in June. By starting work immediately, the Administration anticipated that projects would be in place roughly one fire season sooner than they would have been otherwise. For example, some projects funded by this package were implemented in time to reduce the risk of catastrophic wildfires in fall 2021—peak fire season in California—rather than being completed in 2022 if they had been funded as part of the 2021-22 budget.
- ***Package Included Language Expediting Projects and Directing Fire Prevention Funding.*** The package included language intended to support certain departments’ efforts to complete projects quickly by expediting their contracting processes, such as through exempting them from competitive bidding requirements. Additionally, the package included language intended to ensure that fire prevention grants are distributed to fire prone areas throughout the state regardless of vegetation type. Specifically, the language requires CalFire to prioritize fire prevention projects in locations of high fire risk and that would protect large numbers of structures and people relative to the size of the grant. The language also required CalFire to do additional outreach to areas of the state that historically have had low application rates for these grants.

Water and Drought Resilience Package. The 2021 Budget Act included \$5.2 billion (\$4.7 billion General Fund) over three years to support immediate drought response and long-term water resilience. This included funding to support drought response: drinking water, wastewater, and water supply reliability; water recycling and groundwater clean up; flood management; restoration of natural areas and ecosystems; Salton Sea; groundwater sustainability; water conveyance; and water and habitat improvement for environmental flows. These investments provide immediate drought support and address long-term water resilience.

The amount of spending for each of the main categories are:

- \$ 3.309 billion Drinking Water, Water Supply and Reliability, Flood
- \$ 815 million Immediate Drought Relief
- \$ 1.033 billion Nature Based Solutions

The chart below provides more detail about the Water and Drought Resilience Package:

Water Resilience Package
(Dollars in Millions)

Investment Category	Department	Program	2021-22	2022-23	2023-24	Total
Drinking Water, Water Supply and Reliability, Flood	State Water Resources Control Board	Drinking Water/Wastewater Infrastructure	\$1,300	\$0	\$0	\$1,300
		PfAs Support	\$30	\$50	\$20	\$100
		Water Recycling/Groundwater Cleanup	\$200	\$100	\$100	\$400
	Department of Water Resources	Saffron Sea	\$40	\$100	\$80	\$220
		SGMA Implementation	\$180	\$60	\$60	\$300
		Water Conveyance	\$100	\$100	\$0	\$200
		Flood	\$313	\$237	\$88	\$638
		Watershed Climate Studies	\$25	\$0	\$0	\$25
	Department of Food and Agriculture	Aqueduct Solar Panel Pilot Study	\$20	\$0	\$0	\$20
		State Water Efficiency and Enhancement Program	\$50	\$50	\$0	\$100
Natural Resources Agency	Clear Lake Rehabilitation	\$5.7	\$0.0	\$0.0	\$6	
Immediate Drought Support	Various	Data, Research, and Communications	\$127	\$0	\$0	\$127
	Various	Drought Technical Assistance, Emergency Water Supplies, & Control Section	\$52	\$0	\$0	\$52
	Department of Conservation	Multi-benefit Land Repurposing	\$50	\$0	\$0	\$50
	Department of Water Resources	Small Water Supplies Drought Relief & Urban Water Management Grants	\$500	\$0	\$0	\$500
	Various	Drought Permitting, Compliance, and Enforcement	\$36	\$3.5	\$3.5	\$43
	Department of Fish and Wildlife	Drought fisheries and Wildlife Support	\$43	\$0	\$0	\$43
Nature Based Solutions	Natural Resources Agency	Water Resilience Projects	\$165	\$100	\$180	\$445
	Wildlife Conservation Board	Wildlife Corridors/Fish Passage	\$65	\$40	\$0	\$105
		Stream flow Enhancement Program	\$100	\$150	\$0	\$250
	State Water Resources Control Board	Border Rivers	\$20	\$0	\$0	\$20
	Various	Restoration of Natural Areas and Ecosystems	\$130.1	\$24.4	\$8.9	\$163
Various	Urban Streams	\$30	\$20	\$0	\$50	
Total			\$3,582	\$1,035	\$641	\$5,157

Source: Department of Finance

Statutory Provisions for Immediate Drought Response Spending. According to the LAO, budget trailer legislation, AB 148 (Committee on Budget), Chapter 115, Statutes of 2021, included provisions applicable to drought response expenditures. In particular, the language allowed implementing departments to make direct expenditures to provide immediate relief for drought conditions—rather than being subject to typical statutory requirements for competitive grant or bid processes—if the Governor has declared a drought state of emergency or SWRCB determines that urgent actions are needed to respond to drought impacts on drinking water, public safety, or fish and wildlife. Such expenditures could include providing emergency drinking water supplies, drilling new wells, or rescuing and relocating at-risk fish and wildlife. The legislation also allowed departments to provide local grantees that have demonstrated cash flow problems with advance payments for up to 25 percent of the costs of their emergency drought response projects in lieu of relying completely on the traditional cost reimbursement process.

Sustainable Agriculture Package. The 2021 Budget Act included the Sustainable Agriculture Package totaling \$1.1 billion, \$683 million of which is appropriated in 2021-22 as shown in the chart below:

Sustainable Agriculture
(Dollars in Millions)

Investment Category	Program	2021-22	2022-23	Total
Healthy, Resilient, and Equitable Food Systems	California Farm to School Incubator Grant Program	\$30	\$30	\$60
	Farm to Community Food Hubs Program	\$15	\$0	\$15
	California Nutrition Incentive Program	\$10	\$10	\$20
	Healthy Refrigeration Grant Program	\$10	\$10	\$20
	Senior Farmers Market Nutrition Program	\$0.5	\$0.0	\$0.5
	Urban Agriculture Program	\$12	\$0	\$12
Climate Smart Agriculture for Sustainability and Resiliency	Agricultural Diesel Engine Replacement and Upgrades	\$213	\$150	\$363
	Healthy Soils	\$75	\$85	\$160
	Sustainable California Grown Cannabis Pilot Program	\$9	\$0	\$9
	Livestock Methane Reduction	\$32	\$46	\$80
	Pollinator Habitat Program	\$15	\$15	\$30
	Technical Assistance and Conservation Management Plans	\$17	\$22	\$39
	Transition to Safer, Sustainable Pest Management	\$9.8	\$0	\$10
	Incentives for Alternatives to Agricultural Burning in the San Joaquin Valley	\$180	\$0	\$180
	Research in GHG Reduction	\$5	\$5	\$10
	Invasive Species Council	\$5	\$5	\$10
Climate Catalyst Fund	\$0	\$25	\$25	
Economic Recovery & High-Road Job Growth	Technical Assistance Program for Underserved Farmers	\$5.4	\$5	\$10
	Impact Assessment and Alignment of Regulatory Reporting Requirements for Agriculture	\$4	\$2	\$6
	Fresno-Merced Future of Food Innovation Initiative	\$30	\$0	\$30
	New and Beginning Farmer Training and Farm Manager Apprenticeships Program	\$5	\$5	\$10
	Canine Blood Bank	\$1	\$0	\$1
Total		\$683	\$417	\$1,100

Source: Department of Finance

Of the 2021-22 appropriation, \$247 million was allocated in SB 129 (Skinner), Chapter 69, Statutes of 2021, and the remainder was allocated in SB 170 (Skinner), Chapter 240, Statutes of 2021. In total, these investments support three primary categories of funding: (1) healthy, resilient and equitable food systems; (2) climate smart agriculture for sustainability and resiliency; and, (3) economic recovery and high-road job growth.

Circular Economy Package. The 2021 Budget Act included \$205 million in 2021-22, which was part of a two-year, total package of \$270 million (\$130 million General Fund) to support a “circular economy” that recognizes waste as a resource, with the purpose of shifting the state’s focus to a more resilient and renewable economy. These funds will support implementation of goals to reduce short-lived climate pollutants, including advancing organic waste infrastructure, edible food recovery, and composting opportunities; and support other non-organic recycling opportunities. The figure below details the total allocations in the Circular Economy Package:

Circular Economy Package
(Dollars in Millions)

Investment Category	Department	Program	2021-22	2022-23	Total
Organic Waste Infrastructure and Implementation	Cal Recycle	Edible Food Recovery	\$3	\$2	\$5
		Composting Opportunities	\$5	\$0	\$5
		Organic Infrastructure Grants	\$90	\$15	\$105
		Co-Digestion Capacity	\$10	\$10	\$20
		SB 1383 Local Jurisdiction Implementation Grants	\$60	\$0	\$60
Non-Organic Waste	Cal Recycle	Recycling Feasibility Grants	\$2	\$13	\$15
		Recycling Market Development Zone Loan Program	\$25	\$25	\$50
		Quality Incentive Payments for PET Thermoform-Free Beverage Container Loads	\$10	\$0	\$10
Total			\$205	\$65	\$270

Source: Department of Finance

The two main categories of this package are: (1) organic waste; and (2) non-organic waste. Organic waste investments for 2021-22 total \$168 million. Investments to address non-organic waste issues total \$37 million for 2021-22. All funding for this package is through CalRecycle.

According to LAO, notable new programs or program expansions include:

- **Recycling Market Development Zone (RMDZ) Loan Program.** The budget plan provided \$50 million from the General Fund over two years to the existing RMDZ loan program, which provides loans to recycling businesses that prevent, reduce, or recycle recovered waste materials. Budget-related legislation made changes to the RMDZ loan program to allow eligibility for certain facilities that are outside of RMDZs.
- **Co-Digestion at Waste Water Treatment Plants.** The budget plan included \$20 million from the General Fund over two years to expand an existing GHG reduction grant program to include food waste co-digestion projects at waste water treatment plants.
- **Quality Incentive Payments for Sorting Plastic Containers.** The 2021-22 budget included \$10 million from the Beverage Container Recycling Fund (BCRF) to provide quality incentive payments to curbside recycling programs for the sorting and separation of clean polyethylene terephthalate plastic containers.
- **Circular Economy Development.** The budget plan included a total of \$15 million from the General Fund over two years for a new program that will provide grants to entities that are in the

research, development, feasibility assessment, and pilot phases of new recycling technologies and projects.

- ***SB 1383 Implementation.*** The budget provides five permanent positions and \$782,000 from the Cost of Implementation Account (increasing to nine positions and \$1.4 million ongoing) to implement organic waste reduction regulations pursuant to SB 1383. CalRecycle also plans to redirect 38 existing positions from its local assistance and market development programs to instead focus on compliance and enforcement of SB 1383 regulations.

Zero-Emission Vehicles (ZEVs) Package. The 2021 Budget included \$2.7 billion for a variety of programs related to ZEVs. This was intended to be the first year of a three-year, \$3.9 billion investment. Of the total in 2021-22, \$2.9 billion comes from the General Fund, with the remainder coming from federal funds and special funds. In most cases, the budget provided flexibility to spend the funds over the next few years.

Zero-Emission Vehicle Investment Package (dollars in millions)

ZEV Investment	2021-22	2022-23	2023-24	Total
Clean Trucks, Buses, and Offroad Equipment	\$ 500.00	\$ -	\$ -	\$ 500.0
Clean Cars 4 All	\$ 150.00	\$ 125.0	\$ 125.0	\$ 400.0
CVRP	\$ 525.0	\$ -	\$ -	\$ 525.0
Drayage Trucks	\$ 160.0	\$ 160.0	\$ 150.0	\$ 470.0
Drayage Pilot Projects	\$ 65.0	\$ -	\$ -	\$ 65.0
Transit Buses	\$ 100.0	\$ 100.0	\$ 90.0	\$ 290.0
School Buses	\$ 150.0	\$ 150.0	\$ 150.0	\$ 450.0
ZEV Infrastructure	\$ 500.0	\$ -	\$ -	\$ 500.0
ZEV Manufacturing Grants	\$ 125.00	\$ 125.0	\$ -	\$ 250.0
ZEV Transit Funding	\$ 407.00	\$ -	\$ -	\$ 407.0
Near Zero Truck replacement	\$ 50.00	\$ -	\$ -	\$ 50.0
TOTAL	\$ 2,732.00	\$ 660.0	\$ 515.0	\$ 3,907.0

Significant investments include:

- *Heavy-Duty ZEVs and Supporting Infrastructure.* \$2 billion one-time General Fund and special funds over three years for heavy-duty ZEVs.
- *Light-Duty ZEV Adoption and Transportation Equity.* \$1.2 billion one-time General Fund and special funds over three years to invest in consumer adoption of ZEVs and in clean mobility for disadvantaged and low-income communities.
- *Zero-Emission Rail and Transit Equipment Purchases and Infrastructure.* \$407 million one-time General Fund and special funds to demonstrate and purchase or lease state-of-the-art, clean bus and rail equipment and infrastructure that eliminate fossil fuel emissions and increase intercity rail and intercity bus frequencies.

- *ZEV and Infrastructure Manufacturing.* \$250 million General Fund one-time over two years for manufacturing and supply chain grants to expand California’s nation leading ZEV manufacturing footprint, administered through the Clean Transportation Program.
- *ZEV Market Development Strategy Implementation.* \$5 million in one-time General Fund to accelerate implementation of the ZEV Market Development Strategy’s focus on increasing awareness and access to ZEVs in the hardest to reach communities and expanding tools that help convert this awareness into decision to drive or ride in ZEVs.

Cap-And-Trade Spending Plan

According to the LAO, 2021-22 budget allocated \$3.4 billion GGRF for various programs. This plan included (1) \$1.8 billion in continuous appropriations, (2) \$186 million in other existing spending commitments, and (3) \$1.5 billion in discretionary spending. The plan assumed about \$2.8 billion in auction revenue in 2021-22, about \$700 million carried over from the end of 2020-21, and \$60 million in interest income accrued to the fund. Based on this revenue assumption and expenditure plan, the LAO estimated there would be a \$60 million GGRF fund balance at the end of 2021-22.

The chart below breaks down the Cap-and-Trade Discretionary Spending Plan in the 2021 budget.

Cap and Trade Expenditure Plan
(Dollars in Millions)

Investment Category	Department	Program	2021-22
Equity Programs	Air Resources Board	AB 617 - Community Air Protection	\$260
		AB 617 - Local Air District Implementation	\$50
		AB 617 - Technical Assistance to Community Groups	\$10
	Community Services and Development	Low-Income Weatherization Program	\$15
Water Board	Safe and Affordable Drinking Water (\$130 million total)	\$44	
Low Carbon Transportation & ZEV Strategy	Air Resources Board	Clean Trucks, Buses, & Off-Road Freight Equipment	\$315
		Agricultural Diesel Engine Replacement and Upgrades	\$170
		Clean Vehicle Rebate Program	\$100
		Clean Cars 4 All & Transportation Equity Projects	\$150
Natural and Working Lands	CAL FIRE	Healthy & Resilient Forests (\$8 901)	\$230
	Department of Food and Agriculture	Healthy Soils	\$25
Other	Cal Recycle	Waste Diversion/Recycling Infrastructure	\$130
	Air Resources Board	Woodstove Replacement	\$5
		Small Off Road Engines	\$30
Total			\$1,534

Source: Department of Finance

According to the LAO, the vast majority of allocations shown above support programs that received GGRF in prior years. Some key exceptions are:

- ***Support for Local Implementation of SB 1383.*** In 2020, CalRecycle adopted regulations requiring local jurisdictions to reduce methane emissions from organic waste. The budget provides \$60 million GGRF for grants to local governments to assist in the development and implementation of local programs needed to comply with SB 1383 regulations. (The Cap-and-Trade Expenditure Plan also includes \$70 million for an existing program that provides grants for organic waste diversion and recycling infrastructure.)
- ***Small Off-Road Engines.*** The 2021 budget provided \$30 million GGRF to provide incentives for small professional landscaping services to purchase zero-emission small off-road equipment, such as electric leaf blowers and lawn mowers.

\$200 Million Annual Continuous Appropriation for Forest Health Beginning in 2022-23. Budget related legislation establishes a \$200 million annual continuous appropriation from 2022-23 through 2028-29 for various forest health activities (also known as SB 901 funding). Similar to certain existing ongoing expenditures, the \$200 million will be taken “off the top” of annual auction revenue before the existing continuous appropriations are determined.

GOVERNOR’S JANUARY BUDGET PROPOSAL (2022)

Key Climate Change-Related Proposals. According to the LAO, the Governor’s budget includes numerous proposals related to climate change, some of which are presented as packages. This is in addition to full inclusion of 2022-23 funding that was agreed to by the Legislature and the Governor as part of the 2021-22 budget for different packages of proposals related to climate resilience, zero-emission vehicles (ZEVs), and drought. For example, the proposed budget includes \$2.1 billion that was part of a Climate Resilience package. Some of the key new climate-change proposals and packages include:

- ***ZEV Package.*** The 2021-22 budget agreement included a total of \$3.9 billion over three years for various programs to support ZEVs. The Governor’s budget includes \$660 million General Fund in 2022-23 consistent with this agreement. In addition, the budget proposes a total of \$6.1 billion over five years—\$2.7 billion in 2022-23 and \$3.4 billion in subsequent years—in additional funding for ZEV-related programs. This total includes \$3.5 billion from the General Fund (non-Proposition 98), \$1.5 billion in Proposition 98 General Fund, \$676 million from the Greenhouse Gas Reduction Fund (GGRF), and \$383 million in federal funds.
- ***Energy Package.*** The Governor proposes a total of roughly \$2 billion over two years (\$938 million in 2022-23 and \$1.1 billion in 2023-24), almost entirely from the General Fund, for various proposals related to clean energy and building decarbonization. Some of the funding would go to programs that the Governor proposed in his 2021 May Revision, but that were not adopted as part of the 2021-22 budget.
- ***Wildfire Resilience Package.*** The Governor proposes \$800 million from the General Fund over two years—\$400 million in 2022-23 and 2023-24—to implement various efforts to improve forest health and make communities more resilient to future wildfires. This is in addition to \$200 million annually from GGRF, which is already continuously appropriated from 2022-23 through 2028-29 as part of the 2021-22 budget package.

- ***Drought Package.*** The Governor proposes \$750 million one-time General Fund for a variety of activities to respond to current drought conditions and build the state’s resilience to weather future dry years. This amount includes (1) \$180 million for water conservation programs, (2) \$145 million to address communities experiencing water supply shortages, (3) \$250 million to set aside as unspecified “contingency” funding the Governor would propose for specific drought response allocations later in the budget process, and (4) \$175 million for various other drought-related activities. These funds are in addition to \$880 million General Fund proposed for water and drought-related activities in 2022-23 consistent with the 2021-22 budget agreement that included a total of \$4.6 billion across three years.
- ***Wildfire Suppression Proposals.*** The Governor’s budget provides augmentations for various proposals related to fire suppression. Some of the major fire protection-related proposals include: (1) \$400 million ongoing General Fund to improve the health and wellness of California Department of Forestry and Fire Protection (CalFire) firefighters; (2) \$190 million General Fund in 2022-23, along with some outyear funding, for equipment such as helicopters and fire engines; (3) \$175 million in 2022-23 (\$120 million in General Fund and \$55 million in lease revenue bonds) for CalFire capital outlay projects, and (4) \$69 million General Fund in 2022-23, increasing to \$81 million ongoing, to increase the availability of year-round fire crews.

In addition to the proposals identified above, the Governor’s budget includes numerous other proposals across a wide range of policy areas—such as education, workforce development, and transportation—to which the Governor draws a nexus to climate change.

Most recently, the Governor released two BCPs to appropriate set-asides for extreme heat and nature-based solutions from last year’s Climate Package agreement.

BCP: Addressing Extreme Heat. The Administration requests the allocation of the \$300 million General Fund Extreme Heat set-aside in 2022-23 and 2023-24 to advance implementation of the Extreme Heat Action Plan and deliver on the Governor’s climate and opportunity agenda, consistent with Chapter 258, Statutes of 2021 (Senate Bill 155). This proposal builds on extreme heat adaptation and resiliency programs funded through the 2021-22 Climate Budget and numerous proposals in the Governor’s Budget proposal, all of which advance the areas of near-term focus outlined in the Administration’s Extreme Heat Action Plan. Specific allocations include:

- \$220 million over two years to support cooling of communities;
- \$43 million to protect vulnerable populations and ecosystems from extreme heat impacts;
- \$20 million to increase understanding of the risks posed by extreme heat and what resources are available to keep them safe through a public awareness campaign; and
- \$17 million to invest in the alignment of the state’s response to extreme heat and High Road workforce development, and building California’s climate smart workforce through training partnerships, and apprenticeships in jobs and careers that address extreme heat.

