

Senator Josh Becker, Chair
Senator Brian Dahle
Senator Mike McGuire



Thursday, May 4, 2023
9:30 a.m. or Upon Adjournment of Session
1021 O Street - Room 2200

Consultants: Eunice Roh and Joanne Roy

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3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY

Issue 1: CNRA Bond and Technical Proposals (Spring Finance Letter (SFL))

Governor’s Proposal. A Spring Finance Letter (SFL) requests appropriations and reappropriations from various bonds, reversions, reversions with associated new appropriations, and other non-bond technical adjustments to continue implementation of existing authorized programs.

Staff Recommendation. Approve as budgeted.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3125 CALIFORNIA TAHOE CONSERVANCY

Issue 2: Lake Tahoe Science and Lake Improvement Account Realignment (SFL)

Governor’s Proposal. An SFL requests a total of \$290,000 ongoing Lake Tahoe Science and Lake Improvement Account (Account) and 0.5 permanent position to support the Tahoe Science Advisory Council and aquatic invasive species control and public access projects at Lake Tahoe, consistent with legislative mandates. This includes \$110,000 ongoing for CNRA and \$180,000 (\$150,000 state operations and \$30,000 local assistance) and 0.5 position ongoing for the California Tahoe Conservancy (Conservancy).

CNRA requests additional resources to support the bi-state Tahoe Science Advisory Council (Council). Additional funding will allow the Council to collaborate with Lake Tahoe management agencies and communicate science findings.

The Conservancy requests a total of \$180,000 (\$150,000 state operations and \$30,000 local assistance) and 0.5 permanent position. Additional operations funding and position authority will support staff in guiding and managing investments in aquatic invasive species control and public access projects. Additional local assistance funds will increase the Conservancy's ability to invest in on-the ground projects.

Staff Recommendation. Approve as budgeted.

3480 DEPARTMENT OF CONSERVATION (DOC)
3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

Issue 3: Withdrawal of SB 1137 Implementation: Health Protection Zones (SFL)

Governor's Proposal. An SFL requests withdrawal the Governor's January Budget proposal implementing SB 1137 (Gonzalez), Chapter 365, Statutes of 2022, given the Secretary of State certified that the referendum measure of SB 1137 has qualified for the November 2024 ballot, of the following:

- DOC: Decrease Item 3480-001-3046 by \$9.723 million and 37 positions ongoing.
- CARB: Decrease Item 3900-001-3046 by \$2.24 million and nine positions ongoing.
- SWRCB: Decrease Item 3940-001-3046 be decreased by \$2.646 million and 13 positions ongoing.

Staff Recommendation. Approve as budgeted.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**Issue 4: Aviation Program Contracts (SFL)**

Governor's Proposal. An SFL requests \$1.88 million General Fund in 2023-24, \$2.38 million in 2024-25, \$2.93 million in 2025-26, \$7.02 million in 2026-27, and \$11.52 million in 2027-28 to support three firm years and two optional years of the increased contractual costs of a follow-on aviation parts and logistics contract.

The Governor's Budget proposed a total of \$34.18 million one-time over five years to support two optional years of a fixed-wing pilot and mechanics contract as well as three firm years and two optional years for a follow-on aviation parts and logistics contract. The amounts requested for the aviation parts and logistics contract were the best estimates at the time. The proposal indicated that a spring request was anticipated to align costs after the procurement process was finalized in early 2023. This adjustment is the incremental increase necessary to align the Governor's Budget proposal with the final contract award amounts.

Staff Recommendation. Approve as budgeted.

Issue 5: Bieber Forest Fire Station/Helitack Base: Relocate Facility (SFL)

Governor's Proposal. An SFL requests that Item 3540-301-0660 be added in the amount of \$5.044 million one-time for the construction phase of the Bieber Forest Fire Station/Helitack Base: Relocate Facility project. Revised estimated construction costs for the project were developed during completion of the working drawings phase of the project which indicate an additional appropriation will be required to fund construction.

Staff Recommendation. Approve as budgeted.

