

Senator Josh Becker, Chair
Senator Brian Dahle
Senator Mike McGuire



Thursday, April 13, 2023
9:30 a.m. or Upon Adjournment of Session
1021 O Street - Room 2200

Consultant: Joanne Roy

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Issue 13: Governor’s Proposed Budget Solutions: Other Non-Package Programs Proposed for Solutions

Held open

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

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)

Issue 1: California Unified Program, Accidental Release Prevention (CalARP), and Hazardous Materials Business Plan (HMBP) Program Support (Budget Change Proposal (BCP) and Trailer Bill Language (TBL))

Governor's Proposal. The Governor's budget requests \$719,000 from the Unified Program Account and four permanent positions in 2023-24 to support growing legal need in the Unified Hazardous Waste and Hazardous Materials Regulatory Program (Unified Program) and to support inspection and enforcement authority of the Hazardous Materials Business Plan (HMBP) and Accidental Release Prevention (CalARP) programs.

These programs have greater legal and regulatory needs than the CalEPA legal and regulatory teams have historically had the resources to provide, and those needs have grown as the result of a transfer of related programmatic responsibilities to CalEPA from the Governor's Office of Emergency Services (Cal OES) in July 2021.

Additionally, CalEPA requests TBL to give the Secretary new enforcement authority for the HMBP and CalARP programs. CUPAs implement and enforce at the local level, but if they fail to adequately execute their duties, the Secretary must have some ability to task an authorized state agency to take the appropriate enforcement action.

The TBL authorizes the Secretary's designee, and expressly authorizes CUPAs, to inspect facilities for enforcement purposes.

Staff Comments. The TBL proposes to add the clause, "Notwithstanding any other law," to Health and Safety Code (HSC) Section 25502(a)(1). However, there are no specific provisions that it is meant to reference. Because the clause is too broad, as well as unnecessary, staff recommends deleting "Notwithstanding any other law" from the proposed amendments to HSC Section 25502(a)(1).

Staff Recommendation. Approve as budgeted except delete the clause, "Notwithstanding any other law" from the proposed TBL.

3100 CALIFORNIA SCIENCE CENTER

Issue 2: Minimum Wage Increase and Wage Compression Impact (Budget Change Proposal (BCP) and Trailer Bill Language (TBL))

Governor's Proposal. The Governor's budget requests an ongoing baseline budget adjustment of \$723,000 beginning in 2023-24 to address the state's minimum wage increase (\$407,000) and wage compression (\$316,000) impact to its direct charge contract with the Foundation. As authorized by the Food and Agriculture Code Section 4101.4, the direct charge contract is for specialized functions that are not generally available in state civil service. These contracted services include exhibit maintenance, educational and guest services, and horticultural and animal care.

This proposal includes TBL to provide the Science Center the opportunity to request augmentation of its operating budget to mitigate the impact of any future state's minimum wage increases.

Staff Recommendation. Approve as budgeted.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

Issue 3: Water Supply Strategy Implementation (BCP and TBL)

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

- 19 permanent positions and \$4.73 million (\$4.23 million and 19 positions and \$500,000 in one-time contract funding from the Waste Discharge Permit Fund), in fiscal year 2023-24.
- Starting 2024-25, an additional nine permanent positions and \$2.333 million (\$1.425 million and seven positions and \$500,000 in one-time contract funding from the Waste Discharge Permit Fund, and \$408,000 and two positions from the Safe Drinking Water Account). This will provide total resources for 2024-25 in the amount of 28 positions and \$6.563 million (\$5.655 million and 26 positions and \$500,000 one-time contract funding from the Waste Discharge Permit Fund, and two positions and \$408,000 from the Safe Drinking Water Account.
- Starting 2025-26, an ongoing spending authority of \$6.063 million (\$5.655 million Waste Discharge Permit Fund and \$408,000 Safe Drinking Water Account) to continue the support of 28 permanent positions.

This request is intended to allow the Water Boards to address critical statewide water supply needs through planning and permitting for new water supplies. Resources will be used to:

- 1) Permit new recycled water projects, including potable reuse;
- 2) Develop plans and permits to increase the supply and number of brackish groundwater and seawater desalination facilities; and,
- 3) Identify incentives to increase stormwater capture and use.

This proposal includes TBL to modify Water Code sections 13260 and 13523 to address a gap in regulatory authority and the structural deficit of one of the Water Boards' main operating funds by extending the fee authority to enable the Water Boards to assess fees for recycled water permits, allowing the Water Boards to effectively carry out recycled water permitting responsibilities.

Addressing these staffing resource and funding needs is intended to support planning and permitting for new water supplies and storage to mitigate aridification in California in accordance with California's Water Supply Strategy, Adapting to a Hotter, Drier Future.

Staff Recommendation. Approve as budgeted.

3480 DEPARTMENT OF CONSERVATION

Issue 4: SB 1295 Clean-Up (CalGEM) (TBL)

Governor’s Proposal. The Governor’s budget requests TBL that includes technical amendments to SB 1295 (Limon), Chapter 844, Statutes of 2022, that will allow CalGEM to factor assessments added by SB 1295 into their fee schedule over the next two years. The assessments included in SB 1295 were connected to General Fund approved in the 2022 Budget Act agreement for oil well plugging and abandoning, and these technical amendments will allow CalGEM to incorporate the additional SB 1295 assessments into future budget authority.

More specifically, in order to assess the funding authorized in SB 1295, CalGEM must first build the appropriation authority into the Budget Act. When SB 1295 was enacted, the Budget Act was already completed for 2022-23 and it was too late to incorporate these costs in to the assessments. Due to that timing issue and the future period in which CalGEM submits fee schedules to industry, the fiscal years cited in SB 1295 have been pushed forward to 2024-25 and 2025-26.

Staff Comment. The proposed TBL amending Public Resources Code Section 3258(a)(2)(A) adds the word “leveraging,” which is a term of art and does not accurately reflect the intent. The \$7.5 million appropriated is supposed to come from the Oil, Gas, and Geothermal Administrative Fund to match the monies spent from the General Fund appropriation in 2022-23.

Staff recommends the following amendment to PRC Section 3258(a)(2)(A):

For the 2024-25 fiscal year, seven million five hundred thousand dollars (\$7,500,000), as a match to the dedicated General Fund appropriation for the 2022-23 fiscal year for the purposes of plugging and abandoning wells, decommissioning facilities, and site remediation pursuant to this article.

Staff Recommendation. Approve as proposed except replace “leveraging” with “as a match to” in PRC Section (a)(2)(A), as noted in the staff comment above.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**Issue 5: Water Recycling Project Fees (TBL)**

Governor’s Proposal. The Governor’s budget proposes TBL to require persons who are subject to the prescribed water reclamation requirements for water that is used or proposed to be used as recycled water and persons who have been issued a master recycling permit to pay the annual fee established by SWRCB.

This proposal is meant to address a gap in regulatory authority and the structural deficit of one of the Water Boards’ main operating funds by extending the fee authority to enable the Water Boards’ to assess fees for recycled water permits, allowing the Water Boards to effectively carry out recycled water permitting responsibilities.

Background. The Porter-Cologne Water Quality Control Act, with certain exceptions, requires a waste discharged to file a report of waste discharge with a Regional Water Quality Control Board (RWQCB) and to pay an annual fee established by SWRCB. Each RWQCB is authorized to prescribe water reclamation requirements for water that is used or proposed to be used as recycled water and to place

those requirements upon the person recycling water, the user, or both. In lieu of issuing waste discharge requirements or water recycling requirements for a user of recycled water, each RWQCB is authorized to issue a master recycling permit to a supplier or distributor, or both, of recycled water.

Staff Recommendation. Approve as budgeted.

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

Issue 6: Pharmaceutical and Sharps Waste Stewardship Program (TBL)

Governor's Proposal. The Governor's budget requests TBL that would give CalRecycle the authority to bill a stewardship organization based on projections with a reconciliation prior to the next billing cycle.

The proposed trailer bill language is intended to allow CalRecycle to ensure funds are available in the Pharmaceutical and Sharps Stewardship Fund (Fund) to cover the costs of all organizations that do work on the Pharma/Sharps program.

Background. Statute specifies that the fee must be adequate to cover all costs of administering and enforcing the program, the costs cannot exceed the state's actual and reasonable regulatory costs to implement and enforce the chapter. In addition, the statute states that on or before the end of 2022-23 fiscal year and once every three months thereafter, a program operator shall pay an administrative fee.

Based on the current established process for billing on existing extended producer responsibility programs and consistent with current statute, the Fund becomes reimbursement based, since billing are in arrears every 90 days on actual costs incurred. This is problematic due to the nature of direct appropriations to the Fund in which personnel services costs are attached — because CalRecycle must take steps to ensure there are adequate funds in the Pharmaceutical and Sharps Stewardship Fund.

Current statutory language for billing in arrears requires CalRecycle to always anticipate the costs of others doing work on the program and draw an inter-fund loan from the E-Waste Account to cover the costs until reimbursement occurs. Reimbursement occurs after all entities have paid on time; then, CalRecycle tracks the costs that were covered by the E-Waste Account for multiple state agencies to ensure the Account is paid back by the Pharmaceutical and Sharps Stewardship Fund.

It would likely be more efficient for all entities to allow billing in advance, ensure the health of the E-Waste Account along with the Pharmaceutical and Sharps Stewardship Fund, and make certain that staff costs due to administration of the Program are covered each month rather than via quarterly reimbursement in arrears.

Staff Recommendation. Approve as budgeted.

DISCUSSION

3860 DEPARTMENT OF WATER RESOURCES (DWR)

Issue 7: Flood Management Proposals:

- (a) Delta Levee System Integrity and Habitat Restoration Program
- (b) Systemwide Flood Risk Reduction Paradise Cut and Yolo Bypass Projects
- (c) Yolo Bypass-Cache Slough Master Plan and Comprehensive Study
- (d) Urban Flood Risk Reduction
- (e) 2027 Central Valley Flood Protection Plan
- (f) Central Valley Flood Protection Board: Local Maintenance Agency Assistance Program
- (g) Flood Maintenance Operations Support

Governor's Proposals. According to LAO, the Governor's budget proposes \$119 million General Fund in 2023-24 and \$35 million General Fund in 2024-25 for various flood projects in the Central Valley. The funding would support five projects and two studies conducted in collaboration with USACE. It also would support two projects as part of the Urban Flood Risk Reduction (UFRR) Program. (UFRR projects are consistent with USACE feasibility studies, but can be conducted on a faster time line by the state. Additionally, USACE typically requires the state to contribute a share of the costs of undertaking federal projects in California, and UFRR expenditures can be credited toward these requirements on future USACE projects.) Finally, funding would support two additional state projects and one study.

Governor's 2023-24 Flood Project and Study Proposals

General Fund, Unless Otherwise Noted (In Millions)

Activity	Proposed Funding		Estimated Total Project Cost	Estimated Future State Funding Needed	Estimated Completion Date
	2023-24	2024-25			
Flood Management Projects	\$114	\$35	\$4,647	\$577	
Mossdale Tract Multibenefit Project ^a	\$40	\$35	\$100	—	2025
West Sacramento Project ^b	25	—	1,130	\$70	2030
American River Common Features Project ^b	20	—	1,230	61	2026
Yolo Bypass Fix-in-Place Projects	15	—	40	45	2027/Ongoing
Paradise Cut Bypass Expansion and Ecosystem Enhancement Project	10	—	300	180	2030
Lower Cache Creek Project ^b	1	—	323	77	2036
Lower San Joaquin Project ^b	1	—	1,240	135	2032
Marysville Ring Levee Project ^b	1	—	193 ^c	10	2030
Smith Canal Gate Project ^a	1	—	91 ^d	—	2023
Flood Management Studies^e	\$5	—	\$22	\$8	
Yolo Bypass-Cache Slough Master Plan and Comprehensive Study	\$3	—	\$9	\$6	2027
Yolo Bypass comprehensive study ^b	1	—	8	1	2027
Reclamation District-17 feasibility study ^b	1	—	5	1	2027
Various Delta Levee Projects	\$41	—	—	—	
Delta levee special projects and state operations support	\$41 ^f	—	—	Unknown	Ongoing
Totals	\$159	\$35	\$4,669	\$585	

^a Urban Flood Risk Reduction project. Project consistent with U.S. Army Corps of Engineers (USACE) feasibility study. Expenditures can serve as state cost share for a future USACE project.