BCP: Nature-Based Solutions. The Administration requests the allocation of the \$768 million General Fund Nature-Based Solutions set aside in 2022-23 and 2023-24 to support implementation of the 30x30 Pathways and Natural and Working Lands Climate Smart Strategies, and execute on the Governor’s nature-based solution agenda as called for in Executive Order N-82-20 consistent with SB 155 (Committee on Budget and Fiscal Review), Chapter 258, Statutes of 2021. Specific allocations include:

- \$378 million to build on the 2021 Budget Act investments in programs that fund statewide nature-

based solution implementation.

- \$228 million to support regional implementation of nature-based solutions.
- \$100 million to partner with California Native American tribes and invest in shared nature-based solution implementation priorities.
- \$52 million to expand educational and economic opportunities for California’s youth climate leaders through local and tribal conservation corps programs.
- \$10 million to support for additional strategic investments that deliver on specified goals across multiple departments.

ISSUES TO CONSIDER

The following are overarching issues to consider on the how the state funds activities addressing climate change:

- ***Climate Effects Would Impact Communities Throughout the State.*** The anticipated effects of climate change would vary by region and could affect communities and sectors differently. Some potential impacts include: (1) reduced public health from high heat events; (2) reduced water supply, water quality, and agricultural production from droughts; (3) increased energy costs from increased average temperatures; (4) increased risks to public safety and infrastructure from flooding and wildfires; and (5) degraded fish and wildlife habitats from higher temperatures, droughts, and changed ocean conditions. Keeping in mind the differences between regions of the state, not all climate-related issues present themselves with “one-size fits all” solutions — Many actions will need to be tailored to suit the characteristics and needs of the various regions.

For example, by the end of this century, if the more extreme projections of eight to 10 feet of sea-level rise come to fruition, the shoreline of San Francisco Bay — some 166 square miles of land will be subsumed. Sea-level rise not only consumes shorelines but also raises rivers and swamps the subterranean infrastructure of coastal communities, making a stable life there all but impossible. Coastal high points will be cut off from roadways, amenities and escape routes, and even far inland, saltwater will seep into underground drinking water supplies.

- ***Climate Change Likely to Increase Disaster-Related Costs.*** State and local governments incur costs to respond to and recover from major disasters such as wildfires and floods. To the extent that climate change increases the risk of such events, large one-time costs could result. For example, estimates suggest the state will pay more than \$2.5 billion to respond to and recover from the Camp Fire that occurred in Paradise in November 2018 (although the federal government is expected to reimburse the state for a large share of these costs). Also, the Camp Fire was the costliest single natural disaster in the world for insurers that year, resulting in \$12.5 billion in covered losses.
- ***Disaster-Related Costs Could Be Minimized Through Mitigation Activities.*** Recent research from the National Institute of Building Sciences found that undertaking certain prevention activities ahead of time can reduce the impacts from and costs associated with natural disasters. Such activities—commonly known as mitigation—can result in significant public and private savings by protecting health and safety, preventing damage to or loss of property and infrastructure, and reducing business disruptions. For example, the study found that within the “wildland-urban interface” where wildfires have more potential to cause costly property damage, federal grants for fire mitigation provide \$3 of benefit for every \$1 invested.

- ***Accountability Measures Where They Do Not Exist.*** Given the importance of the programs involved in these various sectors, and the historic amount of funding appropriated last year, future reporting on outcomes will be important in holding the agencies accountable for delivering results.

CONCLUSION

Half of Americans now rank climate as a top political priority, up from roughly one-third in 2016, and three out of four now describe climate change as either “a crisis” or “a major problem.” The impacts of climate change are widespread. For example, according to *The New York Times Magazine* article, “The Great Climate Migration,” (Abraham Lustgarten, July 23, 2020), one influential 2018 study, published in *The Journal of the Association of Environmental and Resource Economists*, suggests that “one in 12 Americans in the Southern half of the country will move toward California, the Mountain West or the Northwest over the next 45 years because of climate influences alone. Such a shift in population is likely to increase poverty and widen the gulf between rich and poor. It will accelerate rapid, perhaps chaotic, urbanization of cities ill-equipped for the burden, testing their capacity to provide basic services and amplifying existing inequities.”

As the state, and the World, respond to climate change through mitigation and adaptation, the path towards a net-zero GHG emissions target is not entirely clear, but rather complicated. For example, GHG mitigation estimates come with a high degree of uncertainty. Plus, with more frequent and intense drought, wildfire, pest outbreaks, and other impacts, it will only become more challenging to achieve climate change mitigation goals. In addition to climate factors, parsing out the complex interactions between natural carbon cycles and human activity is extremely challenging.

The state has several climate-related goals and has implemented a variety of measures and programs to address climate change. Last year, a historic amount of one-time state funding was infused into investments responding to climate change; and the Administration proposes additional one-time funding in the January Budget proposal.

The need to mitigate and adapt requires a significant amount of funding and action. Responding to climate change necessitates perseverance and will take many years, decades, and beyond for the state, and the World, through a multitude of methods in a variety of sectors.

Staff Recommendation. Hold open.

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VOTE-ONLY

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

Issue 1: Wildfire and Forest Resilience Task Force (SB 456)

Governor's Proposal. The Governor's budget requests \$2.483 million in General Fund for 2022-23 and \$1.477 million ongoing, and four positions (two at CNRA and two at CalFire) to support the operations of the Task Force and to fulfill the goals of SB 456 (Laird), Chapter 387, Statutes of 2021, which codifies the Governor's Wildfire and Forest Resilience Action Plan in statute.

These positions will 1) manage and facilitate the work of more than a dozen work groups and related committees, quarterly regional forums, an interagency team, a Science Advisory Panel; 2) track the 99 deliverables in the Action Plan; 3) coordinate the work of more than 50 federal, state, local, and tribal agencies involved in the Task Force; and 4) develop and implement a comprehensive communications strategy, including development of the annual reports required by SB 456.

Staff Recommendation. Approve as budgeted.

3480 DEPARTMENT OF CONSERVATION (DOC)**Issue 2: California Geologic Energy Management Division (CalGEM): Mission Transformation and Oversight**

Governor's Proposal. The Governor's budget requests 51 permanent positions phased in over three years (17 in 2022-23, 34 in 2023-24, and 51 in 2024-25) and an appropriation increase of \$5.056 million in 2022-23, \$7.561 million in 2023-24, \$10.842 million in 2024-25 and \$10.617 million ongoing from the Oil, Gas and Geothermal Administrative Fund to strengthen enforcement of existing laws and regulations, limit the state's financial liability, improve public transparency, and implement chaptered legislation.

Staff Recommendation. Approve requested funding and positions for 2022-23; reject requested outyear funding and positions.

Issue 3: Oil Well Abandonment and Remediation

Governor's Proposal. The Governor's budget requests \$100 million General Fund in 2022-23 and \$100 million General Fund in 2023-24 to plug and abandon orphaned oil and gas wells and decommission attendant facilities that could pose a danger to life, health, water quality, wildlife, or natural resources. This funding will help mitigate the State's potential liability, and further the Geologic Energy Management Division's focus on public health, safety, and environmental protection.

Staff Comments. According to DOC, there is about \$30 million in matching grants. However, funding guidance has not been released yet, so it is unclear how much the state needs to provide (e.g., is it a 1:1 match or does the state need to provide 20 percent, etc.). It is unclear when the funding guidance will be released.

Staff Recommendation. Approve \$30 million General Fund in 2022-23 for purposes of matching federal grant dollars and require a 30-day Joint Legislative Budget Committee notification for when those funds will be expended. Spending authority is to be contingent on receipt of corresponding federal funds.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**Issue 4: Agricultural Lands: Livestock Producers: Managerial Employees: Livestock Pass Program: Disaster (BCP) (TBL)**

Governor's Proposal. The Governor's budget requests \$493,000 General Fund in 2022-23, \$181,000 General Fund in 2023-24, and one position for two years to implement the training curriculum for livestock producers eligible for the livestock pass program to comply with the requirements of AB 1103 (M. Dahle), Chapter 609, Statutes of 2021.

Staff Comment. According to CalFire:

Based on legislative inquiries about how AB 1103 implementation was scoped, State Fire Training (SFT) has received technical input regarding how the State Fire Marshal (OSFM) intended to implement the new law. Based on this input, OSFM now proposes that the course delivery method and implementation date be modified to better suit the students' needs. CAL FIRE's Office of Legislation has confirmed the Cattleman's Association members would not be opposed to moving to a seat-based curriculum.

SFT had always proposed to deliver the AB 1103 course virtually in an online format using a learning management system (LMS). However, based on recent discussions with the Cattlemen's Association, SFT is now proposing to deliver a seat-based course with an instructor. Students in the course will need to attend an in-person course to receive a course diploma. Per the Cattlemen's Association, students would be better prepared if they take the course in-person rather than online, as in-person instruction will ensure that the students are adequately and appropriately trained and prepared to enter an area under an emergency evacuation order. Additionally, seat-based courses can be customized to meet local needs, such as county-specific requirements.

Seat-based course delivery is also consistent with SFT's existing course delivery method. Modifying the course delivery method to in-person instruction would eliminate the need for a new online course delivery system, thus mitigating any potential risks that could arise implementing a new delivery system and allowing for more timely implementation, as SFT will no longer be required to develop the LMS for online course delivery. Students will need to be proactive in order to take a live course in the Spring. Students who do not complete the course in the Spring may not be eligible to receive a course diploma if they wait until they are impacted by a wildfire. In such cases, students would have to find an instructor to deliver the course on short notice.

The Health and Safety Code currently has an effective date of January 1, 2023 for the OSFM to develop the curriculum. The BCP proposed a statutory change July 1, 2024 to allow adequate time for online curriculum and LMS development. However, with the newly proposed change to seat-based instruction, SFT is requesting a statutory change to make the curriculum available by July 1, 2023 to allow sufficient time for the curriculum to be developed by the cadre who will meet in July and August 2022. The proposed course plan developed by the cadre will then be taken to the Statewide Training and Education Advisory Committee (STEAC) in October 2022 and the State Board of Fire Services (SBFS) in November 2022 for a first reading, followed by approvals by STEAC in January 2023 and SBFS in February 2023. In the event the upcoming STEAC or SBFS meetings in October and November are cancelled due to fires, the final approval could potentially be delayed until April 2023 for STEAC and May 2023 for SBFS. With these things in mind, SFT is

requesting a revised statutory change to the curriculum being developed by July 1, 2023.

With this revised scope, SFT only needs \$60,000 in 2022-23 for the curriculum development cadre. The Administration would not object if the Legislature took action to approve the BCP, but only for \$60,000 General Fund in 2022-23, for the curriculum development cadre and modified Trailer Bill Language (TBL) with a July 1, 2023 effective date.

Section 13105.6 of the Health and Safety Code, is amended to read:

On or before ~~January~~ **July** 1, 2023, the State Fire Marshal, with the involvement of the Statewide Training and Education Advisory Committee, shall develop a curriculum for livestock producers eligible for the livestock pass program described in Section 2350 of the Food and Agricultural Code. The curriculum shall, at a minimum, provide education regarding basic fire behavior, communications during a disaster emergency, and incident command structure. The curriculum shall provide for the initial certification as well as the continuing education or recertification of livestock producers eligible for the livestock pass program. It is the intent of the Legislature that any certification training utilizing the curriculum developed pursuant to this section be no more than four hours in duration, ensuring that commercial livestock producers may avail themselves of the curriculum.

Staff Recommendation. Approve \$60,000 General Fund in 2022-23 for the curriculum development cadre and modified TBL to change the effective date from January 1, 2023 to July 1, 2023.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)**Issue 5: Dedicated Fish and Game Preservation Fund Realignment (BCP) (TBL) (SFL)**

Governor’s Proposal. An SFL requests trailer bill language (TBL) that would extend the sunset date of the Steelhead Report and Restoration Card to January 1, 2028. In addition, DFW requests various adjustments to the Fish and Game Preservation Fund’s (FGPF) dedicated accounts resulting in an increase of \$2.45 million in 2022-23, \$86,000 in 2023-24, and \$56,000 in 2024-25 and ongoing. These adjustments align the accounts’ expenditure authority with revenues and help DFW maintain stability, structural balance, and workload for the fund.

The FGPF is comprised of 29 sub-accounts dedicated to specific revenue sources, such as tag sales, application fees, donations, and violation fines. Because revenues vary year by year, DFW must realign the authority of these accounts annually to maintain stability, structural balance, and workload. This proposal allows DFW to spend down reserves to address fee payer expectations for authorized programs and to maintain prudent reserves. The realignment is intended to allow programs with revenue that is outpacing its authority to utilize additional authority to help achieve DFW’s mission; and reduce the authority in accounts where the authority exceeds the revenue.

Staff Recommendation. Approve the BCP; and in lieu of the proposed sunset extension date of January 1, 2028 in the TBL, approve a shorter extension for the sunset date to January 1, 2025.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**Issue 6: Natural Resources Bonds and Technical Proposals: Proposition 68**

Governor’s Proposal. The Governor’s budget requests to revert \$15.805 million of the amount appropriated to support critical deferred maintenance projects in 2020-21 from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Fund (Proposition 68).

Staff Recommendation. Approve as budgeted.

Issue 7: State Parks Future Capital Investment

Governor’s Proposal. The Governor’s budget requests a \$50 million General Fund transfer to the Natural Resources and Parks Preservation Fund (NRPPF) for future capital outlay projects — potentially for acquisition, preliminary plans, working drawings, or construction to be appropriated in future budget change proposals. The capital outlay projects to be selected are intended to improve visitor experiences, build state park resources and recreational opportunities, foster better connections with under-resourced communities, and address barriers to park access.

Staff Recommendation. Approve as budgeted.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)
3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 8: Peace Officer and Law Enforcement Legislative Requirements — SB 2, SB 16, AB 26, AB 48, and AB 481

Governor’s Proposal. The Governor’s budget requests \$13.849 million General Fund in 2022-23, \$8.789 million ongoing, 28 positions, and 14 vehicles to comply with peace officer and law enforcement requirements associated with SB 2 (Bradford), Chapter 409, Statutes of 2021, SB 16 (Skinner), Chapter 402, Statutes of 2021, AB 26 (Holden), Chapter 403, Statutes of 2021, AB 48 (Lorena Gonzalez), Chapter 404, Statutes of 2021, and AB 481 (Chiu), Chapter 406, Statutes of 2021. The breakdown for each department’s request is as follows:

- CalFire requests \$7.547 million in 2022-23, \$3.565 million ongoing, seven positions, and four vehicles to comply with SB 2, AB 481, and AB 48.
- Parks requests \$3.849 million in 2022-23, \$3.215 million ongoing, 13 positions, and seven vehicles to comply with SB 2 and SB 16.
- DFW requests \$2.035 million in 2022-23, \$1.591 million ongoing, six positions, and three vehicles to comply with SB 2, SB 16, and AB 26

Staff Comment. This BCP includes several departments, including California Office of Emergency Services (Cal OES). The Cal OES portion of this proposal will be addressed in Subcommittee 5.

Staff Recommendation. Approve components of BCP that pertain to CalFire, DFW, and Parks.

**3900 CALIFORNIA AIR RESOURCE BOARD (CARB)
3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT
(OEHHA)****Issue 9: Racial Equity Proposals**

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

BCP: CARB: Operationalizing Racial Equity within CARB Programs, Plans, and Practices. \$1.847 million Air Pollution Control Fund (APCF), four permanent positions in 2022-23, and \$1.843 million APCF ongoing to advance racial equity efforts, with an initial focus on research, incentive programs, regulations, air quality planning, and climate change.

BCP: OEHHA: Advancing Racial Equity and Environmental Justice in OEHHA's Scientific Activities. requests \$565,000 General Fund and two positions (including \$90,000 in contracts) in 2022-23 and ongoing to create a new racial equity and environmental justice (REEJ) program. The program would formulate strategies and policies for advancing racial equity and environmental justice in OEHHA's scientific activities, including in the methods to assess the cumulative health risks that communities face from exposures to numerous pollutants from multiple sources.

Staff Comment. CalEPA and CARB have multiple programs and organizations within the agency to address racial equity issues. It is questionable whether creating additional, stand alone offices and programs is the most effective way of integrating racial equity into the work of CalEPA organizations. Perhaps the Administration can come back next year with a more holistic approach that weaves racial equity issues into existing programs, actions, and organizations.

Staff Recommendation. Reject.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)**Issue 10: Implementation of Mercury Thermostat Collection Act of 2021 (AB 707) (BCP & TBL)**

Governor's Proposal. The Governor's budget requests two permanent positions and \$281,000 from the Mercury Thermostat Collection Program Fund in 2022-23 and \$279,000 in 2023-24 and annually thereafter through 2029-30 to fully implement the Mercury Thermostat Collection Act of 2021 (MTCA2021) pursuant to AB 707 (Quirk), Chapter 703, Statutes of 2021.

Trailer bill language is proposed to extend specified timelines from March to September annually to align with the budget process, allows DTSC to be reimbursed for implementation costs occurring before July 1, 2022, aligns funding amounts with those authorized by the Legislature through the budget process subject to the funding \$400,000 cap, and extends the sunset of the statute to allow the program to wind down before repealing the code section.

Background. AB 707 requires manufacturers to pay up to \$400,000 annually into the Mercury Thermostat Collection Program Fund until 2028. Payments from manufacturers cannot exceed DTSC's actual and reasonable regulatory costs to administer, implement, and enforce MTCA2021. The resources will fund the initial rollout of MTCA2021, as well as ongoing implementation and enforcement activities. AB 707 will repeal MTCA2021 on January 1, 2030.

Staff Recommendation. Approve as budgeted.

Issue 11: DTSC Governance and Fiscal Reform Proposals

Governor's Proposal. For purposes of implementing DTSC governance and fiscal reform that was approved last year, the Governor's budget proposes the following:

BCP: Administrative Support for Core Programs. 37.6 permanent positions and \$5.6 million ((\$1.9 million Hazardous Waste Control Account (HWCA) and \$3.7 million Toxic Substances Control Account (TSCA)) in 2022-23 and \$5.6 million (\$1.8 million HWCA, \$3.7 million TSCA) annually thereafter to support the core program expansions. More specifically, this request justifies the support services needed to implement the core program expansions in the following 2022-23 BCPs to implement the 2021 Governance and Fiscal Reform.

BCP: Cleanup in Vulnerable Communities Initiative. 73.5 permanent positions and \$12.9 million TSCA in 2022-23 and 79.5 permanent positions and \$13.9 million TSCA in 2023-24 and annually thereafter to implement the Cleanup in Vulnerable Communities Initiative.

BCP: Criminal Enforcement Increase in Vulnerable Communities. 14 permanent positions and \$2.3 million HWCA in 2022-23 and annually thereafter. The 14 positions will provide support for mission critical work performed by the Office of Criminal Investigations (OCI). These resources will support DTSC's mission-critical work addressing the most serious environmental violations by increasing criminal enforcement in the most disproportionately impacted vulnerable communities.

BCP: Enhancing Environmental Protection in Vulnerable Communities through Compliance. 16 permanent positions and \$2.9 million HWCA in 2022-23 and annually thereafter to improve the quality

of hazardous waste generator inspections in disadvantaged communities and to educate regulated businesses and Certified Unified Program Agencies (CUPAs) on compliance with hazardous waste control laws as required by Health and Safety Code Section 25142.5. The resources are to help follow through on DTSC's commitment to communities, regulated entities, and the US EPA that DTSC provide delegated local agencies the technical support necessary to effectively implement the hazardous waste generator program. The hazardous waste generator program is integral to effective inspection and enforcement, compliance with regulations and statutes, and protection of all communities, especially the most disadvantaged communities.

BCP: Hazardous Waste Classification. Eight permanent positions and \$1.5 million HWCA in 2022-23 and ongoing to evaluate the existing California hazardous waste criteria, recommend modifications to those criteria, assist in the adoption of any approved recommendations, and provide waste classification determination and recycling exclusion interpretations and technical support.

