

ENVIRONMENTAL PROTECTION

The California Environmental Protection Agency (Cal/EPA) administers the state's environmental protection programs, which focus on restoring, preserving, and enhancing California's environmental quality and protecting public health.

The Secretary for Environmental Protection oversees the six boards, departments, and offices within Cal/EPA:

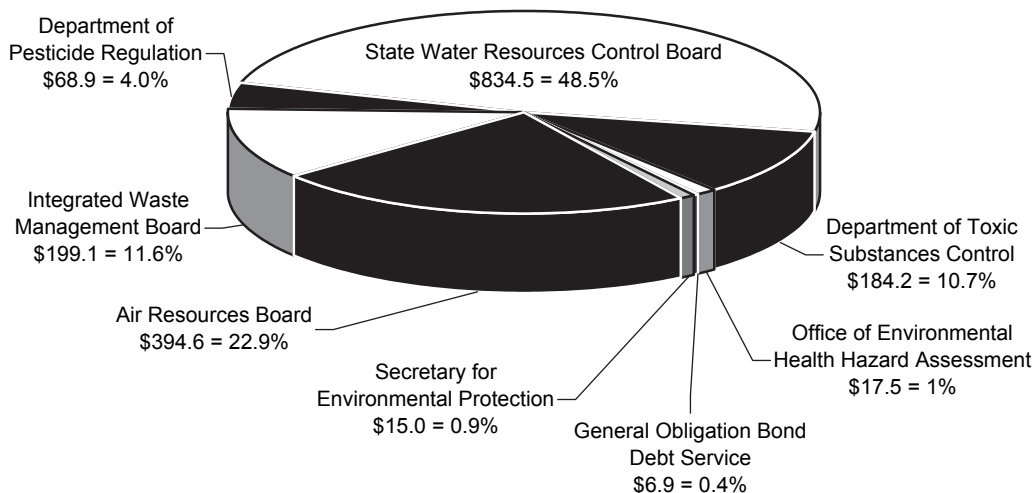
- Air Resources Board—The Air Board sets statewide air quality standards and regulates emissions from motor vehicles, fuels, and consumer products. The Board, along with the 35 local air quality districts that regulate other sources of air pollution, monitors air pollution and administers regulatory and incentive programs to improve air quality.
- Integrated Waste Management Board—The Waste Board's mission is to reduce solid waste, encourage recycling and reuse of materials, and regulate the disposal of solid waste. The Board oversees the local enforcement agencies to ensure the proper operation and closure of solid waste landfills.
- Department of Pesticide Regulation—The Department of Pesticide Regulation evaluates the effectiveness and potential health risks of pesticide products, licenses pesticide applicators, and oversees local agricultural commissioners' enforcement of pesticide laws.
- State Water Resources Control Board—The Water Board, which includes nine regional water quality control boards, protects water quality by regulating pollutants discharged into the state's ground water, rivers, lakes, and the Pacific Ocean. The Board issues water rights permits and licenses to ensure that water resources are put to beneficial use.

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- Department of Toxic Substances Control—The Department of Toxic Substances Control protects public health and the environment by reducing exposure to hazardous substances. The Department regulates handling and disposal of hazardous wastes, oversees cleanup of contaminated sites, and promotes pollution prevention.
- Office of Environmental Health Hazard Assessment—The Office of Environmental Health Hazard Assessment conducts scientific evaluations of the risks posed by chemicals. Their assessments are the scientific foundation of the state’s environmental regulatory programs.

The Governor’s Budget includes \$1.7 billion (\$85.8 million General Fund and \$1.6 billion other funds) and 4,781.2 positions for Cal/EPA (shown in Figure ENV-01). Agency funding supports efforts to reduce greenhouse gas emissions that cause climate change, promote clean alternative fuels, improve water quality, reduce risk from pesticides and hazardous chemicals, and encourage the reuse of recyclable materials and brownfield sites.