^b USACE project. Figure reflects state share of cost.

^c Preliminary estimate that could change based on the USACE Post Authorization Change Report, which will be completed by 2027.

^d Construction is still ongoing and could result in additional cost increases.

^e Figure reflects costs to complete each study; subsequent projects will result in additional and more significant costs to complete.

^f Includes \$27 million from Proposition 1 (2014) bond funds.

Source: LAO

More specifically, the Governor's budget requests the following:

- (a) ***Delta Levee System Integrity and Habitat Restoration Program.*** \$13.2 million General Fund one-time (\$11.2 million for state operations and \$2 million Local Assistance (two-year encumbrance and three-year liquidation period); and \$27.4 million in Proposition 1 funding for local assistance. Funding will provide continued support to the Delta Levees Maintenance Subventions Program and the Delta Levees Special Flood Control Projects Program that includes multi-benefit (i.e., levee and habitat improvement) project work. To allow for the accelerated delivery of LA funds, this proposal requests provisional language in the budget act to include: Any guidelines adopted to implement projects or activities are not subject to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. DWR's Delta Levee System Integrity and Delta Habitat Restoration Branch (Program) expects to commit all previously appropriated funding for projects by Spring 2023 and spend the next several years implementing the projects. Additionally, all state operations funds for administering the Program will be expended by June 2023.
- (b) ***Systemwide Flood Risk Reduction Paradise Cut and Yolo Bypass Projects.*** \$25 million in 2023-24 in Capital Outlay (CO) from General Fund. This request will support work and contracts needed to carry out the Paradise Cut Multi-Benefit Project and Yolo Bypass Fix-In-Place Projects. These projects improve climate resilience by reducing the risk of flooding while contributing to ecosystem restoration and other societal benefits such as agricultural sustainability.
- (c) ***Yolo Bypass-Cache Slough Master Plan and Comprehensive Study.*** \$3.35 million General Fund one-time for the state cost-share of the US Army Corps of Engineers (USACE) Yolo Bypass Comprehensive Study and continued development of the Yolo Bypass-Cache Slough Master Plan. The Master Plan will serve as the work plan, including all necessary projects and activities, for the Yolo Bypass-Cache Slough (YBCS) Partnership to achieve its goals for flood protection and public safety, ecosystem restoration, water supply and quality reliability, agricultural sustainability, and recreation. The USACE-led Comprehensive Study will evaluate the flood management projects in the Master Plan. Assuming the Comprehensive Study determines the projects generate significant net benefits and advance federal interests, then federal funding could be made available to match state and local funding for project implementation.
- (d) ***2027 Central Valley Flood Protection Plan.*** \$36.91 million General Fund State Operations in the following fiscal years: 1) \$4.41 million (\$3.998 million DWR and \$0.412 million CVFPB) in 2023-24; \$11 million in 2024-25; \$11.5 million in 2025-26; \$10 million in 2026-27. This funding supports the development of the 2027 Update to the Central Valley Protection Plan (CVFPP) and Conservation Strategy (CS) as required by Water Code Sections 9600-9616. Water Code Section 9616 requires DWR to complete numerous specific activities to update the CVFPP and CS, including but not limited to the following:
- Main Document - Develop programmatic vision for the flood system within the broader water management context of the Central Valley (Water Code Sections 9603, 9614, and 9616).
 - Flood System Status Report - Update the description of every component of the flood system and the physical condition of each of those components (Water Code Section

9614).

- Technical Analysis Update - Update projections of Climate Change impacts to the flood system, plus associated adaptation strategies (Water Code Sections 9614).
- Conservation Strategy Update - Update strategy for the flood system's contributions to Central Valley species recovery (Water Code Sections 9614 and 9616).
- Investment Strategy Update - Develop strategic plan and justification for 30-year projected investment needs for flood system improvements and maintenance (Water Code Sections 9614 and 9616).
- Public Engagement - Conduct robust public engagement, stakeholder development, and partner agency alignment (Water Code Section 9614).
- CEQA/Tribal - Compliance with requirements per CEQA and Tribal policy.

(e) **Central Valley Flood Protection Board (CVFPB): Local Maintenance Agency Assistance Program.** \$623,000 General Fund ongoing for three new full-time, engineering permanent positions to carry out the new Deferred Encroachment Compliance Program (DECP). The DECP has a primary goal of retaining or regaining compliance with the United States Army Corp of Engineer's (USACE) PL 84-99 Rehabilitation Program for the Central Valley levees that the Board, and ultimately the State of California, are responsible to operate and maintain. These three new positions will exercise the Board's enforcement and permitting authority to resolve hazardous encroachments, develop and implement a programmatic permitting process for Local Maintaining Agency (LMA) maintenance activities (Governor's Water Resilience Portfolio Action 25.2), assist LMAs in preparation of Letters of Intent and System-wide Improvement Framework plans for regaining PL 84-99 eligibility, manage and update LMA assurance agreements, and facilitate consolidation of LMAs or formation of State maintenance areas when necessary.

(f) **Urban Flood Risk Reduction.** \$135.5 million General Fund, including \$90 million to support state cost-share of critical USACE projects and Urban Flood Risk Reduction (UFRR) projects and \$10 million for State Operations to support and manage USACE and UFRR projects during 2023-24, and \$35 million General Fund in 2024-25. DWR requests a five-year extended encumbrance and two-year liquidation period for the \$125 million project funds, and a one-year encumbrance and two-year liquidation period for \$10 million for the state operations support efforts.

(g) **Flood Maintenance and Operations Support.** \$655,000 General Fund ongoing and position authority of two new full-time permanent positions to address increased workload and to continue providing critical flood maintenance and operations support. Position authority and funding are requested to meet the increasing workload and support

Background. According to LAO:

California Faces Significant and Increasing Flood Risk. Estimates from a 2013 comprehensive statewide report, *California's Flood Future*, suggest 7.3 million people (one-in-five Californians), structures valued at \$575 billion, and crops valued at \$7.5 billion are located in areas that have at least a 1-in-500 probability of flooding in any given year. According to a recent study by scientists at the University of California, Los Angeles, climate change has already doubled the likelihood of an extreme storm bringing catastrophic flooding in California, and this risk will continue to increase. Moreover, recent data reported in the *2022 Central Valley Flood Protection Plan (CVFPP)* suggest that more than 1.3 million people and structures valued at more than \$223 billion in the Central Valley region are at risk from flooding. These data suggest that without adequate investments in flood systems, annual deaths

could more than double in the Sacramento River Basin and quadruple in the San Joaquin River Basin over a 50-year period (2022 through 2072). The plan also estimates that failing to adequately prepare could cause annual economic damages to double in the Sacramento River Basin and more than quadruple in the San Joaquin River Basin.

State Has Special Responsibility for Flood Management in the Central Valley. California gave assurances to the federal government that it would oversee and maintain the State Plan of Flood Control (SPFC) along the main stem and certain tributaries of the Sacramento and San Joaquin Rivers, including parts of the Sacramento-San Joaquin Delta. The SPFC includes 1,600 miles of levees, four dams, and seven flood bypasses. DWR is the state's lead agency in flood-related activities, while the Central Valley Flood Protection Board (an independent body housed administratively within DWR) has responsibility for overseeing the SPFC on behalf of the state. For most segments of SPFC levees, the state has developed formal agreements with local government entities (primarily local reclamation and levee districts) to handle regular operations and maintenance responsibilities. A court decision in 2003 found that the state was ultimately financially responsible for the failure of SPFC facilities, even when they had been maintained by local entities. State statute requires DWR to prepare, and the Central Valley Flood Protection Board to adopt, an update to the CVFPP every five years. The first version was adopted in 2012. The CVFPP guides flood management activities and funding for the SPFC and Central Valley region.

Many Levees Are at Risk of Failing. In addition to providing flood protection, levees located in the Delta region also are essential components of the state and federal water systems that convey water from the northern part of the state to Central and Southern California. As such, levee failures could put public health and safety as well as water supplies at risk. Given such importance, the current condition of statewide levees is concerning. Nearly 90 percent of Central Valley levee systems currently fail to meet federal performance standards, increasing the risk that they might fail. Reclamation districts' recent five-year plans (which assess current conditions and lay out plans for rehabilitation) have identified 500 miles on 75 Delta islands in need of improvement, with an estimated associated cost of \$1.4 billion.

State Also Helps Ensure Delta Levees Remain Functional. Within the 1,100 miles of levees in the Delta, only 380 miles are part of the SPFC. The majority—730 miles—are instead privately or locally owned. Because of their importance, however, the state provides some funding to local agencies to support both SPFC and non-SPFC Delta levees, generally through DWR's Delta Levee System Integrity Program. This program, historically funded with Proposition 1E (2006) and Proposition 84 (2006) bond funds, includes two subprograms through which it allocates funds:

- ***Maintenance Subventions Program.*** This program provides an annual grant to local agencies, reimbursing them for up to 75 percent of their costs to maintain levees. DWR anticipates that claims will be higher this year due to recent storms.
- ***Special Flood Control Projects Program.*** This program provides grants to local agencies for projects that protect water conveyance systems (including roads and utilities) and water quality from flood hazards.

Recent State Budgets Have Committed Significant Funding for Flood Management. Over the past couple of decades, voter-approved general obligation bond funding has been the primary funding source for flood projects—including levee repair and maintenance—and related state operations support. However, after several years of significant expenditures, the state has now expended most of the flood-related bond funding that voters have authorized. Recent budget surpluses helped facilitate an unusually high level of General Fund support to help supplement the expiring bond funds. Specifically, recent budgets committed approximately \$600 million General Fund from 2021-22 through 2024-25 to support numerous flood capital outlay projects, flood management activities, and dam safety projects.

(An additional \$140 million in bond funding was committed for these purposes over this same period.) This funding has provided support to numerous flood projects. For example, nearly all of the roughly \$300 million in combined General Fund and bond funds appropriated in 2021-22 has been committed to 14 different Central Valley flood or Delta levee projects in various stages of planning, development, or construction.

Federal Government Also Builds Capital Projects to Reduce Flood Risk and Helps Support Flood Emergency Response and Recovery. The federal government supports flood projects in California in two main ways.

- ***U.S. Army Corps of Engineers (USACE).*** USACE authorizes and undertakes capital flood protection projects when authorized by Congress, generally in partnership with state and local agencies. USACE inspects federally constructed levees for compliance with federal standards, provides planning and assistance during flood events, provides funding to repair flood-damaged levees, and establishes flood storage and release standards for certain reservoirs.
- ***Federal Emergency Management Agency (FEMA).*** FEMA operates the National Flood Insurance Program, which includes developing flood hazard maps that define flood risk, establishing floodplain management standards, and offering federally backed insurance policies. It also provides coordination, assistance, and funding for federally declared flood disasters.

Federal Funds Will Help Pay For Damage From Recent Storms. State and local agencies can apply for FEMA reimbursement for eligible emergency-related costs (such as debris removal) and repair or replacement of facilities damaged by the storms. Generally, FEMA reimburses at least 75 percent of eligible costs until funding is exhausted. The extent of the December 2022 and January 2023 storm damage is still being assessed and the timing for when public agencies will receive reimbursement is still unknown.