BCP: Hazardous Waste Management Plan. Seven permanent positions and \$1.2 million HWCA in 2022-23 and ongoing to fully implement the Hazardous Waste Management Plan. SB 158 (Committee on Budget and Fiscal Review), Chapter 73, Statutes of 2021, requires DTSC to prepare a report by March 1, 2023, and every three years thereafter, that includes an analysis of available data related to hazardous waste that includes specified components. SB 158 also requires DTSC to establish and maintain a state Hazardous Waste Management Plan based on reports to be approved by the Board of Environmental Safety every three years. This plan requires an analysis of hazardous waste generation and site assessments of hazardous waste facilities.

BCP: Increase Frequency of Transporter Inspections. Eight permanent positions and \$1.3 million HWCA in 2022-23 and annually thereafter. This request provides inspection and enforcement resources for the hazardous waste transportation industry to verify compliance with Hazardous Waste Control Laws (HWCLs). These resources are essential to support the Governor's vision of a California for All, where disadvantaged communities are protected from the impacts of multiple sources of pollution. These resources are also crucial to ensuring transporters of hazardous waste comply with HWCLs, from the point of generation to disposal. Finally, transporter inspections are crucial for accomplishing DTSC's mission to protect California's people, communities, and environment from toxic substances.

BCP: Legal Resources Augmentation for Support of Core Programs. 24 permanent positions and \$6.8 million (\$2.1 million HWCA, \$4.7 million TSCA) in 2022-23 and \$7.3 million (\$2.6 million HWCA, \$4.7 million TSCA) annually thereafter to properly resource the management, operations, and litigation functions of DTSC's Office of Legal Counsel to allow focus on enforcing hazardous waste control laws, holding polluters accountable for contamination, and compelling manufacturers to make safer consumer products.

BCP: Modernizing Information Technology (IT) Infrastructure. 24 permanent positions and \$6.1 million (various special funds) in 2022-23 and annually thereafter to (1) address the gaps between workload and current Office of Environmental Information Management information technology (IT) staffing levels and technology costs (2) support the core program expansions that are part of the implementation of the 2021 Governance and Fiscal Reform. These resources will provide support for DTSC's mission critical work to address high risk legacy systems, adequately manage data, and take necessary steps to modernize DTSC's technology infrastructure. Specifically, this request includes \$1.8 million annually for the increased cost of modernizing DTSC's infrastructure, business solutions, and IT services, including professional services for strategic planning, IT specialized training, and departmental IT literacy training. Funding for this request was included in the new fee structure enacted in SB 158.

BCP: Office of Environmental Equity. Nine permanent positions and \$1.3 million (\$281,000 HWCA and \$1 million TSCA) in 2022-23, and \$1.3 million (\$279,000 HWCA, \$1.0 million TSCA) annually thereafter to provide the resources necessary for the Office of Environmental Equity to support core program expansions included in other BCPs.

BCP: Review of Lead Agency California Environmental Quality Act (CEQA) Documents. Two permanent positions and \$306,000 HWCA in 2022-23 and \$304,000 in 2023-24 and annually thereafter to meet its legal obligations under CEQA, which requires that DTSC, as a Responsible Agency, review and provide comments on CEQA documents.

BCP: Safer Consumer Products Program Full Implementation. 37 permanent positions and \$7.2 million TSCA in 2022-23 and ongoing to provide the resources needed to fully implement the Safer Consumer Products Program. This request also includes \$246,000 for contracts. This proposal would increase DTSC's capacity to identify product- chemical combinations for regulation under the regulatory framework, perform rulemaking tasks, review Alternatives Analyses, and provide technical support to regulated manufacturers for Alternatives Analysis development.

Staff Recommendation. Approve as budgeted.

**3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY
(CALRECYCLE)****Issue 12: Compostable and Biodegradable Product Labeling Implementation (AB 1201)**

Governor's Proposal. The Governor's proposal requests one permanent, full-time Environmental Scientist position, and \$132,000 from the Integrated Waste Management Account (IWMA) to implement AB 1201.

Staff Recommendation. Approve as budgeted.

DISCUSSION

0650 STRATEGIC GROWTH COUNCIL (SGC)
0650 GOVERNOR’S OFFICE OF PLANNING AND RESEARCH (OPR)
3540 CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)
4265 DEPARTMENT OF PUBLIC HEALTH (DPH)
5180 DEPARTMENT OF SOCIAL SERVICES
7120 WORKFORCE DEVELOPMENT BOARD
7350 DEPARTMENT OF INDUSTRIAL RELATIONS
8570 DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

Issue 13: Addressing Extreme Heat

Governor’s Proposal. The Administration requests the allocation of the \$300 million General Fund Extreme Heat set-aside in 2022-23 and 2023-24 to advance implementation of the Extreme Heat Action Plan and deliver on the Governor’s climate and opportunity agenda, consistent with Chapter 258, Statutes of 2021 (Senate Bill 155). This proposal builds on extreme heat adaptation and resiliency programs funded through the 2021-22 Climate Budget and numerous proposals in the Governor’s Budget proposal, all of which advance the areas of near-term focus outlined in the Administration’s Extreme Heat Action Plan. Specific allocations include:

- \$220 million over two years to support cooling of communities;
- \$43 million to protect vulnerable populations and ecosystems from extreme heat impacts;
- \$20 million to increase understanding of the risks posed by extreme heat and what resources are available to keep them safe through a public awareness campaign; and,
- \$17 million to invest in the alignment of the state’s response to extreme heat and High Road workforce development, and building California’s climate smart workforce through training partnerships, and apprenticeships in jobs and careers that address extreme heat.

The chart below outlines this proposal:

Extreme Heat Set-Aside
(Dollars in millions)

Plan or Framework Category	Department	Program	2022-23	2023-24	Total
Cool Communities	Strategic Growth Council	Resilience Centers	\$85	\$85	\$170
	CAL FIRE	Green Schoolyards (Urban Forestry)	\$25	\$25	\$50
Protect Vulnerable Populations and Ecosystems	Department of Industrial Relations		\$12.25	\$12.25	\$24.5
	Department of Social Services	Enhanced Protections for Vulnerable Populations	\$2.75	\$5.75	\$8.5
	Department of Public Health		\$3	\$0	\$3
	Department of Pesticide Regulation	Integrated Pest Management Technical Assistance	\$1.1	\$1.6	\$2.7
			\$1.1	\$1.6	\$2.7
	Department of Food and Agriculture	Animal Mortality Management Program	\$0.6	\$0.6	\$1.2
Origin Inspection Program		\$0.25	\$0.25	\$0.5	
Increase Public Awareness	Office of Planning and Research	Community-Based Public Awareness Campaign	\$6	\$14	\$20
Build a Climate Smart Workforce	Workforce Development Board	Extreme Heat High Road Training, Partnerships, and Apprenticeships Programs	\$13	\$4	\$17
Total			\$150	\$150	\$300

Source: Department of Finance

Background. *Temperature Increases and Periods of Extreme Heat.* According to the LAO, a moderate global emissions climate model projects increases in annual average maximum temperatures in California throughout the 21st century compared to historical baseline averages—ranging from an average of roughly 4 degrees Fahrenheit between 2035 to 2064 to roughly 6 degrees Fahrenheit throughout the last 30 years of the century. Inland areas will experience greater increases in average maximum temperatures than coastal regions. We are already beginning to see these changes. With the exception of 2019, the years from 2014 through 2020 experienced the six highest average annual temperatures ever recorded in the state. Moreover, average summer temperatures in California were the hottest on record in 2021, breaking the previous June-through-August record set in 2017.

In addition to higher average temperatures, California also will experience more frequent, intense, and prolonged heatwaves. While this will be true statewide, the changes will be more substantial in certain regions. For example, between 1961 and 1990, Los Angeles and Sacramento Counties each experienced an average of four days of extreme heat per year (defined as days when the maximum temperature

exceeded each county's respective 98th percentile historical temperature for a given date). Climate models project that by mid-century, Los Angeles County will experience an average of nine days of extreme heat per year, growing to 12 days per year by the final decades of the century. In contrast, Sacramento County is projected to experience 20 days per year of extreme heat by mid-century and 28 days annually by the end of the century. These trends will be even more severe in some inland counties. For example, in Fresno County, the historical trends of five days of extreme heat per year are projected to increase to 29 days annually between 2035 and 2064 and 43 days annually between 2070 and 2099. These prolonged periods of heat will have negative impacts on human health—such as by raising the risks of heat stroke and dehydration—as well impair agricultural production and natural habitats.

Extreme Heat Among Most Significant Factors Impacting Mortality in California. According to the LAO, temperature-related mortality (including from extreme heat) is projected to be among the most deadly and costly impacts of climate change in certain locations around the globe. Higher temperatures and extreme heat can lead to heat stroke and increase the risk of or exacerbate cardiovascular disease, respiratory disease, kidney failure, and preterm births. Under a moderate climate change scenario—which assumes that international practices result in the rate of worldwide GHG emissions slowly declining in the coming decades, somewhat constraining the magnitude of global temperature increases—higher temperatures are projected to cause 9 deaths per 100,000 people in California annually. By comparison, this is roughly equivalent to the 2019 annual mortality rate from automobile accidents in California.

Even though extreme heat will be more frequent and severe in hotter regions of the state, one national study estimates that temperature-related mortality is actually projected to be higher in cooler regions because they are less prepared for the heat (for example, fewer buildings have air conditioning). Significant differences in the projected number of heat-related deaths also exist within a particular region or city. For instance, urban areas with a large percentage of impervious surfaces and relatively little shade—also known as urban heat islands—tend to be hotter than surrounding areas. As discussed in more detail below, adverse health effects of hotter temperatures will be particularly significant in some locations and for certain populations.

Increasing Temperatures and Severe Weather Events Threaten State's Fish and Wildlife, Ecosystems, and Native Plants. According to the LAO, a 2018 state report estimated that under current GHG emissions levels, between 45 percent to 56 percent of the natural vegetation in California will be climatically stressed by 2100. Some of these impacts already are evident. For example, an estimated 172 million trees have died in California's forests since 2010 due to multiple years of low moisture and drought conditions, high temperatures, and resulting bark beetle infestations. These dead trees provided fuel for and likely exacerbated the severe wildfires that have occurred over the past decade, which subsequently negatively impacted those forest habitats and the wildlife they contained.

Warmer temperatures and less water runoff during dry years also impair conditions for fish, aquatic wildlife, and migratory birds that depend on the state's rivers, streams, and wetlands. For example, lower and warmer water levels in the Sacramento River in the summers of 2014 and 2015 resulted in the death of 95 percent of the river's juvenile winter-run Chinook salmon in those years—practically eliminating two out of three existing cohorts of this endangered species. Similarly poor conditions replicated catastrophic outcomes for this species in the summer of 2021, when state officials estimated just 2 percent of migrating juveniles survived. Significant declines—or potential permanent extinctions—of the state's native fish species represent not just a loss of public trust natural resources, but also impair the state's fishing industry and economy, as well as dispossess some of California's Native American communities of essential elements of their tribal culture.

Extreme Heat Action Plan. In January 2022, CNRA and the Governor’s Office of Planning and Research released a draft Extreme Heat Action Plan, which outlines a set of state actions to adapt and build resilience to extreme heat. The draft action plan identifies existing and recommended state actions to address extreme heat, and identifies eight areas of near-term focus:

- Implementing a statewide public health monitoring system to identify heat illness events early, monitor trends, and track illnesses and deaths.
- Cooling schools in heat-vulnerable communities and support for climate-smart planning.
- Accelerating heat readiness and protection of low-income households and expanding tree canopy in communities most impacted by extreme heat.
- Protecting vulnerable populations through increased heat risk-reduction strategies and codes, standards, and regulations.
- Building a climate-smart workforce through training partnerships and apprenticeships in jobs and careers that address extreme heat.
- Increasing public awareness to reduce risks posed by extreme heat.
- Supporting local and regional extreme heat action.
- Protecting natural systems, including fish and wildlife, from the impacts of extreme heat.

Actions in the plan are organized into four tracks — (1) Build Public Awareness and Notification, (2) Strengthen Community Services and Responses, (3) Increase Resilience of Our Built Environment, and (4) Utilize Nature-Based Solutions.

LAO Comments. Governor’s Extreme Heat Package Funds a Variety of Activities... To address the impacts of extreme heat, the Administration proposes a total of \$300 million General Fund in 2022-23 and 2023-24 for various types of activities across multiple state departments, ranging from direct interventions to provide heat relief—such as resilience centers, greening of schoolyards, and support of heat mitigation strategies at residential and child care facilities—to education and outreach activities for vulnerable populations and workplaces. In addition, the package includes proposals to help mitigate the impacts of extreme heat in pest and livestock management, as well as to support workforce development in industries that help address extreme heat issues.

...However, It Is Unclear Whether Package Is Driven by a Cohesive Strategy. While some of these individual activities may have merit, it is unclear whether (1) these proposals address the most important concerns associated with extreme heat and (2) this combination of proposals is the most strategic way to address such priorities. This package is intended to align with the Administration’s recently finalized Extreme Heat Action Plan, which does include several goals, but how effectively the proposed package of activities would meet those goals is unclear. In large part, this is because the Administration has not provided a clear strategy and measurable goals—making it difficult to determine whether the proposed package is the best approach to address the most pressing concerns related to extreme heat.

Legislature Could Consider Increasing Funding for Certain Key Categories of Activities. Though the package funds a wide range of activities, it is limited in some important areas, such as direct heat reduction interventions and research. The Legislature could consider placing a greater emphasis on these activities.

Direct Heat Reduction Interventions. The package includes three components that directly aim to reduce heat in some environments: (1) \$170 million for the Strategic Growth Council to fund community resilience centers that could include new construction and building upgrades for libraries, places of worship, and other community-serving locations to act as cooling centers in extreme heat events; (2) \$50

million for CalFire to green school campuses and transportation corridors; and (3) \$8.5 million for the California Department of Social Services to support heat mitigation strategies at residential and child care facilities. However, the package does not include other types of building-level interventions, such as air conditioning installations and energy efficiency retrofits in common settings such as private residences and schools, or community infrastructure modifications, such as sheltered bus stops and parks. These types of interventions could provide direct relief from extreme heat, especially for vulnerable populations who may not be able to modify their surroundings without state assistance.

Research. The package includes some funding for research, such as \$1.2 million for the California Department of Food and Agriculture to fund pilot projects to assess how to handle unexpected animal mortality due to extreme heat. However, additional funding for research might be warranted, because much uncertainty remains about which policy interventions are the most effective ways to reduce the negative impacts of extreme heat. Further research—including pilot programs and evaluations—could help provide more information, such as which activities are the most cost-effective ways to address extreme heat and which programs are best suited at serving the most vulnerable populations. Given that extreme heat is an ongoing issue, the Legislature could use such information to determine which programs to continue or expand funding for in future budgets.

Some Activities Might Be More Suited for One-Time Funding. Some types of activities are more appropriate for one-time funding than others, such as infrastructure projects, pilot programs, as well as research and evaluation, because the benefits of these activities remain after funding ends. For example, through the Greening Schoolyards proposal, students, teachers, and community members could continue benefitting from schoolyards and transportation corridors with more trees and shade well beyond the funding period. In contrast, using one-time funds for limited-term staffing and services might be less effective because they would only provide benefits during the funding period. For instance, the proposed enforcement activities under the Division of Occupational Safety and Health likely would need to be conducted on an ongoing basis in order to be most effective.

Majority of Package Is Excludable From the State Appropriations Limit (SAL). Funding for both the Resilience Centers and the Greening Schoolyards proposals (totaling \$220 million) are considered excludable from the SAL, because the administration defines these activities as qualified capital outlay. However, the remainder of the package—\$80 million—would be subject to the limit. Given the SAL will continue to constrain the state’s budget options this year, the Legislature could consider shifting more funding to SAL-excluded activities.

Governor’s Budget Also Includes Some Other Extreme Heat-Related Proposals. In addition to this \$300 million package, the Governor’s budget includes a few other proposals related to addressing extreme heat. For example, the administration proposed \$10 million for the California Department of Public Health to collect and analyze real-time data of health impacts of climate change, including extreme heat. As another example, the Governor’s clean energy package includes \$622.4 million for a program to directly install energy efficient and electric appliances in low- and moderate-income households, which could include energy efficiency retrofits to potentially help mitigate impacts of extreme heat. LAO also notes that the Legislature approved a climate resilience package in the 2021-22 budget that included an additional \$500 million over three years for extreme heat activities, such as urban greening and forestry programs, community resilience centers, and energy efficiency retrofits. The Legislature will want to consider the funding provided for all relevant heat-related proposals to ensure its approach is strategic, comprehensive, and not duplicative.

Some Proposals Lack Key Details. For some components of the package, the LAO is still in the process of gathering information from the administration, such as important details on cost justification,

workload estimates, rationale, and implementation. For example, in the California Workforce Development Board’s Extreme Heat High Road Training, Partnerships, and Apprenticeships Programs proposal, it is unclear which industries will be targeted, what the current and anticipated workforce demand is in such industries, and how these programs will be specifically structured to meet the needs in such industries. Before taking action on these proposals, the Legislature will want the Administration to provide sufficient information to justify the requested funding and ensure that the activities will be implemented in alignment with legislative priorities.

Package Lacks Accountability and Reporting Measures. The proposed package currently does not include a plan to report on the outcomes that are achieved with the funding. Not only would reporting keep the administration accountable to meet the intended goals in addressing extreme heat issues and make it possible for the Legislature to conduct its proper oversight functions, it also could help inform the Legislature on future policy and funding decisions regarding extreme heat strategies, including to assess which approaches have been most effective as well as which programs warrant continuation and additional funding.

Staff Recommendation. Hold open.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3125 CALIFORNIA TAHOE CONSERVANCY
3340 CALIFORNIA CONSERVATION CORPS (CCC)
3480 DEPARTMENT OF CONSERVATION (DOC)
3540 CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)
3640 WILDLIFE CONSERVATION BOARD (WCB)
3810 SANTA MONICA MOUNTAINS CONSERVANCY
3825 SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY
3835 BALDWIN HILLS CONSERVANCY
3845 SAN DIEGO RIVER CONSERVANCY
3850 COACHELLA VALLEY MOUNTAINS CONSERVANCY
3855 SIERRA NEVADA CONSERVANCY
3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY (DELTA CONSERVANCY)
3970 CALIFORNIA RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)
8570 DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

Issue 14: Nature-Based Solutions

Governor’s Proposal. The Administration requests the allocation of the \$768 million General Fund Nature-Based Solutions set aside in 2022-23 and 2023-24 to support implementation of the 30x30 Pathways and Natural and Working Lands Climate Smart Strategies, and execute on the Governor’s nature-based solution agenda as called for in Executive Order N-82-20 consistent with SB 155 (Committee on Budget and Fiscal Review), Chapter 258, Statutes of 2021. Specific allocations include:

- \$378 million to build on the 2021 Budget Act investments in programs that fund statewide nature-based solution implementation.
- \$228 million to support regional implementation of nature-based solutions.
- \$100 million to partner with California Native American tribes and invest in shared nature-based solution implementation priorities.
- \$52 million to expand educational and economic opportunities for California’s youth climate leaders through local and tribal conservation corps programs.
- \$10 million to support for additional strategic investments that deliver on specified goals across multiple departments.