Issue 6: Office of the State Fire Marshal, Fire and Life Safety

Governor's Proposal. An SFL requests that Item 3540-001-0001 be increased by \$262,000 General Fund and two positions, and reimbursements be increased by \$2.887 million and 11 positions, Item 3540-001-0102 (State Fire Marshal Licensing and Certification Fund) be increased by \$1,000, Item 3540-001-0198 (California Fire and Arson Training Fund) be increased by \$1,000, Item 3540-001-0209 (California Hazardous Liquid Pipeline Safety Fund) be increased by \$1,000, Item 3540-001-0928 (Forest Resources Improvement Fund) be increased by \$1,000, and Item 3540-002-3228 (Greenhouse Gas Reduction Fund) be increased by \$9,000.

This proposal includes a total of \$3.162 million in 2023-24, \$2.826 million ongoing, and 13 positions to support increased workload in the Office of the State Fire Marshal's Fire and Life safety Division related to plan reviews and construction inspections for state infrastructure projects as well as fire and life safety inspections in state owned, specified state occupied, and various other specified buildings statewide.

Staff Recommendation. Approve as budgeted.

3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)**Issue 7: Dedicated Fish and Game Preservation Fund Realignment (SFL)**

Governor's Proposal. An SFL requests various adjustments to the Fish and Game Preservation Fund's (FGPF) dedicated accounts, Hatcheries and Inland Fisheries Fund (HIFF), and Department of Fish and Wildlife – California Environmental Quality Act Fund (CEQAF) resulting in an increase of \$6.87 million and 23 permanent positions. These adjustments align the accounts' expenditure authority with revenues and help CDFW maintain stability, structural balance, and workload for the funds.

Staff Recommendation. Approve as budgeted.

3720 CALIFORNIA COASTAL COMMISSION**Issue 8: Essential Enforcement Program Support (SFL)**

Governor's Proposal. An SFL requests \$463,000 annually ongoing from the California Coastal Conservancy Fund, Violation Remediation Account (VRA) and two positions ongoing to provide the California Coastal Commission's enforcement unit with necessary resources to continue work on the resolution of Coastal Act violations, to bring administrative orders to hearing, and to reduce the backlog of enforcement cases statewide.

Staff Recommendation. Approve as budgeted.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**Issue 9: Humboldt Redwoods State Park: Founders Grove Parking Lot & Restroom Replacement (SFL)**

Governor’s Proposal. An SFL requests that Item 3790-301-0952 be increased by \$1.347 million one-time for the Humboldt Redwoods State Park: Founders Grove Parking Lot & Restroom Replacement project, as additional funds have been donated to support this project. This project includes construction of new restroom and parking lot facilities in an alternate location. The new site will include a new water source, water treatment system, and an accessible trail connection to Founders Grove.

Staff Recommendation. Approve as budgeted.

3860 DEPARTMENT OF WATER RESOURCES (DWR)**Issue 10: South Delta Permanent Operable Gates (SFL)**

Governor’s Proposal. An SFL requests that Item 3860-301-6026 be added in the amount of \$33.149 million one-time and Item 3860-301-6031 be added in the amount of \$10.564 million one-time for the construction and installation of permanent barriers with operable gates in South Delta channels.

Staff Recommendation. Approve as budgeted.

Issue 11: Salton Sea Accelerated Restoration (SFL)

Governor’s Proposal. An SFL requests that Item 3860-001-0890 be increased by \$20 million one-time to support accelerated restoration efforts, including wetland habitat and vegetation enhancement projects, at the Salton Sea.

Staff Recommendation. Approve as budgeted.

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)
3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)
3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)
3970 CALIFORNIA RESOURCES RECYCLING & RECOVERY (CALRECYCLE)

Issue 12: Technical Adjustments (SFL)

Governor’s Proposal. An SFL requests minor adjustments such as reappropriations and technical bond adjustments to continue implementation of existing authorized programs.

Staff Recommendation. Approve as budgeted.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

Issue 13: Division of Administrative Services Support (SFL)

Governor’s Proposal. An SFL requests 15 permanent positions and \$2.3 million ongoing from various special funds (Waste Discharge Permit; Safe Drinking Water Account; Underground Storage Tank Clean Up; State Water Quality Control Fund; Federal Trust Fund; Water Rights Fund; Safe and Affordable Drinking Water Fund; and Cannabis Tax Fund). These resources will be used to address increased administrative workload due to rapid and evolving program growth, increased resource management and tracking workload, and reporting requirements for the Division of Administrative Services.