Figure ENV-01
Proposed Environmental Protection Expenditures for 2007-08
All Funds
 (Dollars in Millions)



MAJOR ACCOMPLISHMENTS IN 2006-07

CLIMATE CHANGE

California is recognized as a world leader in reducing greenhouse gas emissions. The state is implementing innovative programs, including motor vehicle emission standards, the Renewable Portfolio Standard that requires 20 percent of the state's electricity to be supplied by renewable power by 2010, the California Solar Initiative, energy efficiency standards, and investments in alternative fuels such as the Hydrogen Highway, which reduce greenhouse gas emissions that affect the climate.

In 2005, Governor Schwarzenegger signed Executive Order S-3-05 that committed the state to pursue dramatic reductions in greenhouse gas emissions. The Order directed the Secretary for Environmental Protection to lead a multi-agency Climate Action Team to identify strategies to meet the emission reduction targets. The Climate Action Team issued a report to the Governor and the Legislature in April 2006.

The 2006 Budget Act provides \$30.4 million (\$1.1 million General Fund and \$29.3 million special funds) and 30.5 positions for a coordinated, multi-agency effort to reduce greenhouse gas emissions. Of this amount, \$25 million was funded on a one-time basis and \$5.4 million is ongoing. Specific activities include implementing early action measures, promoting alternative fuels and zero-emission vehicles, expanding energy efficiency programs, and accelerating the Renewable Portfolio Standard.

On September 27, 2006, the Governor signed the landmark California Global Warming Solutions Act (AB 32, Nunez and Pavley). The Act requires greenhouse gas emissions to be reduced to 1990 levels by 2020 and mandatory reporting of greenhouse gas emissions. The Act continues the operation of the Climate Action Team, directs the Air Board to implement actions to curb emissions, and authorizes the development of a market-based compliance program.

AIR QUALITY INITIATIVES

- Clean Transportation—The state's transportation sector depends almost entirely on energy from fossil fuels. Consequently, the state's economic vitality depends on energy supplies from a politically unstable region of the world, and burning fossil fuels generates air pollution and greenhouse gas emissions that contribute to climate change. Alternative fuels, such as biodiesel, ethanol, and hydrogen, have the potential to create a new energy future for California based on reliable and cleaner energy sources. The 2006 Budget Act provides one-time funding of \$31.5 million Motor Vehicle Account for incentives for alternative fuels and vehicles. This funding includes \$6.5 million to

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provide matching funds for three publicly accessible hydrogen fueling stations, and will enable the state to leverage federal matching funds for five fuel cell buses for public transit fleets.

- Carl Moyer Program—The 2006 Budget Act provides \$90 million ongoing funding for incentive grants to reduce emissions from heavy-duty, diesel-powered vehicles and equipment. This funding will reduce smog-forming emissions by approximately 4,500 tons, the equivalent of taking over 418,000 cars off the road. Although the Carl Moyer Program achieves emission reductions in a cost-effective manner, diesel school buses have a competitive disadvantage in receiving these grants because they are generally driven twice a day, and therefore do not meet the minimum cost-effectiveness criteria. The 2007 Governor’s Budget addresses this problem, as described below in the Low Emission School Buses section.

WATER QUALITY

Water monitoring provides the information necessary for the State Water Resources Control Board to develop water quality standards and effectively administer water quality programs. According to a recent U.S. EPA report, the state is able to report on the water quality of 22 percent of California’s coastal shoreline, 34 percent of its lakes and reservoirs, and 15 percent of its rivers and streams. The 2006 Budget Act provides \$8.5 million (\$4.5 million ongoing federal funds and \$4 million one-time Waste Discharge Permit Fund) to enhance existing water monitoring efforts. These funds will be used to expand the Water Board’s own monitoring activities and integrate existing monitoring data collected by state and local agencies into the Water Board’s Surface Water Ambient Monitoring Program.

PROPOSED ENVIRONMENTAL PROTECTION SPENDING FOR 2007-08

Change Table ENV-01 illustrates the major changes proposed to Cal/EPA expenditures in the Governor’s Budget.

The major workload adjustments for 2007-08 include the following;

- Global Warming Solutions Act—The Governor’s Budget proposes \$26.5 million other funds and 107.1 positions for Cal/EPA boards and departments to implement measures to reduce greenhouse gas emissions and develop a market-based compliance program. This amount does not include climate change-related funding for non-Cal/EPA departments, such as the Department of Forestry and Fire Protection, the Department of Water Resources, the Energy Commission, and the Public Utilities Commission.