LAO Comments. Higher Bar for Approving New Proposals Given General Fund Condition. The Governor's new flood-related proposals would commit the state to significant discretionary General Fund expenditures in 2023-24. Importantly, the state currently is experiencing a budget problem, where General Fund revenues already are insufficient to fund existing commitments. In this context, every dollar of new spending in the budget year comes at the expense of a previously identified priority and requires finding a commensurate level of solution somewhere within the budget. The Governor "makes room" for proposed new spending on flood projects by making reductions to funds committed for other programs, including many in the climate and natural resources areas. LAO thinks the Legislature will want to apply a higher bar to its review of new spending proposals such as these than it might in a year in which the General Fund had more capacity to support new commitments, as it will need to weigh the importance and value of the proposed new activities against the activities to which it has already committed. Essentially, it will want to consider whether it wants to make reductions—either those proposed by the Governor or equivalent alternatives—to free up resources for these flood projects.

Flood and Levee Proposals Might Meet That Higher Bar. In LAO's view, several reasons make the case for the Governor's flood-related proposals potentially meeting this high threshold for justifying new spending. These proposals would (1) respond to various critical flood protection and risk management needs, (2) help the state draw down federal funding, and (3) allow key projects that are already in progress to continue. Additionally, although many of the proposals do support continuing projects, nearly all of the current requests are one time in nature. This structure provides the state with the flexibility to consider associated future spending within the context of a given year's budget and available revenues.

Central Valley Flood and Delta Levee Projects Are Important Part of State’s Flood Management System. The Governor’s flood proposals focus on the Central Valley and the Delta. This makes sense because the state has particular responsibility for maintaining the SPFC and given that the reliability of Delta levees is essential for the continued operation of statewide water conveyance systems. Taking steps now to mitigate existing flood risk—as well as the increasing hazards expected to result from climate change—could prevent both significant and costly damage as well as threats to public safety in future years.

Share of Flood Project Funding Would Help State Draw Down Federal Support. The Governor’s proposed spending on flood management would not only help mitigate flood risk, but also would help the state generate significant federal support. Of the proposed \$119 million for flood projects and studies, \$50 million reflects the state’s required cost share for USACE projects. In addition, the two projects that are part of the UFRR program could generate credits toward state spending requirements for future USACE projects. Nearly all of these projects are already in progress and the proposed funding would allow the next phase to be completed. Therefore, the proposed \$10 million to support state staff associated with oversight and management of these and other USACE/UFRR projects also merits consideration.

Funding for Delta Levees Would Prioritize the Most Critical Areas. LAO also finds merit in the Governor’s proposed spending on Delta levee programs. The proposal would support multi-benefit projects to improve levees and restore habitat in the Delta, providing flood protection benefits to the SWP. In addition, the General Fund portion of the request would backfill expiring bond funding for state operations and satisfy regulatory requirements for previously funded projects. Finally, although the proposed project funding (\$27.4 million Proposition 1 bond funds) would only partially address what reclamation districts have identified as a \$1.4 billion need for Delta levees, DWR indicates it would prioritize the funds for the most urgent projects. Specifically, it would first allocate funding to those projects on Delta islands or tracts deemed as “very high priority” in risk assessments developed by the Delta Stewardship Council. (The council used new levee geometry, hydraulic data, and projected impacts on vulnerable populations to develop these assessments.)

CVFPP Costs Appear Reasonable, in Line With Previous Iterations of the Plan. Average annual costs to prepare the CVFPP have been about \$8.5 million since development of the first version, which was released in 2012. The current request, which would average \$9.2 million annually for four years, is thus in line with historical costs. These costs may seem high for the development of a plan—especially one that is an update of several previous iterations. Generally this is because these updates involve detailed, comprehensive, and technical analyses, including modeling the potential impacts of climate change and related adaptation activities. Although the time and staffing resources to prepare the next plan seem reasonable, the Legislature might wish to ask if any of these activities or processes—such as modeling climate impacts—could be more streamlined or automated given that this plan has to be updated every five years.

(Next page)

LAO Recommendation. *Consider Approving Funding for Flood Management Projects, State Operations, and Related Activities.* Approving General Fund for these proposals requires identifying commensurate reductions from other existing spending commitments, which the Governor does through his package of budget solutions. However, this funding would support important activities that help protect public health and safety by lowering risks to flood prone areas and protecting key water conveyance infrastructure. To help avoid the potential losses to life and property that can result from serious flood events, the Legislature might want to consider approving the funding despite the associated budget trade-offs. The proposed funding would help draw down federal support for many of the projects and, because nearly all of it is one time in nature, the state could consider out-year spending within the context of future fiscal conditions.

Staff Recommendation. Hold open.

Issue 8: Dam Safety and Flood Management Grant Program (TBL)

Governor’s Proposal. The Governor’s budget requests TBL to do the following:

- 1) Require DWR to, upon appropriation by the Legislature, develop and administer the Dam Safety and Climate Resilience Local Assistance Program (Program).
- 2) Specify that the Program would provide state funding for repairs, rehabilitation, enhancements, and other dam safety projects at existing state jurisdictional dams and associated facilities, subject to prescribed criteria.
- 3) Require DWR to develop and adopt program guidelines and project solicitation documents before disbursing any grant funds.
- 4) Require a grant cost share of at least 50 percent for projects funded pursuant to the Program, except as provided.

The 2022-23 Budget included \$100 million for dam safety, to be allocated as \$75 million in 2023-24 and \$25 million in 2024-25.

Background. California Dams. Approximately 1,240 non-federal dams located in the state fall under the jurisdiction of DWR’s Division of Safety of Dams (DSOD). Dams are owned by cities, counties, districts, state agencies, private companies, and small private owners with varying technical and financial resources. The Association of State Dam Safety Officials estimate the rehabilitation of the state’s non-federal dams with condition assessments Less than Satisfactory to be \$1.9 billion.

DAMS WITH HIGH OR EXTREMELY HIGH DOWNSTREAM HAZARD POTENTIAL

Dam rehabilitation projects are in various phases from planning, design, to construction.

Hydrologic Region	Number of Dams less than Satisfactory	Dams with Seismic Deficiency	Dams with Spillway Hydraulics Deficiency	Dams with Other Deficiencies	Cumulative Population at Risk	Cumulative Project Costs as Estimated by Dam Owners
North Coast	4 dams		1 dam	3 dams	1,000 to 10,000	<\$50,000
Sacramento River	14 dams	2 dams	7 dams	5 dams	>100,000	>\$55 million
North Lahontan	2 dams		2 dams		10 to 100	
San Francisco Bay	21 dams	5 dams	6 dams	10 dams	>100,000	>\$1 billion
San Joaquin River	9 dams	1 dam	4 dams	4 dams	>10,000	>\$70 million
Central Coast	4 dams	1 dam	2 dams	1 dam	>10,000	>100 million
Tulare Lake	NONE					
South Lahontan	3 dams	3 dams			<10,000	>\$100 million
South Coast	18 dams	6 dams	6 dams	6 dams	>100,000	>\$300 million
Colorado River	1 dam		1 dam		<1,000	\$5,000
Total	76 dams	18 dams	29 dams	29 dams	>250,000	>\$1.6 billion*

* Likely to exceed \$2 billion

Source: DWR Division of Safety of Dams

Downstream Hazard. The downstream hazard is based solely on potential downstream impacts to life and property should the dam fail when operating with a full reservoir. This hazard is not related to the

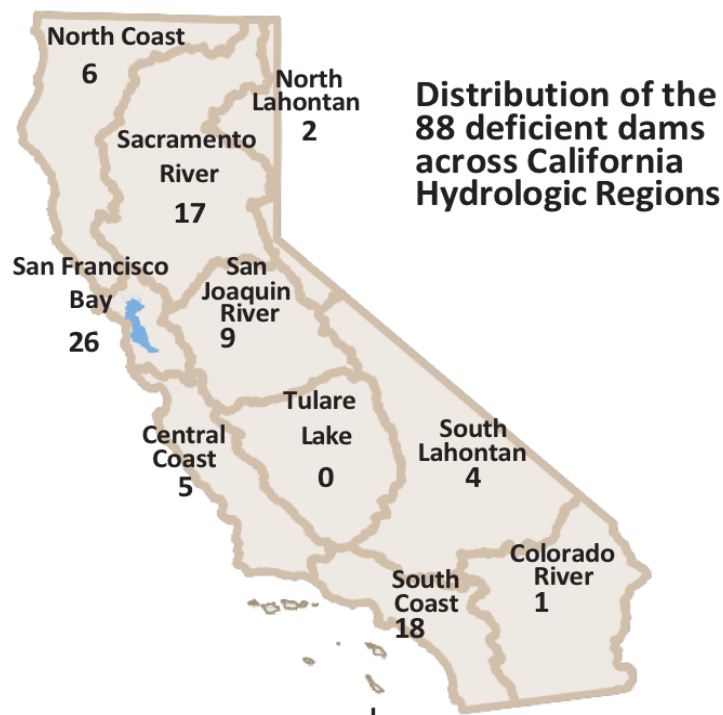
condition of the dam or its appurtenant structures. The definitions for downstream hazard borrowed from the Federal Guidelines for Inundation Mapping of Flood Risks Associated with Dam Incidents and Failures (FEMA P-946, July 2013). FEMA categorizes the downstream hazard potential into three categories in increasing severity: Low, Significant, and High. DSOD adds a fourth category of “Extremely High.”

Downstream Hazard Potential Classification	Potential Downstream Impacts to Life and Property
Low	No probable loss of human life and low economic and environmental losses. Losses are expected to be principally limited to the owner's property.
Significant	No probable loss of human life but can cause economic loss, environmental damage, impacts to critical facilities, or other significant impacts.
High	Expected to cause loss of at least one human life.
Extremely High	Expected to cause considerable loss of human life or would result in an inundation area with a population of 1,000 or more.

Source: DWR, Division of Safety of Dams

Currently, DSOD has classified 88 dams with a condition assessment of less than satisfactory with a hazard potential of significant or higher due to seismic, hydraulic, or other deficiencies.

Breakdown of the 88 dams by Hydrologic Region



Source: DWR Division of Safety of Dams

Of the 88 dams, 76 of them have a High or Extremely High downstream hazard potential classification. The downstream hazard potential is based solely on potential downstream impacts to life and property should the dam fail when operating under a full reservoir. High hazard dams have the potential to cause loss of at least one human life. Extremely High hazard dams have the potential for considerable loss of human life or would result in an inundation area with a population of 1,000 people or more.

Staff Comments. *Jurisdictional dams.* DWR regulates “jurisdictional dams.” Given the relatively small amount of funding available for grants, it may be prudent to restrict the \$100 million to jurisdictional dams.

What is an “Enhancement.” The TBL, proposed Water Code Section 6700(b)(2) provides funding for dam safety and *enhancement* projects. The term, “enhancement” is broad, and Section 6700(b) includes examples of eligible projects as well as the clause, “but is not limited to.” DWR states that an enhancement “would potentially be any element that better the management of the protective-ness of the dam. This can be associated with (b)(4), which envisions better protection and management but not due to a physical betterment to the dam itself.” DWR states that it is not easily narrowed. However, the clause, “including but not limited to” non-exhaustive. Concern has been raised that this language could allow grants for increasing capacity. It may be prudent to provide clearer language on what “enhancement” encompasses and the types of projects which may and may not be eligible.

Administrative Procedures Act (APA) Exemption. The TBL exempts guidelines and project solicitation documents developed for this program from the APA. DWR states that the process to develop and adopt regulations would delay important work that would (1) provide greater public safety, (2) address issues at aging facilities and improve water supply reliability in the face of climate uncertainty, and (3) is already narrowed to the statutory purposes listed. DWR believes the language provides clear direction for this current level of funding. APA provides an avenue for accountability, transparency, and public participation in the rulemaking process. A question arises as to whether emergency regulations, as opposed to an exemption, may address the need for expediency as well as provide a process for accountability, transparency, and public participation.

Downstream Hazard. Given the limited amount of funds, it may make sense to prioritize dams based on downstream hazard classifications. As noted above, there are four classifications — low, significant, high, and extremely high. A project that has an extremely high downstream hazard classification should take priority over one that is categorized as low.