Nature-Based Solutions Set-Aside
(\$ in millions)

Investment Category	Department	Program	2022-23	2023-24	Total
Nature-Based Solutions Programs	Wildlife Conservation Board	Forest Conservation Program	\$200	45	\$245
		Oak Woodlands Conservation Program			
		California Desert Conservation Program			
		Rangeland, Grazing Land and Grassland Protection Program			
		California Riparian Habitat Conservation Program			
	Natural and Working Lands Climate Adaptation and Resiliency Program				
	Department of Fish & Wildlife Delta Conservancy	Nature-Based Solutions Wetlands Restoration Program	\$54	\$0	\$54
			\$36	\$0	\$36
Department of Conservation	Multibenefit Land Repurposing Program	\$0	\$20	\$20	
Department of Food & Agriculture	Healthy Soils Program	\$0	\$10	\$10	
	CALFIRE	Wildland Grazing (Wildfire Prevention Grant Program)	\$5	\$5	\$10
Supporting Regional Action	State Conservancies*	Support for Nature-Based Solutions	\$60	\$60	\$120
	Department of Fish & Wildlife	Wildlife Corridors	\$50	\$0	\$50
		Natural Community Conservation Program Planning and Land Acquisition	\$36	\$0	\$36
	Department of Conservation	Climate Smart Land Management Program	\$14	\$6	\$20
	Wildlife Conservation Board	Resource Conservation Investments Strategies	\$2	\$3	\$5
Expanding Educational and Economic Opportunities for Youth Climate Leaders	Conservation Corps	Local and Tribal Nature-Based Solutions Corps	\$35	\$17	\$52
Partnering with California Native American Tribes	Natural Resources Agency	Tribal Nature-Based Solutions Program	\$100	\$0	\$100
Additional Strategic Investments	CalRecycle	Compost Permitting Pilot Program	\$0.5	\$7	\$7.5
	Natural Resources Agency	Nature-Based Solutions Partnerships and Improvements	\$0.25	\$1.75	\$2.0

Natural Resources Agency	CA Nature Support		\$0.25	\$0.25	\$0.5
		Total	\$593	\$175	\$768
Sierra Nevada Conservancy	\$11.1	\$11.1	\$22.2		
San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	\$11.1	\$11.1	\$22.2		
San Diego River Conservancy	\$11.1	\$11.1	\$22.2		
Sacramento San Joaquin Delta Conservancy	\$5.25	\$5.25	\$10.5		
Tahoe Conservancy	\$5.25	\$5.25	\$10.5		
Coachella Valley Mountains Conservancy	\$2.5	\$2.5	\$5		
San Joaquin River Conservancy	\$1.3	\$1.3	\$2.6		
Baldwin Hills Conservancy	\$1.3	\$1.3	\$2.6		
	Total	\$60.00	\$60.00	\$120	

Source: Department of Finance

The following provides further detail about this proposal:

Building on the 2021 Budget Act investments in programs that support implementation of nature-based solutions, this request includes:

- \$245 million for WCB to support planning, acquisition, and restoration projects on natural and working lands that deliver on California’s climate change and biodiversity goals.
- \$90 million for DFW/Delta Conservancy to accelerate restoration and enhancement of California’s inland wetlands. 60 percent of these funds (\$54 million) will be administered by DFW. 40 percent of these funds (\$36 million) will be administered by the Delta Conservancy to create up to 32,000 acres of rice cultivation and managed wetlands on highly organic soils.
- \$20 million for DOC to support continued investments in regional partnerships to repurpose agricultural land to reduce reliance on groundwater while providing community health, economic wellbeing, water supply, habitat, renewable energy, and climate benefits. Following receipt of \$50 million in funding from the 2021-22 Budget Act, the program received 14 applications totaling \$111 million in requested funds.
- \$10 million for CDFA to incentivize the implementation of conservation management that improves soil health, sequesters carbon, and reduces greenhouse gas emissions.
- \$10 million for CalFire to provide additional funding for hazardous fuel reduction projects in and near fire threatened communities. Grazing is an important and proven activity type in the mitigation of hazardous fuel reduction and community wildfire preparedness. This additional funding would allow CalFire to expand grazing fuel reduction opportunities throughout California, and increase the total number of acres treated.

To support regional implementation of nature-based solutions, State Conservancies request \$120 million; DOC requests \$20 million; CDFW requests \$86 million; and WCB requests \$5 million one-time General Fund. Resource requests include:

- \$120 million for state conservancies to be allocated in a manner consistent with the funding provided in the 2021-22 Budget Act. State Conservancies are uniquely positioned to work with local partners to identify opportunity acquisitions and priority projects that advance implementation of the 30x30 Pathways and Natural and Working Lands Climate Smart Strategies.
- \$20 million for DOC to support land managers in implementing climate smart land management across every region in California through a consolidated capacity and technical assistance program, and pilot partnerships to support planning in in 1-3 regions with significant potential to contribute to California's climate goals through management of natural and working lands.
- \$86 million for DFW to be invested in the Natural Community Conservation Planning (NCCP) Program, to enhance NCCP and Habitat Conservation Planning (HCP) planning, implementation, land acquisition, monitoring, and adaptive management efforts. DFW funding will also support efforts to allow fish and wildlife the freedom to roam in California by accelerating fish and wildlife corridor projects. Up to \$10 million will be available for the Liberty Canyon Wallis Annenberg Wildlife Crossing Project.
- \$5 million for WCB to support public agencies to develop regional conservation planning documents that identify regional conservation priorities and actions that will help vulnerable species by protecting, restoring, creating, and reconnecting their habitats.

To partner with California Native American tribes and invest in shared nature-based solution implementation priorities, CNRA requests \$100 million one-time General Fund. The resource request includes funding to establish the Tribal Nature-Based Solutions Program to develop and fund tribal nature-based solution priorities. This program will be supported by a new Tribal Natural Resources Council, which will serve as the advisory board for CNRA tribal funding and policy decisions.

To expand educational and economic opportunities for California's youth climate leaders, the California Conservation Corps (CCC) requests \$52 million one-time General Fund. The CCC will develop and implement a long-term workforce development strategy where the California Conservation Corps will provide support and collaborate with all 14 Local Conservation Corps and four soon-to-be-developed Tribal Corps crews. The CCC's Nature-Based Solutions programs will provide quality on-the-job training experiences as Corpsmembers work on nature-based solutions projects that deliver on California's climate goals. Corpsmembers will also receive additional training that will include but not be limited to CalNaturalist and other environmental education classes provided by Community Colleges, UC Extension, and non-profit organizations. All Corpsmembers that participate and work on these nature-based solution projects and trainings will receive job and career development support and guidance.

To support additional strategic investments that deliver on specified goals across multiple departments, this request includes, \$7.5 million for CalRecycle to develop a compost permitting pilot program to support nature-based climate solutions and local community efforts to generate more organically derived compost; and \$2.5 million for CNRA in partnership with various agencies to advance several near-term priorities for state action to drive implementation of the Natural and Working Lands Climate Smart Strategy, such as support for efforts to expand the state's nature-based solutions portfolio; exploring opportunities to unlock greater investment in the natural and working lands sector; and funds to engage partners. The resource request includes funding for numerous strategic initiatives to advance the state's nature-based solutions agenda.

Background. *Nature-Based Climate Change Solutions.* Nature-based climate change solutions consist of actions to reduce or sequester GHG emissions in natural ecosystems. They can take place in a variety of environments, such as urban, exurban (a semirural region beyond the suburbs where not many houses are built and where rich people often live), rural, and wildlands.

Natural and Working Landscapes. Natural and working lands are the foundation of California’s nature-based climate change solution sector. Healthy land can sequester and store carbon emissions, limit future carbon emissions into the atmosphere, protect people and nature from the impacts of climate change, and build resilience to future climate risks. Unhealthy lands have the opposite effect — they release more GHGs than they store, increase climate risks to people and nature, and are more vulnerable to future climate change impacts.

30x30. In October 2020, the Governor signed the Nature-Based Solutions Executive Order (EO) N-82-20, emphasizing the role of natural and working lands in the fight against climate change and advancing biodiversity conservation. As part of the EO, the state commits to the goal of conserving 30 percent of lands and coastal waters by 2030. In December 2021, the draft 30x30 strategy was released and does the following:

- Describes the key objectives and core commitments that are a part of California’s 30x30 conservation framework.
- Defines conservation for the purpose of the 30x30 initiative and establishes a current baseline of conserved areas.
- Outlines strategic actions necessary to achieve the 30x30 target.
- Introduces CA Nature, a suite of publicly available applications to identify conservation opportunities and track progress.

2021 Budget Act. The 2021 Budget Act included \$768 million over two fiscal years (2022-23 and 2023-24) to support programs and activities that advance multi-benefit and nature-based solutions. The Administration is proposing these funds support implementation of the 30x30 Pathways and Natural and Working Lands Climate Smart Strategies. Based on public input to inform the drafts, the Administration identified five areas of focus in the Governor’s proposed 2022-23 budget that:

- Scale support for forest, desert, and oak woodland conservation; wetland and riparian restoration; and rangeland, grazing land and grassland protection through projects that expand equitable access to nature, protect biodiversity, and deliver climate benefits on the state’s natural and working lands.
- Catalyze regional action through expanded technical assistance and capacity building.
- Increase workforce development and training opportunities through the California Conservation Corps, local conservation corps, tribal conservation corps, and expanded environmental literacy.
- Partner with California Native American tribes to implement shared nature-based solutions. o Support additional strategic investments to drive implementation of the Natural and

- Working Lands Climate Smart Strategy and Pathways to 30x30 document.

The programs and activities proposed for funding in this request are intended to align these funding stream.

LAO Comments. *Funding Amounts Consistent With Agreement From Last Year.* The 2021-22 budget package included language expressing the Legislature’s intent to provide \$593 million in 2022-23 and \$175 million in 2023-24 to support programs and activities that advance multi-benefit and nature-based solutions to protect, enhance, or restore natural or modified ecosystems. The language also specified that no less than \$60 million shall be available in each of the two years to support state conservancies. (The language did not specify a source of funding for this package.) The proposed package provides General Fund support at levels consistent with this legislative agreement.

Package Focused on Meeting Administration’s Goals. The proposed package is intended to help the state achieve the administration’s goals and plans, such as the goal to conserve 30 percent of the state’s land and coastal waters by 2030 (“30x30”), the Natural and Working Lands Climate Smart Strategies (NWLCS), and the Governor’s Executive Order N-82-20. However, these goals and priorities were established by the Governor and administration, so the Legislature will want to ensure that they are also consistent with its goals and priorities. To the extent that the Legislature has different goals or priorities, it could make sense to fund a different mix of allocations or programs.

Many Programs Lack Measurable Goals. The Administration has not identified measurable goals—such as the number of acres that will be conserved and/or restored—for many of the programs proposed for funding in the package. Without this type of information, it is difficult for the Legislature to (1) anticipate the specific outcomes it should expect from providing this funding, (2) determine whether the package includes the most cost-effective mix of programs to achieve the Administration’s and/or Legislature’s intended goals, (3) anticipate how close the package will get the state to meeting the intended goals, and (4) hold the Administration accountable for achieving measurable results as part of its oversight role. The Legislature could consider prioritizing programs for funding that have a plan for achieving measurable goals that are consistent with legislative priorities, particularly those programs that appear to do so in a relatively cost-effective way.

Some Programs More Appropriate for One-Time Funding Than Others. Some types of activities that are proposed for funding—such as habitat acquisitions or pilot projects—lend themselves to one-time funding. However, other types of programs—such as wildland grazing—likely would need to be conducted on an ongoing basis in order to be most effective. The Legislature could consider, for example, focusing this funding on programs that are more appropriate for one-time funding.

Most, but Not All, of Package Exempt From State Appropriations Limit (SAL). Close to three-quarters of the funding in the proposed package—\$561 million—is slated for programs that the Administration is defining as qualified capital outlay and therefore not subject to the SAL. However, the remainder of the package—\$207 million—would be subject to the limit. The Legislature could consider directing a greater share of funding to SAL-excludable purposes.

Other Potential Funding Sources Could Be Available to Support Package. The Administration proposes to fund the package from the General Fund. However, other sources could be available to support components of the package. For example, some programs proposed for funding—such as CalFire’s Wildfire Prevention program, DFW’s Wetland Restoration Grant program, and CDFA’s Healthy Soils program—have previously received funding from the Greenhouse Gas Reduction Fund (GGRF). Depending on the Legislature’s priorities, it could consider funding some components of the

package from GGRF or other sources rather than from the General Fund.

Potential Overlap in Programs Funded in This and Other Proposals. In some cases, funding in this package supports the same or similar programs to the funding in other packages or proposals contained in the Governor’s budget. For example, the package includes funding for CalFire’s Wildfire Prevention program, which is also proposed for funding as part of the wildfire resilience package. The Legislature will want to consider the funding provided across all the of the proposals and packages to get a full funding picture.

Lack of Detail on Implementation Plan for Some Components. In some cases, funding is proposed for new programs with little guidance or detail available on how they will be implemented. For example, CNRA’s Tribal Nature-Based Solutions program could be used for a broad range of activities with the allocation to be determined in consultation with a newly established Tribal Natural Resources Council. Additionally, WCB funding is proposed to support six different programs, but the administration would defer to the board to decide how much funding will be provided to each one. Also, the funding for state conservancies could be used for various activities with only broad proposed statutory guidance directing the conservancies to prioritize projects that support 30x30 or the NWLCSS. To the extent that the Legislature has specific goals or priorities for these programs, it would be important to memorialize that guidance in budget bill or trailer bill language. This would help ensure that legislative goals are achieved with the proposed funding.

Package Lacks Accountability and Reporting Measures. The Administration has not identified a plan to provide consolidated reporting to the Legislature on the outcomes that are achieved with this funding. Future reporting on outcomes will be important for holding the Administration accountable for delivering measurable results, learning what is effective to improve future implementation, and informing possible future spending decisions. Accordingly, regardless of the specifics of the final package that is adopted, the LAO recommends that the Legislature adopt reporting language to require the administration to provide key information on the outcomes it achieves. This will allow the Legislature to compare the outcomes that are ultimately accomplished to the intended goals and priorities discussed above. The LAO notes that this reporting will be particularly important for new or pilot programs, such as DOC’s Climate Smart Land Management program.

Staff Recommendation. Hold open.

3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)

Issue 15: Pesticide Use Enforcement Program (BCP & TBL)

Governor’s Proposal. The Governor’s budget requests \$882,000 DPR Fund and three permanent positions in 2022-23, 2023-24, and 2024-25 and \$582,000 DPR Fund in 2025-26 and ongoing to investigate and develop pesticide residue and use enforcement cases. This request includes \$300,000 annually for three years for DPR to hire the Attorney General’s Office (AGO) to represent DPR in civil and criminal pesticide use enforcement actions.

According to the LAO, as part of the budget for 2022-23, the Governor proposes to (1) provide DPR with administrative penalty authority to enforce pesticide use violations, (2) increase several existing pesticide use penalties, (3) enhance DPR’s pesticide residue enforcement and penalty authority, (4) increase several existing administrative penalties for pesticide sales and licensing violations, (5) provide funding for DPR positions to investigate and pursue pesticide use and residue enforcement cases, and (6) provide funding for DPR to retain the Attorney General’s Office to represent the department in civil and criminal pesticide use enforcement actions. Figure 1 provides an overview of the Governor’s proposed changes to pesticide use, residue, and licensing and sales penalties, which we describe in more detail below. The Governor also proposes statutory language that would authorize the Director of DPR to adjust all the new penalty levels for inflation in future years.

Authorizes DPR to Enforce Administrative Penalties for Serious Pesticide Use Violations. The Governor proposes budget trailer legislation to provide DPR with the authority to levy administrative penalties of up to \$20,000 for pesticide use violations. The proposal would change state law to allow DPR—instead of a CAC—to levy administrative penalties for multi-jurisdictional pesticide use violations that have serious human or environmental health impacts. This authority would apply specifically for “priority investigations” that involve multiple counties or a person who is the subject of an investigation in multiple counties. Priority investigations include pesticide incidents that cause serious impacts such as death or illness; contamination of drinking water, air, or land; animal and wildlife mortality; or property damage. DPR also would be able to levy administrative penalties if a CAC and the Director of DPR agree that enforcement by the department would be more appropriate, or if the Director finds that a CAC failed to discharge their duties. Because serious pesticide use violations are relatively rare, the department estimates that its use of this new authority likely would be somewhat infrequent. Specifically, DPR estimates it might levy one administrative penalty every two years.

Figure 1

Governor's Proposed Changes to State Pesticide Penalties

Penalty Type	Existing	Proposed ^a
Pesticide Use		
DPR administrative	None	Up to \$20,000
CAC administrative	Up to \$5,000	Up to \$15,000
Civil	\$1,000 to \$25,000	\$3,000 to \$75,000
Criminal	\$500 to \$50,000	\$5,000 to \$100,000
Residue		
DPR administrative	Up to \$5,000	Up to \$15,000 ^b
Licensing and Sales		
DPR administrative	Up to \$5,000	Up to \$15,000

^a The proposed statute would authorize the Director of DPR to adjust all penalty levels for inflation in future years.

^b Adds new penalties for (1) failing to provide produce sale and distribution information when requested by DPR and (2) distributing/moving quarantined produce.

DPR = Department of Pesticide Regulation and CAC = County Agricultural Commissioner.

Source: LAO

Increases Several Existing Pesticide Use Penalties. As shown in Figure 1, the Governor's proposed budget trailer legislation also would make several changes to existing pesticide use penalties. First, the proposed legislation would increase CAC administrative penalties to up to \$15,000 for each violation. (Class A violations could result in a fine of up to \$15,000, while lower-level violation penalties would be capped at \$3,000.) Second, the legislation would increase civil penalties to a minimum of \$3,000 and a maximum of \$75,000 for each violation, while criminal penalties would increase to a minimum of \$5,000 and a maximum of \$100,000 per violation. (The Governor does not propose any adjustments to minimum and maximum prison sentences for criminal penalties.)

Expands DPR Pesticide Residue Enforcement and Penalty Authority. The Governor's proposed budget trailer legislation also authorizes DPR to request sales and distribution records for produce grown, processed, shipped, and sold in the state. The legislation would allow DPR to levy new administrative penalties of up to \$15,000 for entities who do not provide this information within 48 hours after being requested. DPR indicates that this information would only be requested after the department identifies that a particular lot of produce carries illegal pesticide residues. Additionally, the proposed legislation would authorize DPR to levy new administrative penalties of up to \$15,000 for entities that distribute and/or move quarantined produce. Lastly, the Governor proposes to increase existing residue penalties—such as for selling produce that carries pesticide residue in excess of allowable tolerance levels—to up to \$15,000.

Increases Existing Pesticide Sales and Licensing Penalties. The Governor also proposes to increase several existing DPR administrative penalties for pesticide sales and licensing violations. These include violations such as selling pesticides not registered in the state and acting as a pesticide advisor without a license. Specifically, the Governor proposes to increase these current penalties from a maximum of \$5,000 to up to \$15,000.

Provides Funding for Positions to Investigate and Pursue Pesticide Use and Residue Enforcement Cases. The Governor’s budget includes \$582,000 from the DPR Fund (the department’s primary fund source, largely supported by a fee on pesticide sales and other regulatory fees) in 2022-23 and ongoing to support three new enforcement staff positions that would investigate and pursue pesticide use and residue enforcement cases. This workload would include levying DPR administrative penalties and coordinating referrals to the Attorney General’s Office and U.S. EPA. The positions also would be responsible for conducting oversight and supporting CACs, such as through trainings and providing guidance and support on local enforcement cases.

Provides Funding for DPR to Hire Attorney General’s Office for Civil and Criminal Enforcement Cases. The Governor’s budget proposes \$300,000 annually from the DPR Fund over the next three years for the department to hire the Attorney General’s Office to represent DPR in civil and criminal pesticide use enforcement actions. The department estimates that it will refer about one pesticide use enforcement case every two years. DPR indicates that hiring the Attorney General’s Office to pursue pesticide use violations would be a new activity, so the department is viewing this initiative as a pilot to determine the appropriate level of ongoing resources to request in the future.

Background. According to the LAO:

DPR Is Responsible for Regulating Pesticides. While pesticides can protect people and agricultural products from pests, their improper use can be hazardous. DPR is charged with protecting public health and the environment by regulating pesticide sales and use. The department is responsible for evaluating and registering pesticide products at the state level, assessing the health and environmental impacts of pesticides, and encouraging alternative pest management practices through grants and incentives. DPR is responsible for licensing individuals and businesses that sell, consult on, or apply pesticides. The department may levy administrative penalties of up to \$5,000 on those who violate sales and licensing laws and regulations. The department also oversees local enforcement of pesticide use laws and regulations by County Agricultural Commissioners (CACs) and tests pesticide residues of fresh produce—both of which we discuss in more detail below.

Most Pesticide Use Enforcement Is Conducted by CACs. Currently, most of the responsibility for enforcing the lawful use of pesticides lies with CACs. Specifically, state statute tasks CACs with being the primary enforcement agencies for pesticide use laws and regulations, such as illegal application, worker protections, and pesticide drift. (Drift is the movement of pesticide dust or droplets through the air at the time of application or soon after to any site other than the area intended.) DPR uses its statewide authority to oversee, evaluate, and improve local pesticide use enforcement by CACs.