Staff Recommendation. Approve as budgeted.

Issue 14: Lead and Copper Rule Revision Regulation Implementation and Database (SFL)

Governor’s Proposal. An SFL requests \$16.22 million Federal Trust Fund in 2023-24 (\$2.84 million in ongoing funding for 14 new positions and two existing positions previously funded by the Safe Drinking Water Account and \$13.38 million in contract funding). An additional \$18.33 million in contract funding over four years (\$7.8 million in 2024-25, \$7 million in 2025-26, \$2 million in 2026-27, and \$1.5 million in 2027-28) is requested to support the development of a database to intake lead and copper data in compliance with the federal revised Lead and Copper Rule Revision (LCRR). The 14 new positions will create an LCRR unit and provide five field section staff that will ensure successful implementation of the new regulation. Funding will come from the Drinking Water State Revolving Fund set-aside for state program management provided by the Federal Bipartisan Infrastructure Law.

Staff Recommendation. Approve as budgeted.

Issue 15: Leviathan Creek Diversion Channel Relining (SFL)

Governor’s Proposal. An SFL requests \$5.163 million General Fund one-time in 2023-24 for the repair of critical infrastructure at Leviathan Mine (the Leviathan Creek Channel Diversion), a federally listed

Superfund Site owned by the State of California. This proposal will support the relining of the Leviathan Creek Diversion Channel side walls to prevent further deterioration, which could lead to severe water quality impacts.

Staff Recommendation. Approve as budgeted.

3970 DEPT. OF RESOURCES RECYCLING & RECOVERY (CALRECYCLE)

Issue 16: CalRecycle Integrated Information System (CRIIS) (SFL)

Governor's Proposal. An SFL requests \$6.185 million Beverage Container Recycling Fund (BCRF) one-time for the implementation of the CalRecycle Integrated Information System (CRIIS) per California Department of Technology (CDT) Project Approval Lifecycle (PAL) Stage 2 Market Research.

CRIIS is an extensive ongoing initiative to migrate the Beverage Container Recycling Program (BCRP) currently administered via a Commercial-Off-The-Shelf (COTS) application, called Division of Recycling Integrated Information System (DORIIS), into a modern, extensible cloud-based solution. The new solution will be developed with the goal of consolidating administration of all CalRecycle's material and waste management systems.

Staff Recommendation. Approve as budgeted.

Issue 17: Lee Vining Burn Dump Site Remediation (SFL)

Governor's Proposal. An SFL requests an increase of \$2.649 million Solid Waste Disposal Site Cleanup Trust Fund one-time to complete required site restoration work on the Lee Vining Burn Dump. Project completion will bring the site into regulatory compliance in the Mono Lake watershed area.

Staff Recommendation. Approve as budgeted.

DISCUSSION

VARIOUS DEPARTMENTS

Issue 18: Senate Cap-and-Trade Plan

Senate Proposal. The Senate proposes a Cap-and-Trade Spending Plan for 2023-24, totaling \$4.3 billion. This includes \$2.7 billion for continuous appropriations and other existing commitments as well as \$1.7 billion for discretionary spending. The Senate’s Cap-and-Trade Spending Plan is based on the Legislative Analyst’s Office (LAO) revenue estimates, which is higher than the Governor’s revenue assumptions. This is because the administration assumes all allowances will sell at the floor price, which is not a typical scenario as allowances have sold above the floor price over the last couple of years.