Staff Recommendation. Hold open.

Issue 9: Division of Safety of Dams Fees (TBL)

Governor's Proposal. The Governor's budget requests TBL to do the following:

- 1) Require the Attorney General, upon request of DWR, to bring an action in superior court seeking injunctive relief, penalties, fees, costs, or any other remedies available to the department, as specified.
- 2) Increase fees for the filing of an application, as specified, and include the repair, alteration, or removal of an existing dam or reservoir.
- 3) Authorize DWR to adjust the fee schedule by regulation to ensure the filing fees collected reasonably cover the department's costs of application work, which may include, design review and construction oversight.
- 4) Authorize DWR to refund filing fees paid by the owner if requested by an owner.
- 5) Authorize DWR to adopt, by regulation, a methodology for determining the criteria and process for filing fee refunds requested by an owner.
- 6) Require the estimated cost of a new dam or reservoir, or the enlargement, alteration, repair, or removal of an existing dam or reservoir to include the labor costs of the owner for preparing environmental review documentation.

Background. *Divisions of Safety of Dams (DSOD).* DSOD regulates dams to prevent failure, safeguard life, and protect property. The division provides oversight to the design, construction, and maintenance of over 1,200 jurisdictional sized dams in the state.

Jurisdictional dams are dams that are under the regulatory powers of the state. If a dam height is more than six feet and it impounds 50 acre-feet of water, it will be under DSOD's jurisdictional oversight, unless it is exempted. Some specific exemptions from DSOD jurisdiction include:

- Obstruction in a canal to raise, lower, or divert water there from
- Levees, railroad fill
- Road and highway fills
- Circular tanks
- Tanks elevated above the ground
- Barriers off-stream for agricultural use or use as sewage sludge drying facilities
- Obstructions in channels or watercourses which are 15 feet or less in height, with single purpose of spreading water within the bed of the stream or watercourse upstream for percolation underground
- Federal dams

DSOD works with dam owners to identify and correct potential problems before they become serious. If DSOD finds a potentially unsafe condition, the division works with the dam owner to address and remedy the condition in a timely manner. When necessary, DSOD may immediately employ any remedial means necessary to protect life and property, or it may impose a reservoir restriction limiting the water surface to a level that is judged safe. The division may also direct the dam owner to implement an emergency action plan.

Condition Assessment. DSOD uses the US Army Corps of Engineer's National inventory of dams' conditions assessment rating definition in assigning assessments. A dam safety deficiency is defined as a load capacity limit or other issue that can result in a failure of the dam or appurtenant structure. It is a

characteristic or condition that does not meet the applicable minimum regulatory criteria.

Normal operations are defined as loading on the dam resulting from day-to-day pool operations to achieve authorized purposes in accordance with minimum state or federal regulatory criteria.

Condition Assessment definitions, as accepted by the National dam Safety Review Board, are as follows:

Ratings	Definitions from the National Inventory of Dams
Satisfactory	<p>No existing or potential dam safety deficiencies are recognized. Acceptable performance is expected under all loading conditions (static, hydrologic, seismic) in accordance with the minimum applicable state or federal regulatory criteria or tolerable risk guidelines.</p> <p>Typical Circumstances:</p> <ul style="list-style-type: none"> • No existing deficiencies or potentially unsafe conditions are recognized, with the exception of minor operational and maintenance items that require attention. • Safe performance is expected under all loading conditions including the design earthquake and design flood. • Permanent risk reduction measures (reservoir restrictions, spillway modifications, operating procedures, etc.) have been implemented to eliminate identified deficiencies.
Fair	<p>No existing dam safety deficiencies are recognized for normal operating conditions. Rare or extreme hydrologic and/or seismic events may result in a dam safety deficiency. Risk may be in the range to take further action. Note: Rare or extreme event is defined by the regulatory agency based on their minimum applicable state or federal criteria.</p> <p>Other Circumstances:</p> <ul style="list-style-type: none"> • Lack of maintenance requires attention to prevent developing safety concerns. • Maintenance conditions may exist that require remedial action greater than routine work and/or secondary studies or investigations. • Interim or permanent risk reduction measures may be under consideration.
Poor	<p>A dam safety deficiency is recognized for normal operating conditions which may realistically occur. Remedial action is necessary. Poor may also be used when uncertainties exist as to critical analysis parameters which identify a potential dam safety deficiency. Investigations and studies are necessary.</p> <p>Other Circumstances:</p> <ul style="list-style-type: none"> • Dam has multiple deficiencies or a significant deficiency that requires remedial work. • Lack of maintenance (erosion, sinkholes, settlement, cracking, unwanted vegetation, animal burrows, inoperable outlet gates) has affected the integrity or the operation of the dam under normal operational conditions and requires remedial action to resolve. • Critical design information is needed to evaluate the potential performance of the dam. For example, a field observation or a review of the dam's performance history has identified a question that can only be answered by review of the design and construction history for the dam. Uncertainty arises when there is no design and/or construction documentation available for review and additional analysis is needed to better understand the risk associated with operation under normal operational conditions. • Interim or permanent risk reduction measures may be under consideration.
Unsatisfactory	<p>A dam safety deficiency is recognized that requires immediate or emergency remedial action for problem resolution.</p> <p>Typical Circumstances:</p> <ul style="list-style-type: none"> • A critical component of the dam has deteriorated to unacceptable condition or failed. • A safety inspection indicates major structural distress (excessive uncontrolled seepage, cracks, slides, sinkholes, severe deterioration, etc.), advanced deterioration, or operational deficiencies which could lead to failure of the dam or its appurtenant structures under normal operating conditions. • Reservoir restrictions or other interim risk reduction measures are required. • A partial or complete reservoir drawdown may be mandated by the state or federal regulatory agency.
Not Rated	<p>The dam has not been inspected, is not under state jurisdiction, or has been inspected but, for whatever reason, has not been rated.</p>

Source: DWR, Division of Safety of Dams

Staff Comments. Water Code Section 6304 is proposed to be amended as follows: “An application shall not be considered by the department until at least 20 percent of the filling fee is ~~received~~ received, unless otherwise approved by the department. The application shall not be approved by the department

until the filing fee is received in full.” “Unless otherwise approved by the department” could be confusing on what is being approved. Is the language referring to unless the application itself is approved? Or is it referring to the ability of DWR to consider an application although 20 percent of the filing fee has been received. Assuming it is the latter, an amendment may be considered to read, “received, unless the department decides to consider otherwise ~~approved by the department.~~”

Staff Recommendation. Hold open.

0540 CALIFORNIA NATURAL RESOURCES AGENCY: OCEAN PROTECTION COUNCIL (OPC)

3760 STATE COASTAL CONSERVANCY (SCC)

Issue 10: Governor's Proposed Budget Solutions: Coastal Resilience

Governor's Proposal. According to the LAO, the Governor's budget requests \$561 million in reductions for coastal resilience, which represent 43 percent of the funding that had been committed for this purpose. The Governor makes the smallest proportional reductions to SCC's nature-based sea-level rise adaptation activities (12 percent, or \$50 million) and OPC's ocean protection activities (13 percent, or \$15 million). Other programs would be reduced by more than 60 percent of their committed funding:

- **Protecting the Coast From Climate Change.** The Governor's budget reduces funding by \$325 million (65 percent) over 2022-23 and 2023-24, maintaining \$175 million of the original intended amount.
- **Adapting Infrastructure to Sea-Level Rise.** The proposed budget reduces funding by \$106 million (74 percent) over 2023-24 and 2024-25, maintaining \$38 million of the original intended amount.
- **Implementing SB 1.** The Governor's budget reduces funding by \$65 million (63 percent) over 2023-24 and 2024-25, maintaining \$38 million of the original intended amount.

Governor's Proposed Coastal Resilience Budget Reductions

2022-23 Through 2024-25 (In Millions)

Program	Department	Total Augmentations	General Fund Reductions	New Proposed Amounts
Programs Proposed for Solutions				
Protecting the coast from climate change	SCC	\$500	-\$325	\$175
Adapting to sea-level rise: nature-based activities	SCC	420	-50	370
Adapting infrastructure to sea-level rise	SCC	144	-106	38
Protecting the ocean from climate change	OPC	117	-15	102
Implementing SB 1	OPC	102	-65	38
Subtotals		(\$1,283)	(-\$561)	(\$722)
All Other Coastal Resilience Funding		\$12	—	12
Totals		\$1,295	-\$561	\$734

SCC = State Coastal Conservancy; OPC = Ocean Protection Council; and SB 1 = Chapter 236 of 2021 (Senate Bill 1, Atkins).

Source: LAO

Background. According to LAO:

Recent Budgets Committed \$1.3 Billion Over Four Years for Coastal Resilience Activities. Recent budgets have committed \$1.3 billion (\$1.1 billion from the General Fund, \$155 million from GGRF, and \$17 million from Proposition 68 bond funds) to three departments—SCC, the Ocean Protection Council (OPC), and Parks—to support coastal resilience activities. Of the total, \$624 million was appropriated in 2021-22 and 2022-23, while \$652 million is planned for 2023-24 and \$19 million for 2024-25. Recent

budget and trailer bill language specified some of the specific purposes and allowable uses for the recent augmentations.

- ***Protecting the Coast From Climate Change.*** Nearly 40 percent—\$500 million—of the total funding for coastal resilience is for SCC to support an array of possible projects geared toward protecting the coast and coastal watersheds from the effects of climate change. This could include sea-level rise adaptation projects. Trailer bill language includes numerous allowable uses, such as improving the resilience of critical infrastructure, restoring upland habitat, removing dams, developing coastal trails, or providing low-interest loans to local governments to acquire properties at risk from sea-level rise to prepare for impending impacts.
- ***Adapting to Sea-Level Rise Through Nature-Based Activities.*** Roughly one-third—\$420 million—of the total funding is for SCC to support nature-based activities to protect communities and natural resources from sea-level rise. Budget bill language directs SCC to make \$30 million available for the San Francisco Bay Area Conservancy. “Nature-based” in this context could mean, for example, restoring or building up wetlands or sand dunes to serve as wave buffers.
- ***Adapting Infrastructure to Sea-Level Rise.*** Another \$144 million is for SCC to support sea-level rise adaptation projects through its Climate Ready Program. Budget and trailer bill language direct SCC to prioritize projects that adapt public infrastructure along the coast, including urban waterfronts, ports, and ecosystems.
- ***Protecting the Ocean From Climate Change.*** Nearly 10 percent—\$117 million—of the total funding is for OPC to support ocean protection projects, including projects to protect and restore marine wildlife and ocean and coastal ecosystems.
- ***Implementing SB 1.*** Another \$102 million is for OPC to implement SB 1 (Atkins), Chapter 236, Statutes of 2021. This legislation requires OPC to establish a collaborative that would provide information and support to local, regional, and state agencies in identifying, assessing, planning for, and mitigating the effects of sea-level rise. As intended by SB 1, this funding also provides financial support to local and regional governments for updating their local land use plans to account for sea-level rise.
- ***Adapting to Sea-Level Rise in State Parks.*** Parks received \$12 million in 2021-22 to implement its sea-level rise adaptation strategy, including conducting planning and demonstration projects.

Recent and Planned Coastal Resilience Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions
General Fund, Unless Otherwise Noted (In Millions)

Program	Department	2021-22	2022-23	2023-24	2024-25	Totals
Protecting the coast from climate change	SCC	—	\$350	\$150	—	\$500
Adapting to sea-level rise: nature-based activities	SCC	—	120 ^a	300	—	420
Adapting infrastructure to sea-level rise	SCC	—	38 ^b	97	\$9	144
Protecting the ocean from climate change	OPC	\$7 ^c	61 ^d	50	—	117
Implementing SB 1	OPC	—	38 ^b	55	10	102
Adapting to sea-level rise in state parks	Parks	12	—	—	—	12
Totals		\$19	\$606	\$652	\$19	\$1,295

^a Includes \$80 million from the Greenhouse Gas Reduction Fund (GGRF).