CACs Have Statutory Authority to Levy Administrative Penalties for Pesticide Use Violations. CACs have the sole authority to administratively enforce pesticide use violations. (DPR previously was able to levy penalties for certain pesticide use violations, however, that statutory authority expired in 2006.) CACs may levy administrative penalties of up to \$5,000 for each violation. The administrative penalties levied by CACs are governed by DPR regulations that categorize violations according to level of severity. For instance, penalties for serious (Class A) violations—those that cause health, property, or environmental hazards—can reach \$5,000, whereas penalties for moderate (Class B) violations—those that violate laws or regulations—are capped at \$1,000.

Pesticide Use Violations Also Subject to State Civil and Criminal Penalties and Federal Penalties. Pesticide users who violate state laws can also face civil and criminal enforcement actions. Civil and criminal cases can be filed by a county district attorney at the request of a CAC or by the state Attorney General’s Office at the request of DPR. Civil and criminal proceedings are considered for repetitive,

negligent, or intentional violations that have created a hazard to human health or the environment. Civil penalties range from \$1,000 to \$25,000 for each violation, while criminal penalties range from \$500 to \$50,000 per violation, along with potential imprisonment. Additionally, the United States Environmental Protection Agency (U.S. EPA) may independently bring pesticide use enforcement cases upon referral. U.S. EPA can levy penalties of roughly \$9,000 for violations of federal pesticide use requirements, but for serious violations, penalties can be as high as \$50,000 along with potential imprisonment.

DPR Is Responsible for Pesticide Residue Monitoring. DPR administers a statewide monitoring program that samples and analyzes domestic and imported fresh produce for pesticide residues. DPR collects samples from various locations such as packing sites, wholesale and retail markets, and farmers markets. Residue monitoring is based on enforcing U.S. EPA tolerances—the maximum amount of a pesticide allowed to remain in or on a food. If illegal residues are found, DPR quarantines and removes the illegal produce from sale. The department can levy administrative penalties of up to \$5,000 for certain pesticide residue violations, such as for selling produce that carries pesticide residue in excess of the permissible tolerance levels.

LAO Comments. Providing DPR With Authority to Levy Pesticide Use Penalties Is Important Step in Enhancing Statewide Enforcement Efforts. Given its important role in protecting public health and the environment, the state should have multiple enforcement tools available to ensure statewide compliance of pesticide use laws and regulations. Misapplication of pesticides can result in acute impacts on human health (such as rashes, nausea, and dizziness), as well as negative impacts to the environment (such as air and water contamination and impacted ecosystems). Additionally, some research suggests that some pesticides could be related to chronic health impacts such as cancer and reproductive harm. While serious pesticide use violations do not occur with great frequency, enhancing the state's ability to deter and correct for serious incidents is worthwhile, given the hazards that can result. We therefore find that providing DPR with the authority to levy administrative penalties would further advance its ability to meet its mission, while at the same time preserving the state's current structure of having CACs serve as the primary local enforcement agencies. The Governor's proposed approach would allow the state to serve as a "backstop" to local enforcement when merited, such as for cases that represent severe violations that stretch across multiple jurisdictions and when a CAC and DPR agree that enforcement by the department would be more appropriate.

Increased State-Level Enforcement Authority Has Precedent. Providing DPR with additional pesticide use enforcement authority would not be a unique approach for the state. First, DPR had similar authority from 2000 to 2006 under Chapter 806 of 2000 (SB 1970, Costa), which authorized the department to levy administrative penalties of up to \$5,000 for serious pesticide use violations. (Based on our conversations with the department and stakeholders, it appears that this authority was allowed to sunset due to CAC administrative penalties being increased to up to \$5,000 under Chapter 457 of 2002 [AB 947, Jackson].) Second, other state environmental regulatory departments possess some level of overarching enforcement authority even when local agencies are tasked with being the primary enforcement entities. For instance, the Department of Toxic Substances Control may take enforcement actions against hazardous waste generators that violate state laws and regulations, even though state statute delegates most first-level enforcement responsibilities to local Certified Unified Program Agencies.

Increasing Pesticide Use Penalties and Adjusting for Inflation Is Reasonable... The goal of the state's pesticide use penalties should be to deter individuals and businesses from violating state laws and regulations. Successful deterrence is important because it protects public health and the environment by dissuading businesses and individuals from committing violations and persuading violators to take precautions against falling into noncompliance again. Overall, we find it reasonable to provide some

level of increase to existing pesticide use penalties given that many have not been increased in decades—roughly 20 years for CAC administrative penalties and 30 years for most civil and criminal penalties. This means that penalties have not kept pace with inflation and thus have lost some of their relative power to deter violations over time. Statewide data has not shown a significant increase in violations over the past several years—collectively, the CACs have averaged about 600 enforcement actions per year from 2012 through 2019, with the majority being more minor Class B and Class C violations. However, the department indicates that there have been situations where the same violators have been levied penalties on multiple occasions for pesticide drift and worker protection violations, which could indicate that current penalty levels do not fully compel compliance. Increasing maximum penalties could help reduce existing rates of violations and/or prevent future incidents. Additionally, authorizing the Director of DPR to adjust penalty levels for inflation has merit since it would allow penalties to maintain their relative deterrent effects over time.

...However, Difficult to Determine What Amount of Increase Is Most Appropriate. The level at which penalties would serve as an effective deterrent for pesticide violations but do not present an excessive burden for violators—particularly for more minor offenses—is not clear cut. If trued up for inflation, CAC administrative penalties and civil and criminal penalties would be roughly 1.5 and 2 times higher than their current levels, respectively. The Governor, however, proposes to increase penalties above the inflation adjustments—3 times their current levels in most cases. According to the department, this is to further deter the most egregious pesticide use violations. For example, this could include cases where improper application leads to pesticide drift causing skin and eye irritations in surrounding communities. We find this argument to be somewhat compelling, and the levels the Governor proposes seem reasonable. However, moderately lower or higher levels could also achieve the same goal without being ineffective or excessive. Additionally, we find that the Governor’s proposal to set the maximum DPR administrative penalty higher than the maximum CAC administrative penalty makes sense, given these would be applied to the most serious, multijurisdictional pesticide use violations.

Increasing DPR Pesticide Residue Enforcement and Penalty Authority Could Improve Produce Safety. The state has a vested interest in ensuring that fresh produce in the state maintains safe levels of pesticide residues and that contaminated produce is properly quarantined and removed from sale when identified. Data from DPR indicate multiple cases in recent years where regulated entities did not provide requested sale and distribution information for contaminated produce in a timely manner (roughly 45 cases annually over the past five years) and where regulated entities distributed and/or moved quarantined produce (roughly three cases annually over the past five years). Currently, the department does not have the authority to enforce these actions other than through resource-intensive court proceedings. Accordingly, we find it reasonable to provide DPR with the authority to (1) require entities to provide sale and distribution information, (2) levy administrative penalties for failing to produce such records, and (3) levy administrative penalties for distributing and/or moving quarantined produce. Additionally, we find it reasonable to increase existing residue penalties given that penalties have not been increased in roughly 30 years. These changes could better enable the state to prevent contaminated produce from reaching consumers.

The Governor’s approach of setting the new administrative penalties for residue violations at comparable levels to those that CACs levy for pesticide use makes sense. However, as with the proposed increases to pesticide use penalties, while we find the Governor’s proposed levels for new pesticide residue penalties to be reasonable, moderately lower or higher levels could also be adequate to the degree they still serve as an effective deterrent. Regardless of where the Legislature ultimately decides to set penalty levels, authorizing the Director of DPR to adjust penalty levels for inflation—as proposed by the Governor—has merit since it would allow penalties to maintain their relative influence in the coming years.

Increasing Existing Administrative Penalties for Pesticide Sales and Licensing Violations Would Provide Parity in Penalty Levels. We find it reasonable to provide some level of increase to the existing pesticide penalties for sales and licensing violations, given that they have not been increased in roughly 30 years. Additionally, it makes sense to maintain relative comparability across most of DPR's administrative penalties. Similar to earlier discussion, we find that (1) the Governor's proposed increases to sales and licensing violation penalties are reasonable but moderately lower or higher levels could also be adequate to the degree they still serve as effective deterrents, and (2) authorizing the Director of DPR to adjust penalty levels for inflation has merit.

Funding for Positions and Representation From Attorney General's Office Would Further Support Statewide Enforcement. We find that the proposed funding for DPR state operations would further support statewide enforcement of pesticide use and residue laws and regulations. In particular, funding for additional enforcement positions would provide the staff needed to support the workload associated with the proposed increase in enforcement and penalty authority. This includes investigating and pursuing cases to levy administrative penalties and coordinating referrals to the Attorney General's Office or U.S. EPA. The positions also would further support local enforcement actions by providing additional assistance to CACs.

Additionally, funding for DPR to hire the Attorney General's Office would provide the department with the resources needed to ensure that egregious violations are appropriately referred for civil and criminal enforcement. We find the Governor's proposal to provide this funding over a three-year period to be reasonable. This would allow the department to pilot these efforts and report back to the Legislature on outcomes during future budget hearings. This information could then be used to guide whether (and at what level) to continue funding these efforts.

LAO Recommendations. Approve DPR Authority to Enforce Administrative Penalties for Pesticide Use Violations. We recommend the Legislature approve the Governor's proposal to provide DPR with the authority to levy administrative penalties for serious pesticide use violations. Providing additional enforcement authority to DPR would further enhance the state's ability to ensure statewide compliance of pesticide use laws and regulations, while still maintaining CACs as the primary local enforcement agencies. The additional enforcement authority would allow the state to serve as a backstop to local enforcement when merited. Furthermore, it would reestablish similar authority that the department previously held and establish a somewhat comparable enforcement structure to some other state environmental regulatory departments.

Increase Pesticide Use Penalties at Levels That Will Help Deter Violations. We recommend the Legislature increase pesticide use penalties and authorize the Director of DPR to adjust penalty levels for inflation in future years. In deciding appropriate increases for the various penalties (including the new DPR administrative penalty), the Legislature will want to consider how increases would further deter individuals and businesses from violating state laws and regulations. This could include approving the Governor's proposed penalty levels—which increase penalties above an inflationary adjustment—or setting penalty levels somewhat higher or lower based on what the Legislature deems appropriate to achieve its goals.

Approve Expansion of DPR's Pesticide Residue Enforcement and Penalty Authority. We recommend the Legislature approve the Governor's proposal to provide DPR with the authority to (1) require entities to provide sale and distribution information, (2) levy administrative penalties for failing to produce such records, (3) levy administrative penalties for distributing and/or moving quarantined produce, and (4) increase existing residue penalties. These changes could better enable the state to prevent contaminated

produce from reaching consumers. We recommend the Legislature set the new administrative penalties for pesticide residue violations at levels that mirror whatever new thresholds it sets for CAC administrative pesticide use penalties and authorize the Director of DPR to adjust penalty levels for inflation.

Increase Existing Administrative Penalties for Pesticide Sales and Licensing Violations. We recommend the Legislature increase existing administrative penalties for pesticide sales and licensing violations and authorize the Director of DPR to adjust penalty levels for inflation in future years. Penalty levels have not been increased in roughly 30 years and thus have lost some of their relative power to deter violations. To maintain parity, we recommend the Legislature set the new maximum penalties at a comparable level to those it establishes for other DPR administrative penalties. This could include approving the Governor's proposed penalty levels or establishing somewhat higher or lower thresholds.

Approve Funding for Positions to Investigate and Pursue Pesticide Residue and Use Enforcement Cases. We recommend the Legislature approve the \$582,000 from the DPR Fund in 2022-23 and ongoing to support three new enforcement staff positions that would investigate and pursue pesticide residue and use enforcement cases. The additional positions would enable the department to conduct the workload associated with the proposed additional enforcement and penalty authority, as well as further support local enforcement efforts by CACs.

Approve Funding for DPR to Hire Attorney General's Office for Civil and Criminal Enforcement Cases. We recommend the Legislature approve the Governor's proposal to provide \$300,000 annually from the DPR Fund over the next three years to hire the Attorney General's Office to represent the department in civil and criminal pesticide use enforcement actions. The funding would allow the department to appropriately refer egregious violations for civil and criminal enforcement and gather data regarding what level of funding might be appropriate in future years. The Legislature may want to consider specifying which metrics the department should track and present to inform these future decisions.

Staff Recommendation. Hold open.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)**Issue 16: Santa Susana Field Lab Cleanup Team (SFL)**

Governor’s Proposal. An SFL requests 14 permanent positions, \$2.1 million Hazardous Waste Control Account, and \$1 million Federal Trust Fund in 2022-23 and annually thereafter to establish and support the Santa Susana Field Laboratory (SSFL) Cleanup Implementation Team. The cost of the positions will be funded through cost recovery from three responsible parties for SSFL (i.e. the US Department of Energy (DOE), the National Aeronautics and Space Administration (NASA), and the Boeing Company (Boeing)).

Background. The SSFL is a former rocket engine testing and nuclear power research facility located on approximately 2,900-acres in the hills of Ventura County, California above Simi Valley. The SSFL is surrounded a number of communities, most located less than two miles away, including the city of Simi Valley located on the north, the residential community of Bell Canyon located directly south; and San Fernando Valley communities, including Canoga Park, West Hills, and Chatsworth, in the city of Los Angeles, located to the east of the SSFL.

Several tributary streams to the Los Angeles River have headwater watersheds on the SSFL site, including Bell Creek (which provides the majority of the site drainage from the SSFL site), Dayton Creek, and Meier Creek. Open space (i.e., land that is generally undeveloped and accessible to the public) associated with the Upper Las Virgenes Canyon Open Space Area and Cheeseboro/Palo Comado Canyons is located to the west of the SSFL.

The parties responsible for contamination at the SSFL site include three parties, the DOE, NASA, and Boeing. Two primary operational activities were conducted at SSFL. From the early 1950s to 1998, DOE and its predecessor agency, the Atomic Energy Commission, sponsored nuclear and non-nuclear energy research and development projects at the Energy Technology Engineering Center. From 1950 to 2006, testing and development of rocket engines and rocket engine components were conducted by Boeing and its predecessor, North American Aviation and Rockwell International, along with the US Air Force and NASA. The majority of non-nuclear activities conducted at the SSFL included testing and development of rocket engines and rocket engine components. Additional activities conducted by Boeing and its predecessors included military anti-satellite lasers, munitions, and related technologies.

Staff Recommendation. Approve as requested.

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Tuesday, May 17, 2022
9:00 a.m.
1021 O Street, Room 1200

Consultants: Anita Lee and Joanne Roy

AGENDA

Overview of the May Revision (2022)

I. Presentations by:

Sergio Aguilar, Assistant Program Budget Manager
Department of Finance

Rachel Ehlers, Deputy Legislative Analyst
Legislative Analyst's Office

II. Public Comment

Summary of May Revision Highlights

NATURAL RESOURCES & ENVIRONMENTAL PROTECTION	2
ENERGY	27

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

NATURAL RESOURCES & ENVIRONMENTAL PROTECTION

VARIOUS DEPARTMENTS: Drought Resilience and Response.

- The 2021 Budget Act included a significant investment to advance water resilience and drought response. As part of the Governor’s Budget in January, the Administration proposed an additional \$500 million in specific investments and set aside an additional \$250 million contingency to be allocated as part of the spring budget process when additional water data would be available to

Drought Resilience and Response
(Dollars in Millions)

Investment Category	Department	Program	2021 Package Total	Accelerated Drought Resilience Package		Total
				Governor’s Budget	May Revision	
Immediate Drought Support	Department of Water Resources	Small Water Suppliers Drought Relief & Urban Water Management Grants	\$484	\$120	\$180	\$784
		Water Transfers Pilot Project	\$0	\$0	\$20	\$20
	State Water Resources Control Board	Water Rights Modernization and Drought Resilience	\$0	\$0	\$44	\$44
	Department of Social Services	Drought Food Assistance	\$0	\$0	\$23	\$23
		Data, Research, and Communications	\$127	\$0	\$116.8	\$244
	Various	Drought Technical Assistance and Emergency Drought Response	\$57	\$25	\$161	\$243
Drought Permitting, Compliance, Curtailments and Water Right Enforcement		\$43	\$0	\$8	\$51	
Drinking Water, Water Supply and Reliability, Flood	State Water Resources Control Board	Drinking Water/Wastewater Infrastructure and State Revolving Fund	\$1,300	\$0	\$400	\$1,700
		PfAs Support	\$100	\$0	\$0	\$100
		Water Recycling/Groundwater Cleanup	\$400	\$0	\$100	\$500
	Department of Water Resources	Salton Sea	\$220	\$0	\$0	\$220
		Water Conveyance	\$200	\$0	\$0	\$200
		Flood	\$638	\$0	\$0	\$638
		Aqueduct Solar Panel Pilot Study	\$20	\$0	\$30	\$50
		Watershed Climate Studies	\$25	\$0	\$0	\$25
Natural Resources Agency	Clear Lake Rehabilitation	\$5.7	\$0	\$0	\$6	
Conservation/ Agriculture	Department of Water Resources	SGMA Implementation	\$300	\$30	\$26	\$356
		Agriculture and Delta Drought Response Programs	\$8	\$0	\$60	\$68
	Department of Food and Agriculture	Relief for Small Farmers	\$0	\$5	\$20	\$25
		On-farm Water Use and Agriculture Technical Assistance	\$5	\$0	\$15	\$20
	Department of Conservation	State Water Efficiency and Enhancement Program	\$100	\$20	\$40	\$160
		Multi-benefit Land Repurposing	\$50	\$40	\$0	\$90
	Various	Water Conservation Programs (Small and Urban), Turf Replacement, and State Water Conservation Projects	\$0	\$185	\$26	\$211
Habitat/ Nature-Based Solutions	Department of Fish and Wildlife/ Department of Water Resources	Fish and Wildlife Protection	\$0	\$75	\$100	\$175
		Improving Drought Resiliency on State-Owned Land and Migratory Bird Habitat	\$8	\$0	\$25	\$33
	Department of Water Resources	Studying Salmon and Tribal Co-Management Activities	\$0	\$0	\$7.3	\$7.3
		Climate Induced Hatchery Upgrades	\$33	\$0	\$17	\$50
	Department of Water Resources	Aquatic Habitat and Drought Resilience and Expediting Large Scale Habitat	\$0	\$0	\$130.6	\$130.6
		Various	Additional Nature-Based Solutions	\$1,033	\$0	\$0
Total			\$5,157	\$500	\$1,550	\$7,207

inform drought needs. The May Revision proposes the allocation of that \$250 million contingency and proposes an additional \$1.3 billion. Specific investments are summarized in the chart above.