As a result, the Senate Cap-and-Trade Plan assumes higher amounts for the continuous appropriations, as detailed below:

Program	Department	Senate	Governor
Continuous Appropriations			
High Speed Rail Project	HSRA	847	526
Affordable Housing and Sustainable Communities Program	HCD	677	421
Transit and Intercity Rail Capital Program	CalSTA	339	210
Healthy and Resilient Forests	CalFire	200	200
Low Carbon Transit Operations Program	Caltrans	169	105
Safe and Affordable Drinking Water Program	SWRCB	130	105
Other Existing Commitments			
Baseline Operations	CARB	150	150
Manufacturing Tax Credit	CDTFA	97	97
State Responsibility Area Fee Backfill	CalFire	79	79
Safe and Affordable Drinking Water Program Backfill	SWRCB	0	25

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

- Zero-Emission Vehicles - \$975 million
- Agriculture - \$190 million
- Energy - \$195 million
- Coastal Resilience - \$110 million
- Other - \$190 million

The following chart provides additional detail about the Senate Cap-And-Trade Spending Plan in comparison with the Governor’s proposal. The Senate plan should be considered in conjunction with the broader Senate Budget Plan, which restores funding for several components of the Zero-Emission Vehicles Package through the newly proposed Housing and Infrastructure Fund. The Senate Budget Plan can be reviewed on the Senate Budget and Fiscal Review Committee website.

Program	Department	Senate	Governor
Discretionary			
Zero Emission Vehicles			
General Fund Backfill—Zero Emission Vehicle Package	CEC	0	368
General Fund Backfill—Zero Emission Vehicle Package	CARB	0	243
Heavy Duty Vehicles & Off Road Equipment Incentives	CARB	400	0
Clean Cars 4 All & Other Equity Programs	CARB	275	0
ZEV Transit Buses & Infrastructure	CARB & CEC	100	0
ZEV Fueling Infrastructure Grants	CEC	100	0
Equitable At-Home Charging	CEC	100	0
Agriculture			
FARMER	CARB	150	0
Agriculture Related Methane Reduction Programs	CDFA	35	0
Research in GHG Reductions	CDFA	5	0
Energy			
Equitable Building Decarbonization	CARB & CEC	100	0
Residential Solar and Storage	CPUC	80	0
Building Energy Benchmarking Program	CEC	15	0
Coastal Resilience			
Protecting the Coast from Climate Change	SCC	60	0
Implementing SB 1 (Atkins)	OPC	40	0
Intertidal Biodiversity DNA Barcode Library	OPC	10	0
Other			
Low-Income Weatherization Program	CSD	60	0
AB 617	CARB	50	250
Farmworker Housing Energy Efficiency & Solar	CSD	40	0
Carbon Removal Program	CARB	25	0
Technical Assistance for Federal Tax Credits	CEC	10	0
Wood Stoves	CARB	5	0
	Total	1660	861

More specifically, the programs funded in the Senate Cap-and-Trade Plan are as follows:

- **Heavy Duty Vehicles & Off Road Equipment Incentives.** \$400 million across various incentive programs, such as Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) and the Clean Off-Road Equipment Voucher Incentive Project (CORE) programs.
- **Clean Cars 4 All & Other Equity Programs.** \$275 million for Clean Cars 4 All, Clean Mobility Options, and other programs that support an equitable transition to zero-emission vehicles.
- **ZEV Transit Buses & Infrastructure.** \$100 million for CARB and CEC to fund programs that support transit agencies to transition their fleets to zero-emission vehicles.
- **ZEV Fueling Infrastructure Grants.** \$100 million for CEC to expand light-duty ZEV fueling infrastructure across the state.
- **Equitable At-Home Charging.** \$100 million for CEC to fund incentives for at-home charging infrastructure for low-income households.