^b GGRF.

^c Proposition 68 (2018) bond funds.

^d Includes \$11 million from Proposition 68 bond funds.

SCC = State Coastal Conservancy; OPC = Ocean Protection Council; SB 1 = Chapter 236 of 2021 (Senate Bill 1, Atkins); and Parks = Department of Parks and Recreation.

Source: LAO

SCC and OPC historically have not received large General Fund augmentations. Instead, bond funds, GGRF, other special funds, and federal funds have supported their activities and grant programs.

LAO Assessment. Addressing Pending Impacts of Sea-Level Rise Represents Important State Activity. While the most severe impacts of sea-level rise could be several years off, they are certain. This differs from some other climate challenges such as wildfire, for which the magnitude and location are unknown and dependent on ignitions, weather, and interventions to remove fuels. Given the degree of global warming that already is assured, climate scientists are confident that sea-level rise will result in increased flooding along the coast, erosion of beaches and cliffs, and raised coastal groundwater levels in the coming decades. Damage to public infrastructure poses a serious threat, as these assets are key components of state and local systems of public health, transportation, and commerce. (LAO's 2019 report, *Preparing for Rising Seas: How the State Can Help Support Local Coastal Adaptation Efforts*, provides more information about these threats and lays out options for how the state can support local communities in their responses.)

Governor's Significant Reductions Could Affect Statewide Preparation Activities. Recent General Fund augmentations to plan for and address sea-level rise were particularly notable because General Fund spending in this area historically has been low. LAO notes that the Governor proposes reducing a disproportionately large amount of coastal resilience funding (43 percent) relative to other climate resilience packages (most others would maintain at least 85 percent of funding). Given the threats posed by rising seas, the reductions to coastal resilience funding that the Governor proposes could impede the state's ability to prepare for pending impacts. The Legislature might wish to consider maintaining a higher proportion of this funding, or consider delaying funding rather than reducing it, to try to continue some the progress it had hoped to make. Given the current state budget problem, however, if it were to do so, it likely would have to consider alternative budget solutions in other areas of the budget.

Some Coastal Resilience Activities Are More Urgent Than Others. The recent and planned state funding augmentations for coastal resilience include a variety of allowable uses. While these are all intended to help achieve state goals, some are more directly targeted towards responding to the threat of

sea-level rise and therefore focus on more urgent needs. For example, planning now for the inevitable impacts of sea-level rise is an essential step in increasing preparedness along the coast before tides are anticipated to get higher. In contrast, other activities, such as developing coastal trails, may also meet important state goals—such as increasing public access—but represent a less time-sensitive undertaking. In light of the state’s worsening budget condition, the distinction between urgent and less urgent activities is a key factor for the Legislature to use in guiding its funding decisions.

Proposed Reductions Do Not Allow SCC Sufficient Flexibility to Target Most Effective Projects. Recent budgets structured SCC funding to support sea-level rise adaptation projects within all three of its allocations. The Administration’s proposal retains most of the funding for one of these allocations—nature-based sea-level rise adaptation activities—while reducing the large majority of funding for the other two—protecting the coast and adapting coastal infrastructure to sea-level rise. LAO is concerned that this approach will limit SCC’s ability to fund the projects that may be most effective at and necessary for preparing for the impacts of sea-level rise. While nature-based projects are an important part of the state’s coastal resilience strategy, in certain cases, a compelling reason may exist to pursue other types of near-term activities as well, such as land acquisition, managed retreat, or shoring up critical public infrastructure. The Governor’s proposed reductions could limit SCC from adequately supporting these types of projects even when they might be needed more urgently than a nature-based activity. The Legislature could consider a more flexible approach, for example, by combining the three SCC programs, funding the combined program at whatever level the state can afford based on other legislative priorities, then directing SCC to use the funding to support the most critical sea-level rise-preparation projects, whether those use nature-based approaches or other methods to protect the coast, infrastructure, and vulnerable populations.

Legislature May Want to Consider Less Drastic Reductions to OPC-Supported Sea-Level Rise Adaptation Planning. The Governor’s proposal to significantly reduce SB 1 implementation funding could affect the state’s ability to effectively prepare for the impacts of sea-level rise. Assessing local risks, understanding a community’s particular vulnerabilities, and adjusting land use plans accordingly are all important activities that the Legislature might wish to support now, ahead of significant changes in sea levels. These planning efforts could enable local communities to more effectively direct potential project implementation funding in the future. Waiting to fund such activities could result in lost opportunities to prepare before it is too late to avoid significant impacts. As such, as the Legislature weighs potential modifications to the Governor’s proposals, it could seek to identify the level of planning progress it feels is important to make in the next few years and maintain an associated amount of funding.

Retaining Parks Funding Makes Sense. LAO finds merit in the Governor’s proposal to avoid reducing Parks’ funding for sea-level rise planning and demonstration projects. Particularly because state parks comprise more than one-quarter of California’s coastline and are a state responsibility, prioritizing funding to prepare these public lands for forthcoming impacts seems sensible. In addition, planning and demonstration projects can help inform effective uses of future implementation spending.

Federal Funding a Possibility, But Would Not Directly Backfill State Funds. Some federal funding for coastal projects is available through the National Oceanic and Atmospheric Administration (NOAA) and the U.S. Army Corps of Engineers (USACE). SCC indicates NOAA’s current grants support nature-based sea-level rise adaptation projects—the same types of projects for which the Governor already proposes maintaining funding. However, NOAA’s current grants are competitive, meaning California will vie for funding (totaling about \$700 million over five years) against other states. Moreover, USACE supports longer-term projects and requires state matching funds. In sum, while federal funds could help further the state’s coastal resilience goals, they will not be available immediately nor will they necessarily support the types of projects included in the Governor’s proposed reductions.

LAO Recommendation. *Modify Governor’s Proposals to Reflect Legislative Priorities.* The Governor’s proposal significantly reduces coastal resilience funding overall (from an already low base), including for planning, which is an important first step for local communities and the state to prepare for sea-level rise and to make more effective future spending decisions. Overall, this approach highlights the challenging trade-offs currently facing the Legislature. While LAO recommends the Legislature plan for a larger budget problem by identifying more spending reductions than the Governor, it might wish to consider maintaining a higher level of support for sea-level rise adaptation—though this would mean it likely would have to consider additional budget solutions in other areas. Based on LAO’s initial assessment, LAO recommends the Legislature consider: (1) modifying the focus of SCC program funding to allow it to direct spending to the most urgent sea-level rise adaptation activities, including nature-based *and* other strategies, and (2) funding OPC’s SB 1 planning efforts at a level that will allow it to meet the Legislature’s near-term goals.

Staff Recommendation. **Hold open.**

0540	CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
0650	OFFICE OF PLANNING AND RESEARCH (OPR)
3125	CALIFORNIA TAHOE CONSERVANCY
3340	CALIFORNIA CONSERVATION CORPS (CCC)
3480	DEPARTMENT OF CONSERVATION (DOC)
3600	DEPARTMENT OF FISH AND WILDLIFE (CDFW)
3640	WILDLIFE CONSERVATION BOARD (WCB)
3760	STATE COASTAL CONSERVANCY (SCC)
3825	SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY (RMC)
3830	SAN JOAQUIN RIVER 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

Issue 11: Governor's Proposed Budget Solutions: Nature-Based Activities and Extreme Heat

Governor's Proposal. According to the LAO:

Proposes Several Programs for Reductions. The Governor proposes some notable reductions in the areas of nature-based activities and extreme heat, as shown in Figure 17. Specifically, for nature-based activities, the largest reduction proposed—\$100 million—is for funds slated for various conservancies across the state. Some other notable reductions include: (1) eliminating \$40 million for WCB for San Joaquin Valley floodplain restoration, (2) reducing \$35 million from funding for a WCB program to mitigate climate change impacts on wildlife, and (3) reducing \$24 million from funding to establish a new program to support nature-based activities undertaken by the state's 14 local conservation corps.

For extreme heat, the Governor proposes reductions to three programs. The largest is \$100 million from the Urban Greening Program, a longstanding program that funds plans and projects aimed at developing additional green spaces (such as by adding trees or drought-tolerant plants). Significant reductions are also proposed for the new Extreme Heat and Community Resilience Program (\$75 million out of \$175 million) and \$30 million from the Urban Forestry Program, which is a longstanding program managed by CalFire that focuses on supporting tree planting in local communities.

Governor's Proposed Nature-Based Activities and Extreme Heat-Related Reductions (In Millions)

Program	Department	Total Augmentations	Proposed Reductions			New Proposed Amounts
			2020-21 Through 2022-23	2023-24	Total	
Nature-Based Activities Programs Proposed for Solutions						
Conservancy funding	Various	\$230	—	-\$100	-\$100	\$130
San Joaquin Valley flood plain restoration	WCB	40	-\$40	—	-40	—
Protect wildlife from changing conditions	WCB	353	—	-35	-35	318
Local and tribal NBS corps programs	CCC	49	-13	-11	-24	26
San Francisco Bay wetlands support	SCC	11	-10	—	-10	1
Natural Community Conservation Program Planning and Land Acquisition	CDFW	36	-6	—	-6	30
Climate Smart Land Management Program	DOC	20	-4	—	-4	16
Subtotals		(\$739)	(-\$73)	(-\$146)	(-\$219)	(\$520)
All Other Nature-Based Activities Funding						
		826	—	—	—	826
Nature-Based Activities Totals		\$1,565	-\$73	-\$146	-\$219	\$1,346
Extreme Heat Programs Proposed for Solutions						
Urban Greening Program	CNRA	\$250	—	-\$100	-\$100	\$150
Extreme Heat and Community Resilience Program	OPR	175	-\$25	-50	-75	100
Urban Forestry Program	CalFire	60	-20	-10	-30	30
Subtotals		(\$485)	(-\$45)	(-\$160)	(-\$205)	(\$280)
All Other Extreme Heat Funding						
		264	—	—	—	264
Extreme Heat Totals		\$749	-\$45	-\$160	-\$205	\$544
WCB = Wildlife Conservation Board; NBS = Nature-Based Solutions; CCC = California Conservation Corps; SCC = State Coastal Conservancy; CDFW = California Department of Fish and Wildlife; DOC = Department of Conservation; CNRA = California Natural Resources Agency; OPR = Governor's Office of Planning and Research; and CalFire = California Department of Forestry and Fire Protection.						

Source: LAO

Proposes to Retain Most of the Funding That Was Previously Committed. While the Governor reduces a larger share of funding for nature-based activities and extreme heat as compared to most of the other thematic areas, the proposal still would maintain most of it. Specifically, the Governor proposes to maintain 86 percent of the funding for nature-based activities. This includes retaining 94 percent of the funding already appropriated (in 2021-22 and 2022-23) and 65 percent of funding planned for 2023-24. The Governor also proposes to maintain 73 percent of the funding for extreme heat. This includes retaining 89 percent of the funding already appropriated (in 2020-21 through 2022-23) and half of the funding planned for 2023-24.

Background. Recent Budgets Committed \$1.6 Billion for Nature-Based Activities. Recent budgets have committed a total of \$1.6 billion on a one-time basis over three years—\$106 million in 2021-22, \$1 billion in 2022-23, and \$421 million intended for 2023-24—from the General Fund for various departments to implement a variety of nature-based activities. While most of this funding was included as part of a 2022-23 budget package focused on nature-based activities, some was part of a 2021-22 package focused on climate resilience.