- The chart below provides a further breakdown of specific investments proposed in the May Revision:

2022-23 Drought Resilience Package				
Investment Category	Department	Program	GB	May Revision
Immediate Drought Support	Office of Planning and Research	Save Our Water	\$0	\$100
	State Water Resources Control Board	Water Rights Modernization and Drought Resilience	\$0	\$44
		Drinking Water Emergencies	\$25	\$25
		Curtailments and Water Right Enforcement	\$0	\$8
	Various	Drought Contingency Control Section	\$0	\$71
		Urban Community Drought Relief	\$60	\$140
	Department of Water Resources	Small Community Drought Relief	\$60	\$40
		Drought Salinity Barrier	\$0	\$27
		Water Storage Tanks	\$0	\$21
		Water Transfers Pilot Project	\$0	\$20
		County Level Drought Planning Support	\$0	\$15
		Forecast Informed Reservoir Operations (FIRO)	\$0	\$10
		Improving Runoff Forecasting/Snow	\$0	\$7
	Department of Social Services	Central Valley Flood Protection Plan	\$0	\$2
		State Disaster Food Assistance Program	\$0	\$23
Drinking Water, Water Supply and Reliability, Flood	State Water Resources Control Board	State Revolving Fund	\$0	\$400
		Water Recycling	\$0	\$100
	Department of Water Resources	Aqueduct Solar Panel Pilot Study	\$0	\$30

Chart continued on next page

2022-23 Drought Resilience Package (Continued)				
Investment Category	Department	Program	GB	May Revision
Conservation/Ag	Department of Water Resources	Water Conservation Programs (Small and Urban)	\$105	\$0
		Turf Replacement Program	\$75	\$0
		Technical Assistance for Ag Water Use	\$5	\$0
		SGMA Implementation	\$30	\$26
		Agriculture Drought Response Program	\$0	\$50
		Delta Drought Response Pilot	\$0	\$10
	Department of Food and Agriculture	Drought Relief for Small Farmers	\$5	\$20
		Water Efficiency Technical Assistance	\$0	\$15
		State Water Efficiency and Enhancement Program	\$20	\$40
	Department of Conservation	Multi-benefit Land Repurposing	\$40	\$0
	Department of General Services	Water Conservation Projects	\$0	\$26
Protecting Habitat and Wildlife	Department of Fish and Wildlife	Protecting Salmon	\$0	\$100
		Fish and Wildlife Protection	\$75	\$0
		Climate Induced Hatchery Upgrades	\$0	\$17
		Improving Drought Resiliency on State-Owned Land (Birds)	\$0	\$15
		Tribal Co-Management Activities	\$0	\$3
	Department of Water Resources	Aquatic Habitat and Drought Resilience	\$0	\$122
		Migratory Bird Habitat	\$0	\$10
		Study Reintroduction of Salmon	\$0	\$4
		Expediting Large Scale Habitat Restoration	\$0	\$9
Various				
Total			\$500	\$1,550

- The Budget Change Proposal for this package provides the following descriptions of the proposed investments to address drought:

California Department of Food and Agriculture (CDFA)

Drought Relief for Small Farmers (\$20 million). This funding will provide direct assistance to small farmers and ranchers who have experienced water cost increases of more than 50 percent. Grantees may include Resource Conservation Districts (RCDs), universities, nonprofits, and tribes who will administer the micro- grants as well as provide critical technical assistance. This technical assistance may include, but is not limited to, assistance with applications to federal and state drought relief programs, business plan and marketing support to help pivot businesses in response to the drought, and assistance identifying opportunities for water efficiency improvement.

Water Efficiency Technical Assistance Program (\$15 million). The Water Efficiency Technical Assistance (WETA) Program first received funding in the 2021 Budget Act and the first round of funding was awarded in April 2022.

WETA is designed to provide technical assistance to agricultural operations for on-farm water efficiency which, in addition to directly helping farmers and ranchers cope with drought, provides ancillary energy efficiency and nutrient management benefits. Grantees may include Resource Conservation Districts (RCDs), universities, non-profits and tribes with the requisite expertise to provide on-farm, one-on-one assistance to farmers. Technical assistance may include evaluation of irrigation system efficiency and provision of diagnostics, reports, and recommendations; pump efficiency testing; and training regarding water use efficiency and nutrient management practices or technology.

State Water Efficiency and Enhancement Program (\$40 million). The State Water Efficiency and Enhancement Program (SWEEP) was established in 2014 to help 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: 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. SWEEP also addresses other high priority environmental issues, such as groundwater sustainability and water quality protection, and 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 greenhouse gas emission reductions of 800,773 MTCO_{2e} 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 2021-22 Water Resilience Package, SWEEP received \$50 million in 2021-22 and \$50 million in 2022-23.

Special Assistant for Drought Response (\$223,000). Under the direction of the Secretary and Undersecretary, the Special Assistant for Drought Response will work directly with department management and senior CDFA staff and the Governor's Office on assigned issues and statewide program implementation projects related to the current drought and ongoing water programs to mitigate impacts of future droughts. The position will also assist with policy development or legislation analysis, as well as programmatic and legislative strategy as needed. This position will also coordinate with sister agencies in current and future drought responses to ensure a cohesive state-wide approach is applied. Additional responsibilities include coordinating stakeholder outreach, community engagement and drought communications. This position will report directly to the Undersecretary and will be required to coordinate with the Deputy Secretary for Climate and Working Lands.

California Department of Fish and Wildlife (CDFW)

Protecting Salmon (\$100 million). This proposal will allow the Department to fund planning, implementation, and monitoring projects that enhance resiliency to drought and climate change through restoration, protection, or enhancement of riparian and aquatic habitat and river channels, reconnection of historical flood plains, or improvements to ecological functions. Salmon are particularly vulnerable to the impacts of drought and its effect on water temperatures and availability. This funding will support habitat restoration for the protection or enhancement of riparian and aquatic habitat and river channels, reconnection of historical flood plains, and

improvements to ecological functions. It will also allow the Department to better collaborate with stakeholders and federal, local, and tribal governments on restoration priorities and opportunities.

This request does not affect the current Service Based Budget (SBB) gap; however, these resources are for mission critical projects for the management of species, the habitat, as well as mitigating drought impacts across the landscape which will assist in preventing the current SBB gap in the Species and Habitat Conservation Service Area from growing further.

Fish Passage Actions and Co-management Efforts with Tribes (\$3.3 million). A third year of severe impacts to salmon and other native fish and wildlife will push certain species closer to extinction. This risk is particularly acute in specific salmon watersheds such as the Sacramento and Klamath rivers and waters along the Northern California coast. These are also locations where CDFW is actively engaged in a variety of partnerships and co-management efforts with different California Tribes. There is a need to actively lead efforts to support fish passage into historical salmon habitat above large dams because survival and recovery of these fish requires consistent access to cold, clean water as a way to adapt to climate change. In many of these efforts, CDFW must engage with sovereign Native American Tribes to benefit from traditional ecological knowledge. The most immediate example of the use of these funds is in pursuing reintroduction of winter run chinook salmon into their historical habitat above Shasta Dam into the McCloud River, which are the ancestral lands and waters. CDFW seeks to take immediate emergency actions this summer to test components of the long-term reintroduction. In order to successfully reintroduce fish, CDFW will embrace a planning and co-management effort with the Tribes. These funds will support coordination with other state, federal and local agencies, capacity for key Tribes for co-management, and the development of passage technical feasibility studies and reintroduction permitting, design, construction, operations, and maintenance.

This request does not affect the current SBB gap; however, these resources are for mission critical projects for the management of species, the habitat, as well as mitigating drought impacts across the landscape which will assist in preventing the current SBB gap in the Species and Habitat Conservation Service Area from growing further.

Climate Induced Hatchery Upgrades (\$17 million). The funding will allow CDFW to develop an assessment of existing hatcheries that identifies the planning and investment needed to build long-term climate resilience for the State's hatchery systems. CDFW's hatchery systems will face significant challenges over the next 10 to 20 years due to climate change. The specific challenges vary based on location and species of fish grown, but all rely on a dwindling supply of cold water to grow fish. In the last 8 years CDFW has had to cancel fish releases, stock fish out earlier in the season, and evacuate hatcheries due to elevated water temperatures and lack of sufficient flow. As California's climate continues to get warmer and water becomes more scarce, state hatcheries, particularly those located in warmer areas such as the Central Valley and Southern California, will need to move away from traditional outdoor, flow through, concrete raceways for fish rearing to a model of indoor, recirculating aquaculture systems where the fish rearing climate can be fully controlled. These funds will be used in a two-step process to contract for hatchery design and construction to first provide a hatchery infrastructure and climate change resilience assessment. This assessment will identify long-term improvements and investments needed for all 21 state or federal hatcheries owned and/or operated by CDFW. The second step will then be to design plans for up to five hatcheries identified as the most likely to have significant water challenges over the next 20 years as identified in the infrastructure and climate change resilience assessment.

This request does not affect the current SBB gap; however, these resources are for mission critical projects for the management of species, the habitat, as well as mitigating drought impacts across the landscape which will assist in preventing the current SBB gap in the Species and Habitat Conservation Service Area from growing further.

Improving Drought Resiliency on State-owned and Partnership Lands (\$15 million). Utilizing 2021 funding, DWR and CDFW made significant investments in the BirdReturns programs (including the California Rice Commission's partner program - Bid4Birds). These funds demonstrated how quickly the program can be deployed at an unprecedented scale. As of January 2022, the collective programs have provided over 50,000 acres of habitat to mitigate the impact of drought. A key remaining challenge is how to scale BirdReturns and make it a more durable program that can deliver dynamic migratory bird habitat with multiple benefits on agricultural lands across California. The funding will support CDFW to work with partners on a network approach that is comprised of regional "hubs" capable of implementing dynamic habitat rental markets tailored to their communities. Establishing this network of dynamic conservation programs will support the habitat migratory waterbirds need in California that can be tailored to the key conservation challenges and opportunities of different regions.

This request does not affect the current SBB gap; however, these resources are for mission critical projects for the management of species, the habitat, as well as mitigating drought impacts across the landscape which will assist in preventing the current SBB gap in the Species and Habitat Conservation Service Area from growing further.

Expediting Large Scale Habitat Restoration (\$2.8 million). The CDFW requests a total of 6 positions and additional funding for 4 existing positions and \$2.8 million General Fund in 2022-23 and ongoing to support: 1) assessment of habitat conditions across the Central Valley and in the Delta; 2) finalization of Voluntary Agreements (VAs), including development and review of environmental documents, analyses, modeling, and participation in meetings and public workshops for large-scale habitat restoration; and 3) implementation of large-scale habitat restoration projects, including participation in the governance structure and tributary specific efforts.

This request does not affect the current SBB gap; however, these resources are for mission critical projects for the management of species, the habitat, as well as mitigating drought impacts across the landscape which will assist in preventing the current SBB gap in the Species and Habitat Conservation Service Area from growing further.

20 Permanent Positions to Provide Statewide Administrative Support. Critical to the internal workings of the CDFW, is its ability to provide the administrative support needed to manage its day-to-day work. 15 new permanent Associate Governmental Program Analysts will serve the additional statewide administration benefit and support CDFW's fiscal, contracting/granting, procurement, human resources, and general administrative needs. Five new permanent Senior Environmental Scientist (Specialists) will provide statewide oversight of grants and contracts management from development through closeout, perform field activities and site assessments, project planning and document review, and develop various types of reports. Service Based Budgeting (SBB) findings identified that administrative support in CDFW is also insufficient, at a 28 percent gap to mission levels, to support the current level of Department staffing, which is at 35 percent of the mission level. 20 permanent positions will serve the additional administration benefit of decreasing the SBB gap and preventing the gap from growing. As CDFW increases

capacity on the programmatic efforts, additional administrative resources are required to prevent the gap from growing.

State Water Resources Control Board (State Water Board)

Drinking Water Emergencies (\$25 million). The State Water Board requests an additional \$25 million for Drinking Water Emergency funds that 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. 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.

Curtailments and Water Right Enforcement (\$8 million). The State Water Board is requesting 17.0 permanent positions, and \$100,000 in one-time equipment funds to 1) support the effort for diverters to understand how to comply with curtailment regulations, 2) inspect water diversions for compliance with curtailments and enforce against those that do not, 3) investigate drought-related and unauthorized diversion complaints, 4) conduct water right hearings to resolve enforcement cases, and 5) respond to curtailment exemption requests.

The Board's Division of Water Rights issued over 18,000 drought curtailment orders statewide in 2021 and with historic drought conditions continuing, the Division anticipates the need for earlier and broader curtailments in 2022 and beyond. Curtailments are fundamental to the stability of the water rights priority system because they protect the environment and legal users of water and ensure water is available for critical human health and safety needs. Without a credible enforcement presence, curtailments are not effective. The Board must act now to expand our enforcement capacity as soon as possible because the Board cannot build an effective presence without permanent staff who understand the enforcement process and can be activated quickly. The \$100,000 in one-time equipment funds will be used for additional enforcement and inspections equipment.

Water Rights Modernization and Drought Resilience (\$44 million). The State Water Board is requesting 26.0 permanent positions and \$38 million in one-time contract funds to enhance water rights drought planning efforts and develop the technical and regulatory tools needed for administering an efficient and effective water rights system. California must build a sound foundation for how water use is managed in response to the extreme wet and dry conditions we are experiencing under a changed climate. The Board's existing approaches, established more than 100 years ago, have not kept pace with changes throughout the entire water sector, and are now challenged to provide timely, useful, and meaningful information needed to guide state and local water use decisions, which are especially vital during periods of drought.

With these positions and funds, the Board will 1) develop telemetry projects in two or three watersheds to collect real-time diversion data, integrate the data into the Board's new water rights data system, and create data governance best practices; (6.0 positions and \$15 million in contract funds for equipment purchase, installation, operations and maintenance, and oversight); 2) modernize existing regulations, methodologies, and procedures in formal rulemaking processes with public input for more flexible curtailments (7.0 positions and \$3 million in contract funds for CEQA required for regulations); 3) develop supply/demand models and allocation tools for implementing the priority system in 15+ watersheds (10.0 positions and \$15 million in contract funds to develop precipitation-runoff models in north coast and coastal California watersheds); and 4) update Central Valley water unavailability methodology to incorporate return flows and geography so the methodology is more refined for curtailments (3.0 positions and \$5 million in contract funds for necessary streamflow gage data).

Water Recycling (\$100 million). Recycled water is a critical water supply for California and an important resource for diversifying local supplies and improving water resilience. The California Legislature has declared that a substantial portion of the future water requirements of the state may be economically met by beneficial use of recycled water. (Wat. Code, § 13511.) The Legislature also expressed its intent that the state undertakes all possible steps to encourage development of water recycling facilities so that recycled water may be made available to help meet the growing water requirements of the state. (Wat. Code, § 13512.) The State Water Board provides funding for water recycling projects that offset, or augment state or local fresh water supplies through its Water Recycling Funding Program. This proposal provides \$100 million for recycled water projects.

The existing Water Recycling Funding Program promotes the beneficial use of treated municipal wastewater (water recycling) through grants and loans in order to augment fresh water supplies in California by providing technical and financial assistance to agencies and stakeholders in support of water recycling projects and research. Projects will be awarded through a competitive selection process and leveraged with voter approved Proposition 1 and Proposition 68 funds and the Clean Water State Revolving Fund program.

State Revolving Funds (\$400 million). The federal Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) programs provide each state the opportunity to establish infrastructure funding programs capitalized by federal and State funds to provide financial assistance to a wide variety of local water and wastewater infrastructure projects. Since 1989, the State Water Board has made over 875 CWSRF loans totaling over \$12 billion, and since 1997, the State of California (acting since July 2014 through the State Water Board) has made over 540 DWSRF loans totaling over \$3.6 billion. Approximately half of the funds committed by the programs have been financed over the last seven years alone.

Under H.R. 3684 (Infrastructure Investment and Jobs Act or "IIJA", also known as the Bipartisan Infrastructure Law or "BIL"), both the CWSRF and DWSRF are expected to see their annual federal capitalization grant levels increase approximately 500 percent of their current average amount. California receives between 7 and 9 percent of the national allotments annually for both CWSRF and DWSRF, respectively. In addition, IIJA includes appropriations that are specifically earmarked for "emerging contaminants" and replacement of "lead service lines." Additional demand is expected from local agencies to fund infrastructure upgrades and improvements to address the impacts of climate change on water and wastewater facilities so that they can continue to meet regulatory requirements and provide the vital services for which they are designed.

Additional demand is also expected to target the use of funds specifically appropriated to address emerging contaminants and lead service line replacements.

To effectively administer the significant increase of annual federal grant funds, address emerging contaminants, lead service lines, Water Resilience funds approved in the 2021-2022 Budget, and climate change, the State Water Board requests 29 permanent positions. With these positions, the State Water Board will develop and implement public-facing communications strategies that foster awareness, understanding, and appreciation of the state's financial and technical support for local drinking water, wastewater, and recycled water projects; provide additional outreach and solicitation efforts to identify specific, eligible projects; review and manage additional applications, development of agreements, project management activities, and loan servicing; support activities related to encumbrance and disbursement of funds, compliance reporting, and cashflow management; and information technology support services. The requested staffing will position the State to timely and effectively commit and distribute the federal SRF capitalization funds and Water Resilience funds, addressing a long-standing need to construct infrastructure more resilient to climate change, replace aging infrastructure, finance projects to bring water systems into compliance, address water reliability, and meet the Human Right to Water policy goals.

In addition, the State Water Resources Control Board also requests \$400 million to provide state matching funds that are required as a condition of receiving the increased federal CWSRF and DWSRF capitalization grants. If matching funds are not provided, then future federal grants will not be awarded to California's CWSRF and DWSRF and those funds will be reallocated to other states by EPA. California's SRF programs have met past matching requirements with a combination of intermittent State bond fund contributions and the "local match" loan option. There are no current general obligation bond funds measures being proposed for voter consideration that would provide SRF match. The local match option is a way for SRF loan recipients to contribute the state match and receive an additional discount on their loans. It was successful in the past when interest rates were higher, but with historically low interest rates, the local match option is more expensive for SRF loan applicants and is, therefore, not a viable option at present. The SRF programs can sell match bonds, as allowed by US EPA. The downsides of this option are that it only repurposes existing SRF funds (past and future loan interest) to repay the match bonds, making the repayment stream (annual bond principal and interest payments) unavailable for future SRF loans.

Furthermore, the State Water Board requests that trailer bill language be added to amend Water Code Section 13480 to eliminate the limitation that CWSRF non-repayable funds be disbursed directly from federal funds. The State Water Board is unable to fully comply with federal policy on unliquidated obligations (ULO policy) as a result of this restriction on the CWSRF program, placing California at risk of reduced or withdrawn federal CWSRF grants. This problem is occurring because state law currently requires CWSRF principal forgiveness to be provided solely from federal CWSRF capitalization grants. This proposal would remove restrictions on how principal forgiveness from the CWSRF is administered, to allow the State Water Board to more immediately disburse undrawn federal capitalization grant funds from the CWSRF and to comply with federal policy and guidance.

Expediting Large Scale Habitat Restoration (\$2 million). The State Water Board requests 8 PYs and \$2.0 million in spending authority to: 1) complete technical analyses required to bring voluntary agreements for consideration of adoption by the State Water Board; and 2) implement the voluntary agreements, once adopted.

Office of Planning and Research – Office of Community Partnerships and Strategic Communications

Save Our Water Campaign (\$100 million). The requested funding will allow for an expanded statewide public awareness and outreach campaign to support additional advertising, community partnerships, social media influencers, and content encouraging people to reduce their water usage. The campaign will connect with households in zip codes with high water usage with urgency about how and why to conserve water, along with the biggest water saving actions they can take. The campaign will also begin to build a strategy that aims to achieve a longer term culture shift. These efforts will empower Californians with the information and tools they need to adapt to a hotter and drier climate to make saving water a way of life. Community outreach will focus on highly interactive tactics and harder to reach communities across the state, and increase private and public partnership opportunities. Funding for public awareness and outreach targeting hard-to-reach communities will be managed by the Office of Community Partnerships and Strategic Communications. This work would be done in coordination with the California Natural Resources Agency, Department of Water Resources and other state subject matter experts to help inform the campaign. This Office was created to manage the state's highest priority public awareness and community outreach campaigns, and will leverage valuable lessons learned from prior statewide campaigns during implementation of the Save Our Water campaign.

Department of Water Resources (DWR)

Forecast Informed Reservoir Operations (FIRO) Improved Runoff Forecasting/Snow Data (\$16.75 million ongoing). The funding for the FIRO partnership will allow DWR to partner with federal agencies, local water agencies, and the University of California (UC) in multiple projects to determine how weather forecasts generated through research and weather modeling by UC can be used to allow changes in United States Army Corps of Engineers (USACE) water control manual regulatory requirements for dam operations at selected sites. Allowing flexibility in existing regulatory requirements could permit increased storage in dry years during the winter flood control season, providing a greater water supply buffer during droughts. Forecasts also enable improved flood response and management by allowing more time to release water at lower flows that enable more flood storage at the reservoir. Advancing observations, forecasts, and associated decision support are critical to the successful adaptation of real-time water management to a warming world.

In response to WY 2021 forecast problems and climate change impacts, funds will also provide funding for the collection of Airborne Snow Observatory (ASO) data in the Sacramento River Basin for the purpose of improving snow data collection in this region. The snowpack data from ASO has historically been as high as 97% accurate compared to the larger errors that result from gaps in data due to the spatial limitations of having only point-source data. In order to facilitate the forecast improvements using climate informed and physically based models, the use of remote data such as ASO is essential. The combination of this model and ASO data will significantly improve the accuracy of the runoff forecast.