- ***FARMER***. \$150 million for the Funding Agricultural Diesel Replacement and Upgrades (FARMER) Program through local air districts to reduce emissions from agricultural harvesting equipment, heavy-duty trucks, agricultural pump engines, tractors and other equipment used in agricultural and forestry operations by replacing older, higher polluting equipment with cleaner technologies including zero-emissions options.
- ***Agriculture Related Methane Reduction Programs***. \$35 million for programs aimed at reducing agriculture-related methane.
- ***Research in GHG Reductions***. \$5 million for CDFA to assess various methane reduction approaches.
- ***Equitable Building Decarbonization***. \$100 million for the Equitable Building Decarbonization programs aimed at supporting low-energy building upgrades for low-to-moderate income families in under-resourced communities, incentives for low-carbon building technologies, and incentives for low global warming-potential refrigerants in homes at CARB and CEC.
- ***Residential Solar and Storage***. \$80 million for CPUC to provide incentives for the installation of solar and energy storage systems.
- ***Building Energy Benchmarking Program***. \$15 million for CEC to fund the Building Energy Benchmarking Program, which requires owners of large commercial and multifamily buildings to report energy use annually.
- ***Protecting the Coast from Climate Change***. \$60 million for SCC to fund projects geared toward protecting the coast and coastal watersheds from the effects of climate change.
- ***Implementing SB 1 (Atkins)***. \$40 million for OPC to implement Chapter 236 of 2021 (SB 1, Atkins). 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.
- ***Intertidal Biodiversity DNA Barcode Library***. \$10 million for OPC to create a program that establishes a baseline by identifying and determining thousands of organisms at a site, which is necessary to do before coastal adaptation construction begins. This program aims to reduce GHG emissions by advancing the ability to measure and harness carbon sequestration in coastal ecosystems.
- ***Low-Income Weatherization Program***. \$60 million for CSD to provide low-income households with solar photovoltaic (PV) systems and energy efficiency upgrades at no cost to residents.
- ***AB 617***. Under the Senate Budget Plan, the planned \$250 million for AB 617 in 2023-24 will be restored from the General Fund. This is in addition to that amount, to increase the total funding level to \$300 million.
- ***Farmworker Housing Energy Efficiency & Solar***. \$40 million for CSD to fund projects to weatherize as well as install battery backups and solar panels to farmworkers' homes.

- ***Carbon Removal Program.*** \$25 million for CARB to establish a long-term plan for carbon dioxide removal according to California's emission reduction targets.
- ***Technical Assistance for Federal Tax Credits.*** \$10 million for CEC to establish a technical assistance and outreach program for Californians to apply for federal tax credits (i.e. the used EV credit, the Residential Clean Energy Credit, Energy Efficient Home Improvement Credit, Clean Vehicle Credit).
- ***Wood Stoves.*** \$5 million for CARB to offer financial incentives for homeowners to replace old, inefficient, and highly polluting wood stoves, wood inserts, or fireplaces with cleaner burning and more efficient home heating devices.

Background.

Cap-and-Trade Auction Revenue. Revenues from quarterly cap-and-trade auctions are deposited in the Greenhouse Gas Reduction Fund (GGRF) and the funds generally are allocated to climate-related programs. Under current law, a total of 65 percent of auction revenue is continuously appropriated to the following programs: the high-speed rail project (25 percent), Affordable Housing and Sustainable Communities Program (20 percent), Transit and Intercity Rail Capital Program (10 percent), low carbon transit operations (5 percent), and Safe and Affordable Drinking Water Program (5 percent, up to \$130 million). In addition, beginning in 2022-23, \$200 million is continuously appropriated for forest health and wildfire prevention activities. This funding is taken “off the top” before calculating the other continuous appropriation amounts. The remaining revenue (about 30 percent) is available for appropriation by the Legislature through the annual budget for other ongoing funding commitments (such as state administrative costs and statutory transfers), as well as discretionary spending programs.

LAO Comments.

Several Hundred Million Dollars More Could Be Available for Discretionary Spending. After accounting for the continuous appropriations and off-the-top allocations, our estimates project the state will have a total of about \$800 million available in additional discretionary GGRF revenues from the current and budget years compared to the administration.

- ***2022-23.*** We project current-year discretionary revenues will be about \$380 million above the amount allocated in the *2022-23 Budget Act*. The Governor’s spending plan for the budget year incorporates the additional \$100 million from the November auction, but we think an additional roughly \$280 million in discretionary revenue might be available from the February auction and upcoming May auction (about \$140 million from each) that is not yet included in the Governor’s spending plan.
- ***2023-24.*** After taking continuous appropriations into account, compared to the Governor’s estimates, we project the state will have about \$520 million of additional funding available for discretionary expenditures in the budget year. (We note that under our estimates, the drinking water program would be fully funded with \$130 million through the 5 percent continuous appropriation, negating the need to spend discretionary revenues to make the program “whole.”)

Staff Recommendation. Hold Open