Recent and Planned Nature-Based Activities Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions
General Fund (In Millions)

Program	Department	2021-22	2022-23	2023-24	Totals
Land Acquisition and Management Programs		—	\$325	\$170	\$495
Various WCB programs	WCB	—	\$150	\$95	\$245
Habitat restoration	DWR	—	125	75	200
Opportunity coastal acquisition	SCC	—	50	—	50
Wildlife Protection Programs		\$46	\$257	\$100	\$403
Protect wildlife from changing conditions	WCB	\$31	\$222	\$100	\$353
Climate change impacts on wildlife	CDFW	15	35	—	50
Regionally Focused Programs		\$60	\$214	\$109	\$383
Conservancy funding	Various	\$60	\$70	\$100	\$230
Wildlife corridors (including Liberty Canyon)	CDFW, SMMC	—	52	—	52
San Joaquin Valley flood plain restoration	WCB	—	40	—	40
Natural Community Conservation Program Planning and Land Acquisition	CDFW	—	36	—	36
Climate Smart Land Management Program	DOC	—	14	6	20
Resource conservation strategies	WCB	—	2	3	5
Youth and Tribal Programs		—	\$109	\$42	\$152
Local and tribal NBS corps programs	CCC	—	\$38	\$11	\$49
Tribal program	CNRA	—	70	30	100
Tribal staffing	CNRA	—	1	1	3 ^a
Wetland Focused Programs		—	\$111	—	\$111
Wetlands Restoration Program	CDFW	—	\$54	—	\$54
NBS Wetlands Restoration Program	DC	—	36	—	36
San Francisco Bay wetlands support	SCC	—	11	—	11
Redondo Beach wetlands restoration	CNRA	—	10	—	10
Other Programs		—	\$20	—	\$21
Cal CIS	CNRA	—	\$18	—	\$18
Partnerships and improvements	CNRA	—	2	—	2
California nature support	CNRA	—	0.3	\$0.3	0.5
Totals		\$106	\$1,036	\$421	\$1,565

^a NBS package also provided \$1 million in 2024-25.

WCB = Wildlife Conservation Board; DWR = Department of Water Resources; SCC = State Coastal Conservancy; CDFW = California Department of Fish and Wildlife; SMMC = Santa Monica Mountains Conservancy; DOC = Department of Conservation; NBS = nature-based solutions; CCC = California Conservation Corps; CNRA = California Natural Resources Agency; DC = Delta Conservancy; and Cal CIS = California Climate Information System.

Source: LAO

Nature-Based Activities Funding Supports a Variety of Programs. About one-third of the funding over the three years—\$495 million—is to support programs focused on acquiring and managing land for conservation and habitat restoration-related purposes. Just over one-quarter of the funding—\$403 million—is to support wildlife protection programs. Just under one-quarter of the funding—\$383 million—is for regionally focused programs, such as those targeting specific areas of the state. The remaining funding—totaling \$284 million—is for youth and tribal programs, wetland-focused programs, and other types of activities. Many of the funded programs are intended to help the state achieve various goals and plans established by the Administration over the past few years, such as the goal to conserve 30 percent of the state’s land and coastal waters by 2030 (“30x30”) as established by the Governor’s Executive Order N-82-20 and the Natural and Working Lands Climate Smart Strategies.

Nature-Based Activities Represent Area of Expanded Focus. This funding represents a significant increase in General Fund support for nature-based programs. Some of the specific programs support activities that the state has historically undertaken—often using general obligation bond funds

or GGRF—such as habitat and wetland restoration. However, some programs are new, such as the Local and Tribal Nature-Based Solutions (NBS) Corps programs and the Climate Smart Land Management Program.

Recent Budgets Committed \$749 Million for Extreme Heat. Recent budgets have committed a total of \$749 million over four years—\$10 million in 2020-21, \$70 million in 2021-22, \$348 million in 2022-23, and \$322 million in 2023-24—for various departments to address the risks posed by extreme heat. Almost all of this funding comes from the General Fund, but a small portion—\$15 million for the Farmworker Low-Income Weatherization Program—comes from GGRF. Notably, while most of this funding was part of a 2022-23 budget package focused on addressing extreme heat, some was also included as part of a 2021-22 package focused on climate resilience.

Recent and Planned Extreme Heat-Related Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions
General Fund, Unless Otherwise Noted (In Millions)

Program	Department	2020-21 and 2021-22	2022-23	2023-24	Totals
Greening Programs		\$80	\$237	\$143	\$460
Urban Greening Program	CNRA	\$50	\$100	\$100	\$250
Urban Forestry Program	CalFire	30	20	10	60
Green Schoolyards Program	CalFire	—	117 ^a	33	150
Community Resilience		—	\$50	\$125	\$175
Extreme Heat and Community Resilience Program	OPR	—	\$50	\$125	\$175
Weatherization Programs		—	\$40	\$25	\$65
Low-Income Weatherization Program	CSD	—	\$25	\$25	\$50
Farmworker Low-Income Weatherization Program	CSD	—	15 ^b	—	15
Education and Outreach Programs		—	\$20	\$28	\$48
Protections for vulnerable populations	CDPH, DIR, CDSS	—	\$14	\$14	\$28
Community-based public awareness campaign	OPR	—	6	14	20
Agricultural Programs		—	\$1	\$1	\$2
Animal Mortality Management Program	CDFA	—	\$1	\$1	\$1
Origin Inspection Program	CDFA	—	0.3	0.3	0.5
Totals		\$80	\$348	\$322	\$749

^a Includes \$100 million for the Urban Forestry Program for schools and childcare facilities provided through a budget control section.

^b Funded from the Greenhouse Gas Reduction Fund.

CNRA = California Natural Resources Agency; CalFire = California Department of Forestry and Fire Protection; OPR = Governor's Office of Planning and Research; CSD = Department of Community Services and Development; CDPH = California Department of Public Health; DIR = Department of Industrial Relations; CDSS = California Department of Social Services; and CDFA = California Department of Food and Agriculture.

Source: LAO

Extreme Heat Funding Supports Variety of Programs. About 60 percent of the funding over the four years—\$460 million—is to support programs to expand green spaces in urban areas, schools, and childcare centers. Just under one-quarter of the funding—\$175 million—is for a program intended to help communities prepare for the impacts of extreme heat. The remaining funding—totaling \$115 million—is for programs to support weatherizing housing occupied by individuals with lower incomes, conduct education and outreach on extreme heat for certain vulnerable populations, and mitigate the impacts of extreme heat in pest and livestock management.

Extreme Heat Represents New Area of State Focus. Historically, the state has not provided significant funding explicitly to mitigate the impacts of extreme heat. The package includes existing, expanded, and new activities. Some of the recently funded programs—such as the Urban Greening Program, Urban

Forestry Program, and Low-Income Weatherization Program—represent existing activities that have received support from the state in the past, however, these programs have not historically focused narrowly on the goal of addressing extreme heat. Rather, they have had other core goals—such as enhancing landscapes or improving energy efficiency—but they can also help with heat mitigation. Previous funding typically was not provided from the General Fund, but rather from alternative sources such as general obligation bonds or GGRF. Some of the funding is to augment existing programs and activities to add a focus on extreme heat. For example, funding is included for the Department of Industrial Relations to expand its existing outreach, education, and strategic enforcement efforts to improve worker protections from heat-related illnesses. Finally, some of the augmentations are supporting the creation of new programs. For example, the Extreme Heat and Community Resilience Program is a new program at the Governor’s Office of Planning and Research (OPR) aimed at helping communities prepare for the impacts of extreme heat.

LAO Assessment. None of the Governor’s proposed solutions are without trade-offs. However, on balance, LAO thinks the Governor’s proposals generally are reasonable in light of the state’s anticipated budget challenges. Below, LAO discusses several of these proposals, as well as other potential reductions we think could warrant consideration.

Reductions to Conservancies Make Sense Given Other Recent Funding. Because of their access to significant other funding, LAO thinks the Governor’s proposal to reduce \$100 million for nature-based activities by various state conservancies merits legislative consideration. In addition to the \$130 million that conservancies would retain for nature-based activities from this package, they also received substantial funding as part of the wildfire and forest resilience package (\$378 million) which the Governor does not propose reducing. Thus, even with the proposed reductions, conservancies still would receive significant funding to support key priority activities in their regions. This represents a substantial increase in conservancy funding compared to historical levels, as well as a shift toward greater use of General Fund support than has been the case in the past. (Conservancies have traditionally relied heavily on general obligation bond funding.)

Given Significant Funding Proposed Across Multiple Programs, Could Consider Additional Reductions to WCB Habitat Restoration Program. LAO also thinks it is reasonable for the Legislature to adopt the Governor’s proposed reductions to WCB’s efforts to protect wildlife from changing conditions. Notably, the Governor only proposes to reduce this program by \$35 million, leaving over \$300 million for these activities. Additionally, these activities are similar to several others that are proposed for funding in both the nature-based activities and water and drought packages, and thus the Legislature may even want to consider adopting additional reductions to these programs beyond those proposed by the Governor.

Reduction of Funding for Local Corps Reasonable Given Access to Other Funding. The recent budget package established two new activities for the California Conservation Corps: (1) \$36 million to support nature-based work at the 14 existing local conservation corps and (2) \$13 million to establish a new Tribal NBS Corps and provide related administrative support. The Governor proposes reducing the first by \$24 million (retaining \$12 million) and leaving the second unaffected. Reducing the dedicated funding for local conservation corps may result in them completing fewer nature-based projects than they might otherwise. However, local corps still have access to their typical funding sources, such as grants (including from other state programs) and payments for their work, that can allow them to continue to complete activities, including some similar types of projects. Accordingly, LAO thinks the Governor’s proposed reduction merits legislative consideration.

Scaling Back Climate Smart Land Management and Extreme Heat and Community Resilience Programs Could Provide Time to Evaluate Results of Initial Funding. LAO also finds merit in the

Governor's proposal to reduce funding for DOC's Climate Smart Land Management Program by \$4 million (from \$20 million to \$16 million) and OPR's Extreme Heat and Community Resilience Program by \$75 million (from \$175 million to \$100 million) and thinks the Legislature could consider making even deeper reductions to these programs. These are both new initiatives first funded in the current year. As new programs, the Legislature does not yet have information on their effectiveness or demand for funding. The Legislature could consider reducing more funding than the Governor proposes and treating the remaining amount as a more limited pilot effort. It could then evaluate the outcomes of that funding before deciding whether it is worthy of future support. For example, for Climate Smart Land Management, the Governor proposes to reduce \$4 million from the amount provided in 2022-23, but the Legislature could also opt to not provide the \$6 million intended for 2023-24, for a total reduction of \$10 million. Similarly, for the Extreme Heat and Community Resilience Program, the Governor proposes to reduce \$25 million from the amount provided in 2022-23 and \$50 million from the amount intended for 2023-24, but the Legislature could choose to eliminate the remaining \$75 million intended for 2023-24, for a total reduction of \$150 million.

Proposed Urban Greening and Forestry Reductions Still Would Leave Substantial Funding for Similar Purposes. LAO also finds a compelling rationale for the Governor's proposal to reduce funding for Urban Greening and Urban Forestry. While funding would decline for Urban Greening from \$250 million to \$150 million and for Urban Forestry from \$60 million to \$30 million, there would still be a significant amount—\$180 million—available for these programs. Additionally, these two programs are similar to the Green Schoolyards program, which the Governor proposes to fully maintain at \$150 million. Accordingly, under the Governor's proposed approach, the state still would maintain \$330 million for greening-related programs. Notably, these types of programs are also candidates for some other potential funding sources, such as federal funds, which could help mitigate some of the impacts should their state funding be reduced.