Urban Community and Multi-benefit Drought Relief (\$140 million). 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. To date the program has awarded \$250 million for 85 projects. This proposed \$140 million will augment the existing local assistance grant program, providing competitive and directed action

grants to applicants. 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 and broader multi-benefit water use objectives. Example projects include infrastructure rehabilitation, interties, intake structures, leak detection, water loss audits, recycled water systems, advanced/smart metering systems, stormwater capture/retention, groundwater recharge, recovery, conveyance, and treatment, groundwater supply and wells, drinking water system consolidation, agricultural system improvements, drought resilience planning, and water supply forecasting. This is in addition to the \$60 million requested in the Governor's Budget in January.

Small Community Drought Relief (\$40 million). As conditions continue to worsen in various parts of the state, including the Sacramento Valley, due to a record-setting dry January and February the need for funding to address urgent drought needs in small communities remains critical. The current 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 65 of those applications for a total of \$142 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 urgent drought needs that otherwise would go unmet. This is in addition to the \$60 million requested in the Governor's Budget in January.

Emergency Drought Barriers (\$27 million). The funding will support Delta salinity through planning for installation of Drought Salinity Barriers at locations within the Sacramento-San Joaquin Delta Estuary for 2022-23. Installation of the Drought Salinity Barrier is an extra ordinary measure to avoid an emergency that would result in an unacceptable hazard to life and economic hardship. The Drought Salinity Barrier repels the intrusion of ocean salinity into the Delta that would cause water quality to degrade to levels that render it an unacceptable raw water source for drinking water, commercial, and industrial uses, thus creating risks to human health and causing economic hardship. It is designed to conserve water for use later in the year to meet the State and Federal Endangered Species Act requirements, and to meet, to the greatest extent possible, water quality objectives in the Delta for beneficial uses, and retain water supply for human health and safety uses. The location of the additional barriers are:

- West False River barrier installation/removal including mitigation (assume no notching): \$21 million
- 2023 Steamboat and Miner Slough barrier planning/installation/removal including mitigation: \$6 million.

Water Storage Tanks for Emergency Water Supply (\$21 million). Funding will be used to purchase up to 1,000 water storage tanks, pre-position tanks, set-up and remove when longer-term solutions are put in place. Funding also supports temporary positions to procure and manage state purchased supplies which will be made available to counties or communities that need immediate assistance for domestic wells that have gone dry. This effort would be in addition to existing grant programs managed by State Water Board, Department of Water Resources and California Office of Emergency Management. Storage tanks would be provided to communities outside of county jurisdiction, to counties not currently engaged in state grant programs (and may not be able to engage quickly enough as emergency conditions arise) and could also include

Tribes requiring emergency assistance. DWR, State Water Board, CAL OES, Department of General Services and California Department of Food and Agriculture have coordinated on identifying the need for this action and estimated resources. DGS will provide support by developing a master contract for purchasing tanks and associated supplies.

Water Transfers Pilot Project (\$20 million). As Water Years 2021 and 2022 have shown, California's hydrology is becoming increasingly extreme and unpredictable. New water management approaches are needed as the state is transitioning to a warmer and drier climate in which the traditional timing for many water management decisions is changing. California's water transfers market has been driven by short-term annual transfers that rely on availability of water from a relatively limited number of senior water rights holders. These supplies are becoming less reliable as dry conditions result in cuts or threatened cuts to water rights settlement contractors, creating less certainty for urban buyers needing to bolster not only current year supplies but also to plan for the potential of continued multi-year dry conditions. The purpose of the pilot project is to develop experience with contracting approaches for multi-year transfers and to test sellers' willingness to enter into these agreements. DWR would acquire water from willing sellers and sell it to buyers with critical needs or provide some of the purchased water for targeted critical environmental purposes that could vary with specific hydrologic conditions or species' needs. The State Water Project and Central Valley Project are in new circumstances with managing project supplies to meet minimum health and safety needs of their contractors, and the pilot project would additionally provide a safety net for addressing unexpected contingencies arising from this situation.

Support New County-level Drought Planning Requirements (\$15 million). The funding would be used for a pilot project to develop an inventory of active water wells in the counties at highest-drought risk of domestic well impacts in the state. The existing state well information makes drought response difficult since it includes wells that are no longer in use and could be missing wells in certain areas. This funding would be used to contract with a direct technical assistance provider to work with counties and community organizations to canvas areas and identify where active water wells are located, as a fundamental step for counties to inform the development of water shortage plans, consistent with SB 552 requirements.

Central Valley Flood Protection Plan (\$2.1 million). The funding would be used to begin development of the legislatively mandated, (Water Code section 9612 (e)) 2027 Central Valley Flood Protection Plan and Conservation Strategy and advances high priority multi-benefits. Coordinating flood management with water supply will support drought preparedness in two key ways: improving reservoir operations and using floodwaters for managed aquifer recharge (also known as Flood-MAR). California's large water supply reservoirs have requirements to maintain storage capacity to capture runoff during floods. When long-term forecasts indicate a storm could overwhelm the flood storage capacity of a reservoir, operators are forced to begin releasing water long before the storm hits. However, sometimes storms do not deliver the amount of runoff predicted, and reservoirs release more water than necessary, thereby losing water that could have been used later. By improving flood conveyance capacity of rivers downstream, reservoir operators can safely wait longer for more accurate forecasts and avoid releasing water unnecessarily. Improving the flood system to promote Flood-MAR allows water managers to direct flood flows onto floodplain areas, either natural or farmed lands, where the water can percolate into groundwater basins to be stored for later use. Resilient drought preparedness in California will not be possible without improvements to and coordination among flood management, reservoir operations, and groundwater management.

Solar Demonstration Projects Associated with Water Infrastructure (\$30 million). The funding will support climate-friendly solar demonstration projects associated with water infrastructure in California. In recent years the concept of solar over canals and floating solar have emerged as a climate-friendly potential solution to develop renewable energy resources where open land is scarce or too valuable for a change of use. Solar over canals refers to solar photovoltaic (PV) panels that are mounted on infrastructure that spans a canal. This differs from floating solar, or floating PV, for which panels float directly on the surface of the water body. The opportunity and market for solar energy is rapidly expanding due to increased interest in renewable energy. Installation of solar PV panels over canals or floating solar may potentially have benefits over conventional ground-mounted solar.

SGMA Implementation (\$26 million). The \$26 million will support Sustainable Groundwater Management Act (SGMA) implementation. Of this request, \$20 million will be for grant funding to local public agencies to support planning, engineering, and construction of projects that further implement 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. These funds would be awarded through the Department's existing Sustainable Groundwater Management Grant Program.

Funding will also support efforts to provide tools, technical services, and datasets. Expansion will include the support of groundwater trading throughout the State as identified in the California Water Commission's Groundwater Trading White Paper. This White Paper was developed in response to Action 3.6 of the Governor's Water Resilience Portfolio. The Groundwater Trading White Paper recommended actions the State could take to support groundwater trading. These funds would initiate implementation of those recommendations.

Agricultural Drought Response Program (\$50 million). Several consecutive dry years and low combined storage in State and federal Project reservoirs have significantly tightened water supplies throughout the Central Valley. This funding will support agricultural water conservation practices, such as temporary land fallowing, delaying the replanting of orchards until the drought subsides, offsetting the cost of importing feed instead of using groundwater for local production in order to reduce crop consumptive water. The reduction of consumptive water use will help protect water quality, improve aquatic ecological conditions and protect water supply in underrepresented communities. It is anticipated this amount of funding will conserve up to 360,000 acre-feet of water through October 2022. This program mirrors a similar program in the Sacramento River watershed supported by federal funding.

Delta Drought Response Pilot Program (\$10 million). Several years of drought have further tightened water supplies and contributed to declines in water quality in the Sacramento-San Joaquin Delta (Delta). Coupled with increasing climate change impacts, these drought-related threats to the Delta's long-term sustainability highlight the need to expand datasets and improve mutual understanding of regional water budgets in the unique Delta landscape. Building upon and informed by the successful Delta Drought Response Pilot Program initiated in 2021, this funding will support the implementation and monitoring of additional agricultural conservation practices in a variety of Delta regions and is anticipated to conserve 10,000 – 30,000 acre-feet of water. The information obtained through an additional year of this program will help inform what actions may best contribute to consumptive use reductions and improve understanding in how those actions differ regionally throughout the Delta.

Aquatic Habitat and Drought Resilience (\$122 million). Funding shall be for programs and projects that improve environmental conditions to promote recovery of native fish species in the Sacramento-San Joaquin watershed, including habitat restoration projects, multi-benefit projects that promote native species improvements while increasing climate resiliency, and projects that enable water users to make additional flows available for environmental purposes; and for programs and projects that improve the capacity of water suppliers to adapt to changing precipitation patterns and better endure drought and flood.

Expediting Large Scale Habitat Restoration (\$1.8 million). Funding will support 7 new positions to implement the Voluntary Agreements, once adopted. These positions would support the coordination, implementation, tracking, and accounting for the tributary and exporter flow contributions to the VAs. The positions would also support synthesizing science and monitoring information derived from the implementation of VA flow and habitat assets.

Sacramento Valley Migratory Bird Habitat Program (\$10 million). Drought conditions and specifically the unavailability of surface water for flooding working landscapes severely impact the millions of Pacific Flyway waterbirds that depend on the Sacramento Valley for rest and food each winter. A \$5 million investment of FY 21-22 drought relief funds into existing landowner incentive programs resulted in the enhancement of ~53,000 acres of wetlands and agricultural fields, significantly offsetting the drought's impacts on these important species. The requested FY 22-23 funds would support these successful programs through another year.

Reintroduction of Salmon Study (\$4 million). Ongoing impacts related to habitat loss, disease, and warm water temperatures which have become more prevalent under the current drought and rapidly changing climatic conditions threaten the very existence of Spring-run Chinook Salmon in the Central Valley. Working with state, tribal, and federal partners the DWR Riverine Stewardship Program will investigate the value of and the potential for the reintroduction of spring-run salmon in the high elevation habitat of the North Fork Feather River above Lake Almanor. This effort will provide support for 2 existing PY's and would also explore technology and approaches that will inform the potential for reintroduction above rim dams in this watershed and other watersheds currently being contemplated. This work will be done in close partnership with California Department of Fish and Wildlife, federal fish agencies, tribes, and various stakeholder groups. This effort aligns and supports Water Resiliency Portfolio goal 10 to reconnect aquatic habitat to help fish and wildlife endure drought and adapt to climate change.

20 positions for ongoing support, coordination, and planning for drought related activities. The funding would support 20 new permanent positions to address the on-going drought and climate change work of the Department. The positions would support the following:

- 2.0 positions (Supervising Engineers, Water Resources (WR)) to provide ongoing support, coordination, and planning for drought related activities.

During drought emergencies these positions will support department drought response activities including coordinating activities across multiple programs or agencies, preparing reports and status updates, documenting drought response actions, supporting external drought communications, administering contracts, and monitoring funding needs/expenditures. During non-emergency times, these positions will lead in modernizing DWR operational practices to transition to a warmer and drier climate, advance new technologies to support drought response/preparedness, coordinate ongoing drought preparedness activities, and track/evaluate effectiveness of state grant-funded

local/tribal projects to respond to drought emergencies or improve water supply reliability/drought resilience.

- 3.0 positions (Attorneys) to provide legal support on drought-related priorities projects and programs:
 - Attorney III to provide legal support for high-priority habitat restoration and multi-benefit projects that will provide and promote native aquatic species resiliency during drought conditions.
 - Attorney III to provide legal support related to the oversight, evaluation, and management of projects related to State Water Project operations, including habitat restoration projects, water transfers, and water conservation under drought conditions.
 - Attorney III to provide legal support for expedited grant administration related to local emergency drought assistance and grants to local water agencies facing loss of water supplies including for infrastructure needs, such as developing guidelines, drafting funding agreements and regulations to fit specific funding programs and advising on appropriate uses or particular sources of funding.

- 4.0 positions (1 Sr. Engineer, Water Resources (WR); 2 Engineer, WR, 1 Senior Environmental Scientist) for Drought Relief programs (Financial Assistance Branch/Regional Offices for Urban/Smalls/Tanks/ag grant administration):
 - Senior Engineer, WR to develop and administer statewide tank programs as part of the Small Community Drought Relief Program (SCDRP). This includes application process development, community outreach, tank deployment and decommissioning. This position will also work with tribes and small communities on the SCDRP to implement and develop their project grants as well as provide oversight to drought staff in the Northern and North Central Regional Offices.
 - 2.0, WR to implement the statewide drought and tank programs. This includes assisting communities with the development of tank programs, community outreach, tank deployment and decommissioning. The position will also work with tribes and small communities on the SCDRP to implement and develop their project grants.
 - Senior Environmental Scientist to lead Tribal and Disadvantaged Communities (DAC) (Equity) inclusion efforts for small community and urban drought relief programs.

- 2.0 positions (1 Engineer, WR; 1 Environmental Scientist) for Water Efficiency & Conservation Support for SB 552, county-level assistance, MWELO:
 - Engineer, WR to provide technical assistance to localsto implement SB 552. This includes coordinating with other state agency personnel to align goals and objectives of drought and water shortage resilience to support the building of local capacity to proactively mitigate shortages and improve in responding to water shortages; and managing direct technical assistance to county planning.
 - Environmental Scientist to support Model Water Efficient Landscape Ordinance (MWELo) implementation. MWELo is a critical component toward achieving new urban water use efficiency standards and facilitating urban retail water suppliers' compliance with the new urban water use objective requirement. This position will provide technical assistance to all cities and counties in California; including gathering feedback from landscapers, researchers, and land use authorities on effectiveness of implementation; and developing partnerships with

outreach organizations to increase public and land use authority understanding of MWELO's benefits and requirements (e.g., improve outdoor water use efficiency in response to drought).

- 4.0 positions (3 Engineer, WR and 1 IT Specialist II) to improve snowpack and runoff forecasting:
- 3.0 Engineer, WRs to implement the new physically based watershed models and develop products that result in water supply forecasting improvements. The positions will analyze the model results to track water year conditions and precipitation impacts to watershed recovery and runoff generation. During continuing dry years, the modeling team will explain how and where drought conditions will worsen. This will enhance understanding and communications of the variability in drought evolution/recovery due to the topography, geology, and vegetation conditions in the different regions.
- Information Technology (IT) Specialist II to provide IT, programming, application development, and database services vital for the success of several key drought response activities that improve hydrologic data collection and runoff forecasting. The position will provide IT and database support and development to enable the ingest of Airborne Snow Observatory (ASO) climate, weather, and other remote sensing data and modeling products into the California Data Exchange Center for use by water supply forecasting models. This data is vital to improving water supply forecasts.
- 5.0 positions (2 Sr Engineer WRs, 2 Program Manager 1's, and 1 Environmental Program Manager 1) to support critical habitat restoration implementation and assist with habitat enhancements that support species resilience during drought:
 - Two Sr Engineer WRs and Two Program Manager I Positions to design, manage, implement, and coordinate high-priority habitat restoration and multi-benefit projects throughout the Central Valley that will provide and promote native aquatic species resiliency, particularly during drought conditions.
 - One Environmental Program Manager I to serve as a liaison between DWR and the State and federal resource agencies (e.g., California Department of Fish and Wildlife, National Marine Fisheries Service, and US Fish and Wildlife Service) to collaborate on and address climate change and drought impacts on real-time flood facility operations. Position will assist DWR in implementing key new projects, and modifications and maintenance to existing DWR flood facilities to improve habitat conditions and aquatic species resilience during drought conditions, while also preserving flood protection features of the facilities. The position will also develop long term management strategies to address drought impacts on habitat and aquatic species in floodways and flood systems/structures.

California Natural Resources Agency (CRNA)

Expediting Large Scale Habitat Restoration (\$216,000). CNRA requests 1 PY and \$216,000 General Fund in 2022-23 and ongoing to assist with large- scale habitat restoration projects. These projects are complex and require consultation with a wide variety of permitting agencies and stakeholders. Agency level oversight is needed to provide effective coordination and consultation among project proponents, non- governmental organizations, other stakeholders, tribes, and numerous agencies, including departments within CNRA (including the Department of Water Resources and California Department of Fish and Wildlife), the State and Regional Water Boards, CalEPA, the U.S. Bureau of Reclamation, the U.S. Army Corps of Engineers, the U.S. Fish and Wildlife Service, and the National Marine Fisheries Service. This position will

ensure that timely coordination and consultation occurs, that habitat restoration is consistent with CNRA policies, and that issues are promptly elevated and resolved.

State Department of Social Services

State Disaster Food Assistance Program (\$23 million). During California's previous drought, food banks distributed an average of 51,000 Drought Food Assistance food boxes per month. The current drought is expected to be more severe and may increase the level of food insecurity. Inflation is hitting an all-time high, pushing food and gas prices up, likely leading to increased costs for this response. The new Drought Food Assistance funding will allow the distribution of 58,000 food boxes per month to drought-affected areas that suffer high levels of unemployment.

Department of General Services

Water Conservation Projects (\$26 million). During this time of severe drought, every industry is being challenged to identify where they can maximize water savings and respond to build climate resilience. The state is no exception. In leading by example, DGS has been working across state agencies and departments to identify where the state can attain further permanent water savings across state-owned facilities. DGS's Office of Sustainability will facilitate a \$26 million Water Conservation Grant Program that will provide critical funding and technical assistance for much needed water conservation projects identified at state facilities. This grant program builds off the first State Water Conservation Grant Program of \$10 million that DGS created and administered from 2015-2018 that produced an estimated savings of 300 million gallons of water annually.

- In addition, the May Revision includes:
 - \$1.2 million General Fund ongoing for the Judicial Council to address climate, environmental, and water-related legal disputes.
 - \$75 million General Fund one-time to support the Small Agricultural Business Drought Relief Grant Program to provide direct assistance to eligible agriculture-related businesses that have been impacted by severe drought conditions.
 - \$500 million General Fund in 2025-26 to serve as a multi-year commitment to promote strategic water storage projects in the state that benefit water supply reliability and the environment. These resources are intended to build upon the \$2.7 billion provided in Proposition 1 under the Water Storage Investment Program to accelerate critical projects as part of a comprehensive and coordinated approach to water resiliency as outlined in the California Water Resilience Portfolio.

Background. For reference, the chart below is the Water Resilience Package approved in the 2021 Budget Act:

Water Resilience Package
(In millions)

Investment Category	Department	Program	2021-22	2022-23	2023-24	Total
Drinking Water, Water Supply and Reliability, Flood	State Water Resources Control Board	Drinking Water/Wastewater Infrastructure	\$1,300	\$0	\$0	\$1,300
		PFA's Support	\$30	\$50	\$20	\$100
		Water Recycling/Groundwater cleanup	\$200	\$100	\$100	\$400
	Department of Water Resources	Salton Sea	\$40	\$100	\$80	\$220
		SGMA Implementation	\$180	\$60	\$60	\$300
		Water Conveyance	\$100	\$100	\$0	\$200
		Flood	\$313	\$237	\$88	\$638
		Watershed Climate Studies	\$25	\$0	\$0	\$25
	Department of Food and Agriculture	Aqueduct Solar Panel Pilot Study	\$20	\$0	\$0	\$20
		State Water Efficiency and Enhancement Program	\$50	\$50	\$0	\$100
Natural Resources Agency	Clear Lake Rehabilitation	\$5.7	\$0.0	\$0.0	\$6	
Immediate Drought Support	Various	Data, Research, and Communications	\$127	\$0	\$0	\$127
	Various	Drought Technical Assistance, Emergency Water Supplies, & Control Section	\$52	\$0	\$0	\$52
	Department of Conservation	Multi-benefit Land Repurposing	\$50	\$0	\$0	\$50
	Department of Water Resources	Small Water Suppliers Drought Relief & Urban Water Management Grants	\$500	\$0	\$0	\$500
	Various	Drought Permitting, Compliance, and Enforcement	\$36	\$3.5	\$3.5	\$43
	Department of Fish and Wildlife	Drought Fisheries and Wildlife Support	\$43	\$0	\$0	\$43
Nature Based Solutions	Natural Resources Agency	Water Resilience Projects	\$165	\$100	\$180	\$445
	Wildlife Conservation Board	Wildlife Corridors/Fish Passage	\$65	\$40	\$0	\$105
		Stream Flow Enhancement Program	\$100	\$150	\$0	\$250
	State Water Resources Control Board	Border Rivers	\$20	\$0	\$0	\$20
	Various	Restoration of Natural Areas and Ecosystems	\$130.1	\$24.4	\$8.9	\$163
	Various	Urban Streams	\$30	\$20	\$0	\$50
Total			\$3,582	\$1,035	\$541	\$5,157

VARIOUS DEPARTMENTS: Extreme Heat.