Change Table ENV-01

Environmental Protection Agency - Changes by Broad Categories

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2006 Budget Act	\$87,993	\$1,319,701	4,552.8	\$84,030	\$1,318,581	4,552.8
Workload Adjustments						
AB 32 - Global Warming Solutions Act	--	--	--	--	26,481	107.1
Chartered Legislation	--	--	--	169	2,236	8.3
SB 1379 - Biomonitoring Program	--	--	--	290	--	2.1
Employee Compensation/Retirement	4,201	26,832	--	3,864	25,869	--
One-Time Cost Reductions	--	--	--	-12,304	-132,041	--
Other Workload Adjustments	-694	315,418	-1.1	2,368	11,661	-11.6
Totals, Workload Adjustments	\$3,507	\$342,250	-1.1	-\$5,613	-\$65,794	105.9
Policy Adjustments						
Brownfields	--	--	--	--	3,121	25.1
Hydrogen Highway	--	--	--	--	6,033	7.7
Proposition 1B - Lower-Emission School Bus Program	--	--	--	--	96,500	2.9
Proposition 84	--	--	--	--	111,385	30.1
Other Policy Adjustments	--	67	0.5	7,410	164,155	56.7
Totals, Policy Adjustments	\$0	\$67	0.5	\$7,410	\$381,194	122.5
Infrastructure Adjustments	\$0	-\$1,000	--	\$0	\$1,000	--
Total Adjustments	\$3,507	\$341,317	-0.6	\$1,797	\$316,400	228.4
Governor's Budget	\$91,500	\$1,661,018	4,552.2	\$85,827	\$1,634,981	4,781.2

* Dollars in Thousands

- One-Time Cost Reductions—The Budget reflects a \$144.3 million (\$12.3 million General Fund and \$132 million other funds) reduction for budget proposals that received one-time funding in 2006-07, including:
 - \$56.6 million for Water Board programs funded from Proposition 50 and Proposition 13 water bonds, including watershed protection and water recycling programs.
 - \$31.5 million Motor Vehicle Account for the Air Board to provide incentives for alternative fuels and vehicles.

- \$25 million Motor Vehicle Account for the Air Board to provide grants to public agencies to purchase low-polluting construction equipment.

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

GLOBAL WARMING SOLUTIONS ACT

The Governor’s Budget proposes \$35.8 million from various funds and 126.1 positions to implement the California Global Warming Solutions Act. (A programmatic display is shown in Figure ENV-02.) This proposal will achieve emission reductions through a balanced approach of regulatory and market-based programs. Specific activities include:

Figure ENV-02

California Global Warming Solutions Act of 2006 2007-08 Cross-Cut Budget

Program Element / Department	\$ (In thousands)	Positions
Emissions Inventory/Mandatory Reporting	\$3,444	17.2
<i>Air Resources Board</i>	3,444	17.2
Emission Reduction Scoping Plan	\$1,812	10.8
<i>Air Resources Board</i>	1,812	10.8
Alternative and Market-Based Compliance Measures	\$12,034	35.8
<i>Department of General Services</i>	3,398	4.7
<i>Energy Commission</i>	305	2.4
<i>Department of Food and Agriculture</i>	(331)	1.9
<i>Department of Forestry and Fire Protection</i>	1,500	-
<i>Air Resources Board</i>	6,636	25.0
<i>Integrated Waste Management Board</i>	59	0.4
<i>Public Utilities Commission</i>	136	1.4
Regulatory Emission Reduction Measures	\$7,136	29.4
<i>Energy Commission</i>	305	2.4
<i>Air Resources Board</i>	6,636	25.0
<i>Integrated Waste Management Board</i>	59	0.5
<i>Public Utilities Commission</i>	136	1.5
Scientific and Economic Analysis	\$7,395	9.0
<i>Secretary for Environmental Protection</i>	500	-
<i>Energy Commission</i>	500	-
<i>Department of Water Resources</i>	2,000	4.7
<i>Air Resources Board</i>	2,780	3.4
<i>Integrated Waste Management Board</i>	500	-
<i>Department of Toxic Substances Control</i>	115	0.9
<i>Public Utilities Commission</i>	1,000	-
Program Oversight and Coordination	\$3,940	23.9
<i>Secretary for Environmental Protection</i>	890	4.7
<i>Air Resources Board</i>	3,050	19.2
Total	\$35,761	126.1