Legislature Could Consider Making Reductions to Some Other Programs. To the extent the Legislature needs to identify additional solutions, either because the budget condition worsens in the coming months or because it would like alternatives to some of the Governor's proposals, it has various options to consider. In particular, the Legislature could make more significant reductions than the Governor proposes to funding for programs or projects in 2023-24 or subsequent years. For both nature-based activities and extreme heat activities, the Governor only proposes to reduce half or less of the funding intended for 2023-24. Since this funding has not yet been appropriated, it has not yet been committed to specific projects, and as such, making reductions would generally be less disruptive. Some examples of specific programs that LAO thinks are reasonable for the Legislature to consider reducing, in addition to those discussed above, include:

- ***WCB's Various Programs, DWR's Habitat Restoration, and CDFW's Program to Mitigate Climate Change Impacts on Wildlife.*** These programs support activities with similar objectives, even if their specific areas of focus differ somewhat. The Legislature could reduce funding levels for some of these programs, including the amounts that would be appropriated in 2023-24. While this would mean fewer projects completed, other complementary efforts still would be underway.
- ***State Coastal Conservancy's (SCC's) Coastal Acquisitions.*** SCC has not yet identified specific properties for which it would use this funding. This uncertainty makes it difficult to conclude that this funding meets an urgent need and that its planned usage should be a high priority for the state's limited resources. Given the lack of clarity around the demand for, timing of, and specific use of this funding, LAO finds it to be a good candidate for reducing.

- ***CNRA's Tribal NBS Program.*** This is a new program aimed at helping facilitate access, co-management, and ancestral land return. None of the \$70 million provided in 2022-23 has yet been allocated and the \$30 million intended for 2023-24 has not yet been appropriated. While providing funding to support tribes has merit in light of historical injustices, the specific activities that will be supported with this funding still are unclear because CNRA still is in the process of consulting with tribes to develop the program. The Legislature could provide a lesser amount of funding to get the program started. It could then consider restoring some of the funding at a later date should the final structure and details of the program be consistent with legislative priorities. Alternatively, if the Legislature considers this effort a high near-term priority, it could consider retaining or delaying—rather than reducing—the funding, and providing additional statutory direction on the use of the funds.
- ***OPR's Community-Based Public Awareness Campaign.*** This is a new program to conduct a public awareness campaign about the risks of extreme heat, focused on vulnerable communities. While a greater state focus on mitigating the effects of extreme heat is warranted given the health risks it poses, particularly to vulnerable groups, this particular program is new and thus its effectiveness is uncertain. Moreover, starting in 2022-23, OPR also received a separate \$65 million ongoing annual General Fund augmentation to establish and operate an Office of Community Partnerships and Strategic Communications. In addition to running the above program, this office has base funding for general communications about important state issues. The Legislature could retain the \$6 million that was provided for the public awareness campaign in 2022-23, but eliminate the \$14 million planned for 2023-24. This would enable the Legislature to treat the 2022-23 funding as a pilot and evaluate its effectiveness—and relationship to other OPR activities—prior to determining whether additional funding is merited.

Potential for Other Funding Sources to Replace or Help Offset Loss of General Fund. As the Legislature considers its preferred mix of solutions, it will be important to consider other sources of potential funding that may be available to support similar activities. Some additional sources could include:

- ***Federal Funds.*** Recent federal infrastructure bills have included funding to support some similar activities. Specifically, the Inflation Reduction Act provided \$1.5 billion for the United States Forest Service's Urban and Community Forestry Program and \$3 billion to the U.S. Environmental Protection Agency to mitigate extreme heat and other climate-related risks. Additionally, IIJA provided \$3.5 billion for a weatherization assistance program. The details around this funding, including how much California will receive, still are emerging. However, to the extent federal funding aligns with the same types of activities as state funding, state reductions could be partially mitigated by similar federally funded activities. Additional details on available federal funding should be available in the coming months.
- ***Proposition 98 General Fund.*** CalFire's program to green schoolyards could potentially be funded through Proposition 98. A key trade-off associated with using school funds to support this program is that less would be available to support other Proposition 98 priorities. However, shifting funding for this program to Proposition 98 would reduce pressure on non-Proposition 98 General Fund resources, so it is worthy of consideration.
- ***GGRF.*** Some activities—such as wetlands restoration, urban greening, and low-income weatherization—have been funded by GGRF in the past. A key trade-off associated with using GGRF for these activities is that it would mean less of those funds available to support

other programs. (The Administration is already proposing to use GGRF to offset some other General Fund augmentations, mostly for ZEV-related programs.)

- ***Potential Future Bond.*** As noted previously, some of the types of activities and programs funded in the nature-based activities and extreme heat areas are consistent with those that have been funded in past general obligation bonds. Accordingly, if the Legislature decides to pursue asking voters to approve a resources-related bond in the future, it could consider including some or all of these activities if they are high legislative priorities.

Staff Recommendation. Hold open.

0650 OFFICE OF PLANNING AND RESEARCH (OPR)
0650 OPR: STRATEGIC GROWTH COUNCIL (SGC)
3900 CALIFORNIA AIR RESOURCES BOARD (CARB)

Issue 12: Governor's Proposed Budget Solutions: Community Resilience

Governor's Proposal. According to LAO:

Proposes Funding Changes for Four Programs, \$280 Million Total Net Reduction. The Governor selects the four largest community-based climate programs for achieving General Fund savings and leaves the remaining 13 programs unaffected. The proposals would reduce General Fund support for three of the programs by a combined \$530 million (although proposes to shift \$250 million from GGRF to mostly backfill one program) and delay a share of funding for one program by one year without a net change in overall resources. When accounting for the proposed GGRF fund shift, the Governor's budget would result in a total net programmatic reduction of \$280 million, leaving a three-year total of \$1.9 billion (87 percent) to support the community resilience programs. The specific proposals are as follows:

- ***AB 617 Program Reduction and Fund Shift.*** The Governor proposes to eliminate the full \$300 million in planned General Fund spending for this program in 2023-24, but then uses \$250 million from GGRF to mostly make up for this loss, resulting in a \$50 million net reduction. The Administration states it is uncertain exactly how it would implement this reduction (such as whether it would result in fewer grantees or decreased grant amounts for the same number of grantees).
- ***Transformative Climate Communities (TCC) Reduction.*** The Governor proposes reducing \$65 million from the 2022-23 appropriation and \$40 million from planned 2023-24 funding for a net reduction of \$105 million. This would leave the program with \$100 million annually in both the current and budget years. The Administration estimates this reduction would result in a total of between five and ten fewer communities receiving TCC funds, as well as reduced implementation grant amounts for continuing grantees. The Administration notes that applicants could apply instead to a similar new federal program.
- ***Community Resilience Centers Delay.*** The Governor delays \$85 million of the \$160 million in planned spending for this program from 2023-24 to 2024-25. This would achieve General Fund savings in the budget year but shift those costs to the next year. The program still would retain \$75 million to spend in 2023-24 and would not experience a net funding reduction across the two fiscal years. The Administration estimates the proposed delay would not have programmatic impacts, but rather would allow potential grantees more time to develop competitive proposals before applying for funds.
- ***Regional Climate Resilience Program Reduction.*** The Governor proposes reducing \$25 million from the 2022-23 appropriation and \$100 million from planned 2023-24 funding, for a total net reduction of \$125 million. This would retain half of the three-year planned total amount. The Administration estimates this reduction would result in approximately 60 fewer projects funded.

Governor's Proposed Community Resilience Budget Solutions

2021-22 Through 2023-24 (In Millions)

Program	Department	Total Augmentations	General Fund Reductions	Backfill With Fund Shift	New Proposed Amounts
Programs Proposed for Solutions					
AB 617 program	CARB	\$930	-\$300	\$250 ^a	\$880
Transformative Climate Communities Program	SGC	420	-105	—	315
Community Resilience Centers	SGC	270	— ^b	—	270
Regional Climate Resilience Program	OPR	250	-125	—	125
Subtotals		(\$1,870)	(-\$530)	(\$250)	(\$1,590)
All Other Community Resilience Programs		\$302	—	—	\$302
Totals		\$2,172	-\$530	\$250	\$1,892

^a Would shift fund source to the Greenhouse Gas Reduction Fund.

^b Governor proposes delaying \$85 million in General Fund spending from 2023-24 to 2024-25.

AB 617 = Chapter 136 of 2017 (AB 617, C. Garcia); CARB = Air Resources Board; SGC = Strategic Growth Council; and OPR = Governor's Office of Planning and Research.

Source: LAO

Background. Recent Budgets Included Significant New Funding for Community-Based Climate Activities. Recent budgets have included \$2.2 billion for programs primarily focused on helping communities address the causes and impacts of climate change. This total consists of \$1.5 billion appropriated through the last two budgets and \$715 million intended for 2023-24. About two-thirds of the funding across the three years is from the General Fund (\$1.4 billion), with the remainder (\$760 million) from GGRF. The largest share of funding (\$930 million) is for the AB 617 program, which funds efforts to reduce pollution and improve air quality in highly impacted communities. This is an existing program established in 2017—through AB 617 (C.Garcia), Chapter 136, Statutes of 2017 — that has historically been supported using GGRF. The same is true for TCC program, which began in 2018 and funds community-led development and infrastructure projects. The three years of augmentations represent the first time the TCC program is funded with General Fund instead of GGRF.

Recent and Planned Community Resilience Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions General Fund, Unless Otherwise Noted (In Millions)

Program	Department	2021-22	2022-23	2023-24	Totals
AB 617 program	CARB	\$320 ^a	\$310 ^b	\$300	\$930
Transformative Climate Communities Program	SGC	115	165	140	420
Community Resilience Centers	SGC	—	110	160	270
Regional Climate Resilience Program	OPR	25	125	100	250
Methane monitoring satellites	CARB	—	105 ^a	—	105
Community air monitoring	CARB	—	30 ^a	—	30
Climate Adaptation and Resilience Planning Grants	OPR	10	10	5	25
Environmental Justice Initiative	CalEPA	10	10	5	25
Fifth Climate Assessment	Various	22	—	—	22
Regional Climate Collaboratives	SGC	10	10	—	20
School ventilation upgrades (CalSHAPE)	CEC	—	20 ^a	—	20
CA Volunteers: Climate Action Corps	OPR	5	5	5	15
Fluorinated Gas Reduction Incentive Program	CARB	—	15	—	15
High-GWP Refrigerants	CARB	—	10 ^a	—	10
Vulnerable Communities Platform and CalAdapt Mapping	OPR	5	—	—	5
Wood stove replacements	CARB	—	5 ^a	—	5
Regional planning for lithium extraction	CEC	—	5	—	5
Totals		\$522	\$935	\$715	\$ 2,172

^a Funded from the Greenhouse Gas Reduction Fund (GGRF).

^b Includes \$270 million from GGRF.

AB 617 = Chapter 136 of 2017 (AB 617, C. Garcia); CARB = California Air Resources Board; SGC = Strategic Growth Council; OPR = Governor's Office of Planning and Research; CalEPA = California Environmental Protection Agency; CalSHAPE = California Schools Healthy Air, Plumbing, and Efficiency Program; CEC = California Energy Commission; and GWP = Global Warming Potential.

Source: LAO

In contrast to AB 617 and TCC, most of the other programs displayed in the figure above represent new activities that the state is initiating for the first time with this funding. This includes the Community Resilience Centers Program (which will support new construction and upgrades of neighborhood-level resilience centers to provide shelter and resources during climate and other emergencies) and the Regional Climate Resilience Program (which will provide grants for local entities to plan and implement regional projects that respond to their greatest climate risks).

LAO Assessment. Governor's Focus on Larger Programs Is Appropriate. LAO finds that the Governor's approach of focusing budget solutions on large community resilience programs and leaving the smaller programs unaffected has merit. With one exception—methane monitoring satellites, which is discussed next—all of the unaffected programs received less than \$30 million total. Additionally, nearly all of this funding was provided in the current or prior years and administering agencies likely already are in the process of expending the funds. Therefore, rescinding the funding at this point could be disruptive. Even if some share might still be available, given the comparatively smaller amounts of funding associated with these programs, the potential amount of budget solutions they could yield likely are not worth the potential disruption. As such, maintaining the modest funding for these smaller programs and allowing departments to carry out their intended activities makes sense.