(Discussed at the Subcommittee 2 hearing on May 12, 2022)

- The May Revision proposes \$300 million spread over two years (\$150 million annually) to address extreme heat, as shown in the chart below:

Extreme Heat
(Dollars in Millions)

Plan or Framework Category	Department	Program	2022-23	2023-24	Total
Cool Communities	Strategic Growth Council	Resilience Centers	\$85	\$85	\$170
	CAL FIRE	Green Schoolyards (Urban Forestry)	\$25	\$25	\$50
Protecting Vulnerable Populations and Ecosystems	Department of Public Health		\$3	\$0	\$3
	Department of Industrial Relations	Enhanced Protections for Vulnerable Populations	\$12.25	\$12.25	\$24.5
	Department of Social Services		\$2.75	\$5.75	\$8.5
	Department of Food and Agriculture	Animal Mortality Management Program	\$0.6	\$0.6	\$1.2
		Origin Inspection Program	\$0.25	\$0.25	\$0.5
	Department of Pesticide Regulation	Integrated Pest Management Technical Assistance	\$1.075	\$1.575	\$2.7
Increasing Public Awareness	Office of Planning and Research	Community-Based Public Awareness Campaign	\$6	\$14	\$20
Build a Climate Smart Workforce	Workforce Development Board	Extreme Heat High Road Training, Partnerships, and Apprenticeships Programs	\$13	\$4	\$17
Total			\$150	\$150	\$300

- Among the proposed investments, include:
 - \$170 million over two years to support cooling of communities at schools and through resilience centers.
 - \$50 million over two years for Green Schoolyards (urban forestry) through CalFire.
 - \$43 million to protect vulnerable populations and ecosystems from extreme heat impacts through enhanced enforcement of codes, standards, and regulations.
 - \$20 million for a community-based public awareness campaign to increase understanding of the risks posed by, and types of resources to protect against, extreme heat.
 - \$17 million to invest in High Road workforce development and training in jobs and careers that address extreme heat.

VARIOUS DEPARTMENTS: Nature-Based Solutions.

(Discussed at the Subcommittee 2 hearing on May 12, 2022)

- The May Revision allocates \$768 million, which was set aside in the 2021 Budget Act for nature-based solutions spread over two years, as shown in the chart below:

Nature-Based Solutions
(Dollars in Millions)

Investment Category	Department	Program	2022-23	2023-24	Total
Nature-Based Solutions Programs	Wildlife Conservation Board	Forest Conservation Program			
		Oak Woodlands Conservation Program			
		California Desert Conservation Program			
		Rangeland, Grazing Land and Grassland Protection Program	\$200	\$45	\$245
		California Riparian Habitat Conservation Program			
		Natural and Working Lands Climate Adaptation and Resiliency Program			
	Department of Fish & Wildlife	Nature-Based Solutions Wetlands Restoration Program	\$54	\$0	\$54
	Delta Conservancy		\$36	\$0	\$36
Department of Conservation	Multi-benefit Land Repurposing Program	\$0	\$20	\$20	
Department of Food & Agriculture	Healthy Soils Program	\$0	\$10	\$10	
CAL FIRE	Wildland Grazing (Fire Prevention Grant Program)	\$5	\$5	\$10	
Supporting Regional Action	State Conservancies	Support for Nature-Based Solutions	\$60	\$60	\$120
	Department of Fish and Wildlife & Santa Monica Mountains Conservancy	Wildlife Corridors (including Liberty Canyon)	\$50	\$0	\$50
	Department of Fish and Wildlife	Natural Community Conservation Program Planning and Land Acquisition	\$36	\$0	\$36
	Department of Conservation	Climate Smart Land Management Program	\$14	\$6	\$20
	Wildlife Conservation Board	Resource Conservation Investments Strategies	\$2	\$3	\$5
Expanding Educational and Economic Opportunities for Youth Climate Leaders	Conservation Corps	Local and Tribal Nature-Based Solutions Corps	\$35	\$17	\$52
Partnering with California Native American Tribes	Natural Resources Agency	Tribal Nature-Based Solutions Program	\$100	\$0	\$100
Additional Strategic Investments	CalRecycle	Compost Permitting Pilot Program	\$0.5	\$7	\$7.5
	Natural Resources Agency	Nature-Based Solutions Partnerships and Improvements	\$0.25	\$1.75	\$2
	Natural Resources Agency	CA Nature Support	\$0.25	\$0.25	\$0.5
Total			\$593	\$175	\$768

- Among the proposed investments, include:
 - \$245 million spread over two years to the Wildlife Conservation Board for various conservation programs.
 - \$90 million spread over two years for wetlands restoration.
 - \$120 million to State Conservancies over two years to support nature-based solutions.
 - \$50 million in 2022-23 for wildfire corridors.
 - \$52 million over two years for Local and Tribal Nature-based solutions corps.
 - \$100 million in 2022-23 for the Tribal Nature-Based Solutions Program to advance tribal initiatives that advance shared climate and biodiversity goals and accelerate the use of nature-based solutions to address climate change. The Administration also proposes to establish a Tribal Natural Resources Council for the purpose of fostering inclusive partnerships with tribes in addressing biodiversity issues. The Council is intended to support the California Natural Resources Agency's efforts to develop and implement the Tribal Nature-Based Solutions program and other tribal affairs programs and policies.

- Other adjustments related to Nature-Based Solutions in the May Revision include:
 - \$50 million General Fund one-time to the State Coastal Conservancy for acquisition of real property, such as shoreline properties to protect natural resources, provide for public access, and implement the state's nature-based solutions agenda.
 - \$18.3 million General Fund one-time for a climate information system to integrate and analyze the most current climate monitoring data. This funding is intended to support the initial planning and development of the system and ultimately comprise a central hub for climate data from local, state, and federal sources.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CalFire): Fire Protection.

- The May Revision includes various proposals to increase wildfire protection efforts including:
 - ***July through December Fire Protection Augmentation.*** \$83.1 million General Fund one-time to augment CalFire’s fire protection resources through December 2022 given current drought conditions, increasing fire severity and size, and declining inmate camp populations. This funding will support the continuation of 16 firefighter I fire crews, chainsaw operators to support California Military Department (CMD) force package fire crews, expanding training center capacity to accommodate these crews, additional vehicle repair/maintenance funding, and associated administrative costs. It is also requested that budget bill language be added to exempt CalFire from specified contracting requirements to facilitate quickly implementing these resources.
 - \$150.2 million (\$141.7 million General Fund) and 465 positions to enhance CalFire’s capabilities to meet the demands of wildland firefighting.
 - ***CalFire Staffing to Support California Conservation Corps (CCC) and California Military Department (CMD) Fire Crews.*** \$104.4 million General Fund (\$49.9 million ongoing) and 270 positions, phased in over four years, to provide for the CalFire staffing component of two Governor’s Budget fire crew proposals. Combined, these proposals will add eight new year-round California Conservation Corps (CCC) and CMD fire crews (four crews each) and convert 16 existing seasonal CCC and CMD crews to year-round crews (6 CCC and 10 CMD). This proposal also includes one-time funding for facility improvements necessary to support these crews. This proposal will increase the overall number of permanent hand crews intended to be available to: (1) respond to wildfires throughout the year, (2) implement high-priority fuel reduction projects, and (3) participate in prescribed fire and other fuels treatment projects.
 - ***Direct Mission Support — Total Force.*** \$37.8 million (\$29.3 million General Fund) in 2022-23, \$35.6 million (\$27.5 million General Fund) ongoing and 190 positions intended to enhance staffing, improve operational effectiveness, and provide administrative and program support necessary to support CalFire’s direct mission functions.
 - ***May Revision Update: Emergency Surge Capacity and Response Enhancements.*** \$8.8 million (\$8.4 million General Fund) and 34 positions in 2022-23, \$8.4 million (\$8 million General Fund) in 2023-24 and 2024-25, and \$1.7 million (\$1.3 million General Fund) and five positions ongoing to reflect the staffing components of two Governor’s Budget surge capacity proposals as well as incremental increases to various other Governor’s Budget proposals to reflect Bargaining Unit 8 pay scales. The General Fund portion of the staffing costs for these two Governor’s Budget surge capacity proposals are offset by a reduction of the same amount from the \$400 million ongoing General Fund set-aside included in the Governor’s Budget.

3790 DEPARTMENT OF PARKS AND RECREATION

- ***Equitable Access Program: New State Park, Reappropriation.*** The May Revision proposes to reappropriate \$5 million for the Equitable Access Program: New State Park for acquisition and development of the 1,600 acre Dos Rios property at the confluence of the San Joaquin and Tuolumne Rivers currently owned by the non-profit, River Partners. Provisional language is requested for encumbrance until June 30, 2025, and for the funds to be available for acquisition, study, preliminary plans, working drawings, and construction.
- ***Cannabis Watershed Protection Program Positions.*** The May Revision proposes 61 positions ongoing. These positions will support the Cannabis Watershed Protection Program implementation addressing needs, including statewide efforts to prevent illegal cannabis cultivation in state parks, remediation of environmental impacts, and restoration of natural habitats and lands impacted by cannabis cultivation. This request will be supported by the Department's Cannabis Tax Fund allocation designated for these purposes.
- ***India Basin.*** The May Revision includes \$25 million General Fund one-time for the India Basin Project in San Francisco.

VARIOUS DEPARTMENTS: Cap-and-Trade Expenditure Plan.

- The May Revision includes an additional \$120 million to the Cap-and-Trade Expenditure Plan, as follows:
 - \$100 million Greenhouse Gas Reduction Fund (GGRF) one-time for methane satellites. The purpose is to expand the number of satellites launched for methane observations, which would provide weekly measurement of large methane emissions in the state and enhance enforcement capabilities. This data is intended to allow the state to identify the source of these emissions, work with programs to hold emitters accountable for violations, and further reduce the amount of short-lived climate pollutants in the atmosphere.
 - \$20 million GGRF one-time for AB 617 Community Air Protection Program. The Governor's Budget included \$240 million to support AB 617; this additional allocation would bring the total proposed investment to \$260 million.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL: Greenville Lead Cleanup Project.

- The May Revision proposes \$47 million General Fund one-time to remove soil with elevated lead concentrations in Greenville, which were discovered during debris cleanup following the Dixie Fire of 2021. The resources will be used for contracting the services needed to remove contaminated soil, which will allow property owners to rebuild and residents to return with significantly reduced risk of exposure to contamination.

ENERGY

3360 CALIFORNIA ENERGY COMMISSION

3860 DEPARTMENT OF WATER RESOURCES

4700 DEPARTMENT OF COMMUNITY SERVICES DEVELOPMENT

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

Energy Reliability, Relief and Clean Energy Investments

The Governor's January Budget included \$2 billion for a Clean Energy Investment Plan to support innovation and deployment of clean energy technologies in the energy system. The May Revision includes an additional \$8 billion investment to further increase the state's energy system's resilience, increase reliability and affordability, and accelerate the deployment of the resources needed to achieve California's clean energy transition, and provide debt relief to California households impacted by the COVID-19 Pandemic. This brings total proposed investments in energy to \$10.05 billion over five years. The May Revision investments are as follows:

Energy Reliability, Relief and Clean Energy Investments

(Dollars in Millions)

Investment Category	Program	Agency	2021-22	2022-23	Multiyear Total
Ratepayer Relief	California Arrearage Payment Program	CSD	\$0	\$1,200	\$1,200
	Capacity Building Grants	CPUC	\$0	\$30	\$30
Reliability	Investments in Strategic Reliability Assets	DWR	\$1,500	\$445	\$4,250
	Distributed Electricity Backup Assets	CEC	\$550	\$0	\$950
	Residential Solar & Storage	CPUC	\$0	\$70	\$970
	Transmission & Energy Financing	IBank	\$0	\$250	\$250
	Demand Side Grid Support	CEC	\$200	\$0	\$295
Clean Energy	Carbon Removal Innovation	CEC	\$0	\$50	\$100
	Energy Data Infrastructure & Analysis	CEC	\$0	\$5	\$5
Total Package			\$2,250	\$2,050	\$8,050

- Arrearage Payment Program.** The May Revision proposes \$1.2 billion to address residential electric utility arrearages through the Department of Community Services and Development to mitigate the outstanding debt leading to increased utility rates. The 2021 Budget established the California Arrearage Payment Program (CAPP) and directed \$1 billion in federal American Rescue Plan Act funding towards financial assistance to reduce or eliminate past due energy bill balances accrued by customers economically impacted by the COVID-19 Pandemic.

The May Revision also includes \$200 million to address residential water and waste water arrearages.

- Strategic Electricity Reliability Reserve.** The May Revision proposes \$5.2 billion to invest in a Strategic Electricity Reliability Reserve, this includes \$4.25 billion at the Department of Water

Resources (DWR) for investments in strategic reliability assets, and \$950 million at California Energy Commission (CEC) for distributed energy backup assets.

The resources from which the Reserve will be developed may include existing generation capacity that was scheduled to retire, new generation, new storage projects, clean backup generation projects, diesel and natural gas backup generation projects with emission controls and all required permits, and customer side load reduction capacity that is visible to and dispatchable by the California Independent System Operator (CAISO) during grid emergencies.

- **Residential Solar and Storage.** The May Revision proposes \$970 million to the California Public Utilities Commission (CPUC) to provide residential solar and storage system incentives, including for low-income households. This consists of \$670 million for solar and storage systems for low-income households and \$300 million for additional storage installations paired with existing residential solar systems.
- **Transmission and Energy Financing.** The May Revision proposes \$250 million to leverage additional state financing tools dedicated to supporting the development of strategic clean energy projects that will assist the state in meeting its reliability, affordability and climate goals. Projects will be identified in coordination with the CPUC and the CEC and in consultation with the CAISO, as appropriate. To the extent possible, the program will look to maximize the involvement of third-party capital, including from the federal Department of Energy and the private sector, in order to increase the impact of the state-provided funds. The initial priority of this new financing will be to support the development of new transmission to deliver to the CAISO system, clean, firm electricity from new resources located in the Salton Sea region. This investment will support the state's goals for development of Lithium Valley in Imperial County.
- **Demand Side Grid Support.** The May Revision proposes \$295 million over multiple years to support the CEC in developing demand-side grid support initiatives. These efforts will help reduce energy demand on the grid during peak energy times.
- **Carbon Removal and Innovation.** The May Revision proposes \$100 million to support carbon removal projects at the CEC by providing match funding to supplement grants that projects receive from the federal government and non-profit foundations. This funding will be critical to providing in-state projects a competitive advantage when applying for funds, especially the federal funding available from the U.S. Department of Energy through the Infrastructure Investment and Jobs Act.
- **Capacity Building Grants.** The May Revision proposes \$30 million to provide capacity grants to community-based organizations that conduct outreach and technical assistance to foster participation in CPUC decision making processes, support ongoing equity initiatives, and provide clean energy access opportunities.
- **Energy Data Infrastructure and Analysis.** The May Revision proposes \$5 million in 2022-23 to provide resources to support the data warehousing and analysis of customer-level energy data CEC has acquired from investor-owned and publicly-owned utilities, which aid in the Commission's modeling of the clean energy transition.

The May Revision also proposes various investments and changes, as follows:

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

- **Rate Reform.** The May Revision proposes statutory revisions to allow the CPUC to adjust electricity rates to predetermined fixed charges with considerations of low- income customers. This rate reform effort will reduce charges attached to volumes of electricity consumed, help control rate volatility, and enable creation of better price signals that will enhance widespread electrification efforts.

3360 CALIFORNIA ENERGY COMMISSION

- **Climate Innovation Grant Program.** The May Revision converts two green tax credits proposed in the Governor’s Budget, the Innovation Headquarters Credit and the Credit for Green Energy Technologies, into a single grant program administered by the CEC and equal to the same amount proposed at the Governor’s Budget (\$1.05 billion over four fiscal years - \$100 million in 2022-23, \$325 million in 2023-24 and 2024-25, and \$300 million in 2025-26).

The program would provide grants to companies headquartered in the state with a focus on research activities into technologies to help California reach its climate goals. The grant will fund applied research and proto-type development (\$275 million), technology demonstration grants (\$350 million), and technology scale up grants (\$320 million).

Recipients would provide a return to the state if a company has either an Initial Public Offering or a change in ownership even that results in a greater than 50 percent change in the company’s capitalization table. The amount of return to the state if the company has demonstrated success will be reduced if certain contractually specified performance metrics are met, in awarding grants, the CEC shall consider whether the companies’ investments are moving from a state that has enacted anti-LGBTQ+ or reproductive rights laws.

- **Lithium Valley Development.** The May Revision proposes to spur the growth of infrastructure to support the development of geothermal and lithium extraction facilities in the Salton Sea region. The May Revision proposes to:
 1. Accelerate development by streamlining geothermal permitting, including strong environmental protections, in coordination with California Native American tribes;
 2. Provide \$5 million to support the development of geothermal energy and lithium recovery in the Salton Sea region through evaluation, community planning and engagement;
 3. Incentivize projects that manufacture, process, or recover lithium through a sales and use tax exclusion, making \$45 million available over three years for these incentives;
 4. Provide for local governments and residents to benefit from the development and extraction of lithium by establishing a tax per ton of lithium extraction, placing reporting and fee requirements on lithium extraction activities, and providing funds to contribute to the maintenance, operations, and restoration of Salton Sea, and grants to support disadvantaged communities in the region; and,

5. Create pathways for local residents to benefit from jobs created by the new industries. The May Revision proposes \$80 million to expand training at the San Diego State University, Brawley Center in the Imperial Valley.

- **CEC Permitting.** The May Revision proposes statutory changes be added to support a new permitting option at the CEC that prioritizes the development of projects needed to enhance energy reliability while also providing opportunities for public, tribal, and local government engagement and environmental review.
- **CEC Planning.** The May Revision proposes statutory changes support CEC updating its energy planning standards to further promote electricity reliability by overseeing that all load serving entities that are members of the CAISO adequately incorporate the impacts of climate change and extreme weather into their planning reserve margins.
- **Offshore Wind Resource.** The Governor’s January Budget proposed \$45 million to advance the state’s offshore wind resource. The May Revision proposes statutory changes for a new program at the CEC for offshore wind developers to voluntarily partner with the state to help engage communities and stakeholders. It also looks to further build capacity in communities to encourage engagement in the CPUC processes that shape the state’s energy future. The new program will support state activities that complement and are in furtherance of federal offshore wind laws, including offshore wind lease conditions of the Bureau of Ocean Energy Management. The program shall award moneys to public and private entities through various mechanisms, including, but not limited to, grants

3360 CALIFORNIA ENERGY COMMISSION

3900 CALIFORNIA AIR RESOURCES BOARD

Zero-Emission Vehicles. The Governor’s January Budget proposed \$6 billion over four years for zero-emissions vehicles (ZEV) and charging infrastructure. In the Spring, the Governor announced accelerating \$1.75 billion of the January ZEV package (\$1.5 billion) and the 2021 Budget act ZEV package (\$250 million) in the 2021-22 fiscal year. These adjustments were related to passenger vehicles and community-based options. The May Revision proposes to accelerate the following items from the January ZEV package:

- \$160 million for ZEV Drayage Trucks and Infrastructure Grants to deploy approximately 330 trucks with supporting infrastructure.
- \$100 million for ZEV Transit Buses and Infrastructure Grants to deploy approximately 370 buses with supporting infrastructure.
- \$150 million for ZEV School Buses to deploy approximately 340 school buses with supporting infrastructure.
- \$100 million for ZEV Clean Trucks, Buses and Off-Road Equipment infrastructure to support approximately 1,000 vehicles.
- \$20 million for emerging opportunities focused on transformational and innovative demonstration and pilot project(s) focused on hard-to-decarbonize sectors including zero-emission aviation, marine, and locomotive and vehicle-to-grid solutions.