Methane Monitoring Satellite Program Would Be a Good Candidate for Reductions. The fact that the Governor proposes no reductions for the methane monitoring satellite program is a notable inconsistency in approach. Like the other four programs proposed for modification, this initiative has a relatively large associated cost—\$105 million—and therefore has the potential to meaningfully contribute to needed

budget solutions. (Although this program was funded with GGRF, the Legislature could reduce the amount and free up those monies to swap with General Fund from a different program, thereby yielding General Fund budget solutions.) This program was funded for the first time in 2022-23 to (1) help pay for the costs to launch eight satellites, (2) cover the costs of collecting the methane data for the lifetime of the satellites (5 to 15 years), and (3) support seven positions at CARB for three years. LAO believes several arguments exist for reducing funding for this program. First, CARB indicates that only a small amount of the funds (less than \$1 million) has been spent thus far. The board does not expect to release a request for proposals until late spring or early summer 2023, so no funding would be awarded in the current year. Second, methane leaks from oil and gas facilities and landfills—the two main methane sources intended to be monitored by this program—make up a relatively small share of overall statewide GHG emissions (less than five percent in most years), so the state could instead prioritize maintaining funding for other programs that might have a greater impact on reducing statewide GHG goals. Third, the state already has various efforts in place to monitor methane, including regular in-person inspections. Finally, CARB is expecting to obtain methane data from two satellites being launched by the private sector in 2023, so some similar data already will be available.

Governor's TCC Proposal Justified, Given Availability of Federal Funds. While the Governor's proposal to reduce the TCC program by \$105 million would result in fewer communities receiving state grants, LAO believes it is justified for two reasons. First, even with the proposed reductions, significant funding would remain for the program—\$100 million each in 2022-23 and 2023-24. This would allow the program to continue at roughly the same level as in 2021-22. The Strategic Growth Council (SGC) indicates it would use this funding to award three new large implementation grants (at \$28 million each), three new mid-size project development grants (at \$5 million each), and three new smaller planning grants (at \$300,000 each) each year. Second, the U.S. Environmental Protection Agency recently established the Environmental and Climate Justice Block Grants Program, which is modeled directly after California's TCC program. This \$3 billion federal program will provide three-year implementation grants on a competitive basis to applying states, tribes, municipalities, and community-based organizations. California communities have no guarantees about how much they will receive from this program or whether it will directly backfill the locations and amounts that state funds would have supported. However, the federal program presents an opportunity to potentially support the goal of expanding the TCC program even if the state reduces its funding. SGC indicates it will use existing staff to provide technical assistance and support communities interested in applying for the federal program.

Uncertainty About New Climate Resilience Center Program Makes It a Good Candidate for Reduction. Instead of the Governor's proposal to delay \$85 million for climate resilience centers from 2023-24 to 2024-25, the Legislature may want to consider reducing funding for this program. This is a brand-new program initiated in the current year, and as such, no data are yet available regarding program demand or effectiveness. SGC still is in the process of designing the program and does not plan to make initial awards from its 2022-23 allocation until Fall 2023. Moreover, SGC indicates that most communities do not yet have scoped-out, designed, and permitted centers ready to receive funding, so its initial funding awards will only be for planning activities. Given how early this program is in its implementation, spending the allocated funds for actual projects likely will take several years, and the state cannot yet be sure how many centers it will fund, where they will be located, how frequently they will be used, or how effective they will be at protecting communities from climate change impacts. This uncertainty around funding demand and implementation timing, combined with the need for budget solutions, suggest this program is a good candidate for reductions. The Legislature could convert the Governor's proposed \$85 million funding delay into a reduction, as well as consider reducing an even larger share of the \$160 million intended to be provided in 2023-24. If it makes reductions to the 2023-24 intended amounts, the Legislature could leave the \$115 million from the 2022-23 appropriation in place (as the Governor does) and treat this as a more modest pilot effort, collecting information about program demand and implementation to help target and inform potential future investments.

Proposal to Cut Regional Climate Resilience Program in Half Raises Some Concerns. While the Regional Climate Resilience Program is new and early in its implementation, LAO thinks the Legislature may want to exercise caution in considering the Governor's proposed reductions. This is the community resilience program for which the Governor proposes the largest reduction, both in dollars (\$125 million) and proportion (50 percent). However, the Legislature established this program to fill an important gap in statewide climate preparedness efforts. While numerous other programs provide grants for individual cities or nongovernmental entities to conduct distinct projects, this program is somewhat unique in its intent to support *regionally based* project planning and implementation efforts. Many of the impacts of climate change cross jurisdictional boundaries and necessitate coordinated, collaborative efforts that are hard to organize and fund. (LAO discusses this challenge as it relates to sea-level rise in its December 2019 report, *Preparing for Rising Seas: How the State Can Help Support Local Coastal Adaptation Efforts*.) Although large amounts of funding for this program still remain unspent and thus could be reduced without near-term disruptions, the absence of support for regional-based climate change readiness activities could contribute to greater *long-term* disruptions from climate change impacts.

Expanding Climate Action Corps Program While Reducing Existing Commitments Not Justified. Given this program only began in 2021-22, sufficient data are not yet available on the effectiveness of the current pilot program to justify the Governor's proposal to double its existing funding or make it ongoing, particularly at the expense of other existing commitments. Given the budget problem, providing \$4.7 million in additional General Fund for this program would necessitate an equal amount of reductions from other existing spending commitments. Moreover, \$3 million in federal Americorps funds is available and currently supplementing state funds for this program, so this activity could continue—albeit at a lower level—even without any General Fund support.

LAO Recommendations. Modify Governor's Proposals to Reflect Legislative Priorities. Overall, LAO finds most of the proposed budget solutions the Governor proposes for community resilience programs to be reasonable and worthy of consideration. Based on LAO's initial assessment, some particular modifications the Legislature could consider include: (1) reducing funding for methane monitoring satellites, (2) reducing rather than delaying \$85 million for the Climate Resilience Center Program, and (3) maintaining some additional funding for the Regional Climate Resilience Program.

Reject Proposal to Expand Climate Action Corps Program. Because no evidence is available to suggest this program is particularly effective at reducing the causes and impacts of climate change, and because it would necessitate a like amount of reductions from existing programs, LAO recommends the Legislature reject the Governor's proposal to allocate an additional \$4.7 million General Fund to double funding for this program. LAO also recommends the Legislature reject the proposal to make the program ongoing, given the lack of data on its effectiveness and the state budget condition and outlook. The Legislature could request additional information on program outcomes to inform future budget decisions about whether to extend this program beyond its current 2025-26 sunset date.

LAO Recommendations. Modify Governor's Proposals Consistent With Legislative Priorities, Identify Additional Potential Solutions. LAO recommends the Legislature develop its own package of budget solutions based on its priorities. Based on LAO's review, LAO thinks it is reasonable for the Legislature to consider adopting the Governor's proposed reductions for nature-based activities and extreme heat since they align with many of the principles we identify in this report.

LAO also recommends the Legislature consider adopting additional solutions, either in place of or in addition to those proposed by the Governor. As it does so, LAO recommends the Legislature focus mostly on reducing planned funding for 2023-24 in order to minimize potential disruptions. Some specific areas that LAO thinks merit consideration for potential reduction include: WCB, DWR, and

CDFW programs with similar objectives; SCC's coastal acquisitions; and OPR's community-based public awareness campaign. The Legislature could also consider reducing or delaying funding for CNRA's Tribal NBS Program until more details have been developed regarding how funds will be used.

As the Legislature makes its choices regarding which programs to target for solutions, LAO recommends that it consider other potential sources of available funding, such as Proposition 98, GGRF, and federal funds. While many of these sources of funds come with trade-offs, they could enable the Legislature to maintain funding for more high-priority programs while also reducing pressure on the General Fund.

Staff Recommendation. Hold open.

3480 DEPARTMENT OF CONSERVATION (DOC)

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

3600 DEPARTMENT OF FISH AND WILDLIFE (CDFW)

Issue 13: Governor's Proposed Budget Solutions: Other Non-Package Programs Proposed for Solutions

Governor's Proposal. According to LAO, the Governor proposes cuts to three programs funded outside of budget packages: (1) eliminating the \$25 million for DOC's Sustainable Agricultural Lands Conservation program, (2) reducing CDFW's vegetation mapping program by \$20 million (retaining \$25 million), and (3) reducing CalFire's deferred maintenance funding by \$13 million (retaining \$37 million). (For information on the proposed reductions to the Sustainable Agriculture Package, please refer to the Subcommittee 2 hearing agenda for March 30, 2023.)

Governor's Proposed Other Budget Reductions

2021-22 Through 2023-24 (In Millions)				
Program	Department	Total Augmentations	Proposed Reductions	New Proposed Amounts
Other Non-Package Programs Proposed for Solutions				
Sustainable Agricultural Lands Conservation	DOC	\$25	-\$25	—
Complete fine-scale vegetation mapping	CDFW	45	-20	\$25
Deferred maintenance	CalFire	50	-13	37
Other Totals		\$120	-\$58	\$62

Source: LAO

Background. Recent Budgets Provided One-Time Funding for Various Other Activities Outside of Packages. While most of the major one-time augmentations in the resources, environment, and climate area were presented as part of packages, some were adopted as separate actions and largely are not proposed for reductions. These non-package augmentations that the Governor proposes to reduce are: the Sustainable Agricultural Lands Conservation program through DOC (\$25 million), vegetation mapping undertaken by CDFW (\$45 million), and deferred maintenance at CalFire facilities (\$50 million).

LAO Assessment. Proposed Solutions Generally Appear Reasonable. All of the Governor's proposed solutions come with trade-offs. However, after weighing these trade-offs, LAO thinks the Governor's proposals generally are reasonable in light of the state's anticipated budget challenges. In particular, while many of these programs aim to achieve worthy environmental goals, they generally focus on less pressing climate change-induced challenges than some of the other thematic areas, such as wildfire, sea-level rise, and drought. Accordingly, LAO thinks targeting uncommitted funding from these programs is a worthwhile approach to pursuing budget solutions. (LAO thinks it would be overly disruptive to take away funding that has already been committed to specific projects.)

Other Proposed Reductions Also Reasonable. LAO finds merit in the Governor's other proposed reductions:

- **Sustainable Agricultural Lands Conservation.** This program funds conservation easements on and plans for agricultural lands to preserve them from being converted to more GHG-intensive

residential uses. Eliminating the full \$25 million in General Fund support for this program, as the Governor proposes, however, would not leave it without any funding. This is because the program receives annual funding allocations from GGRF as part of the continuously appropriated Affordable Housing and Sustainable Communities program through SGC. While the annual funding amounts vary depending on the level of cap-and-trade auction revenues, they typically total tens of millions of dollars. The program awarded \$74 million in grants using GGRF in December 2022 and has allocated nearly \$300 million since it began. This funding could allow it to continue existing activities even without the intended General Fund augmentation.

- ***Vegetation Mapping.*** Reducing the \$20 million intended for this effort in 2023-24 would prevent CDFW from being able to complete fine-scale statewide mapping of vegetation and habitats. However, the \$25 million provided in 2021-22 and 2022-23 will allow the department to complete about two-thirds of this mapping effort and provide the state with a good deal of helpful information to support its conservation decisions. The state could fund the final stage of this project in a future year.
- ***CalFire Deferred Maintenance.*** The Governor proposes to reduce by \$13 million the \$50 million provided in 2021-22 for CalFire to undertake deferred maintenance projects. This would still leave the department with sufficient funding—\$37 million—to address a significant portion of the roughly \$160 million backlog that has accumulated over many years. While addressing deferred maintenance is an important activity, the Governor’s proposed reduction is worthy of consideration given the funds that would remain and the condition of the General Fund.

LAO Recommendations. *Modify Governor’s Proposals Consistent With Legislative Priorities, Identify Additional Potential Solutions.* LAO recommends the Legislature develop its own package of budget solutions based on its priorities and the guiding principles that LAO has identified previously. Based on LAO’s review, LAO recommends the Legislature consider adopting the Governor’s proposed reductions for these other non-package proposals since they align with many of the principles LAO identifies in its report.

Staff Recommendation. Hold open.