- Emissions Inventory Development and Mandatory Reporting (\$3.5 million and 17.2 positions): The Air Board will be responsible for collecting greenhouse gas emissions data in California, which will enable the state to identify the major sources of emissions and develop reduction measures. Mandatory reporting will provide the necessary data to enable the Air Board to maintain an accurate emissions inventory and measure the effectiveness of emission reduction strategies.
- Emission Reduction Scoping Plan (\$1.8 million and 10.8 positions): The Act requires the Air Board to develop a comprehensive scoping plan to attain 1990 emission levels by 2020. The Board will evaluate the cost-effectiveness and technological feasibility of regulatory and market-based emission reduction strategies, analyze economic impacts, and identify and make recommendations on specific emission reduction measures. The Board will consult with agencies such as the Department of Forestry and Fire Protection, the Department of Water Resources, the Energy Commission and the Public Utilities Commission on elements of the plan that address emissions from sources outside its jurisdiction.
- Alternative and Market-Based Compliance Measures (\$12.0 million and 35.8 positions): Economic studies have determined that market-based mechanisms, including emissions trading, are a cost-effective approach to reducing greenhouse gas emissions. A University of California, Berkeley report on the economic benefits of climate action in California found that regulatory and market-based strategies are complementary. This proposal will develop a market-based compliance program that will achieve emission reductions in a technologically feasible manner with the least impact on California consumers and businesses, and will implement the Green Building Action Plan to require state buildings to comply with energy efficiency standards and use recycled materials.
- Regulatory Emission Reduction Measures (\$7.1 million and 29.4 positions): The Climate Action Team identified several cost-effective emission reduction strategies, including developing additional energy efficiency standards and clean alternative fuels, and improving heavy duty engines. This proposal will implement early action measures that have already been identified by the Climate Action Team as well as evaluate the costs and technological feasibility of other emission reduction measures. The Act requires the Air Board to publish a list of early action measures by June 30, 2007.
- Scientific and Economic Analysis (\$7.4 million and 9 positions): To ensure that emission reductions are achieved in a cost-effective manner, departments must conduct thorough scientific, technical, and economic analyses. Leading experts will be consulted to assist in these complex efforts.

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- Program Oversight and Coordination (\$4.0 million and 23.9 positions): Implementing the Act will involve collaboration with multiple state agencies and coordination with federal and local governments and international bodies. The Secretary for Environmental Protection will continue to lead the statewide effort to implement greenhouse gas emission reduction policies necessary to attain 1990 emission levels by 2020, as required under the Act.

Funding for this proposal includes a \$15.9 million loan from the Motor Vehicle Account. The remaining funding will come from various special funds and Proposition 84.

LOW-EMISSION SCHOOL BUSES

Approximately one million children in California depend on school bus transportation. An Air Board study concluded that children who ride older school buses are subjected to increased exposure to air pollutants, including diesel exhaust. School-age children are especially vulnerable to diesel emissions because their respiratory systems are still developing.

The Governor's Budget proposes \$96.5 million Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund and 2.9 positions to replace pre-1987 school buses and retrofit old diesel school buses. This funding will replace 535 pre-1987 school buses manufactured prior to the implementation of diesel emission standards and retrofit approximately 1,500 school buses. Diesel retrofit technology reduces emissions by 85 percent.

HYDROGEN HIGHWAYS

Hydrogen technologies have the potential to significantly reduce air pollution from motor vehicles and reduce energy dependence on fossil fuels. The Governor's Hydrogen Highway Blueprint Plan aims to establish 50 to 100 hydrogen fueling stations in California. The Governor's Budget proposes \$6.0 million Motor Vehicle Account and 7.7 positions for the Air Resources Board to continue development of the Hydrogen Highway. This will provide matching funds for up to eight publicly accessible hydrogen fueling stations and will prioritize funding for stations that generate hydrogen from promising renewable technologies, such as biomass, solar, and wind energy.

PROPOSITION 84—WATER QUALITY

Proposition 84, "The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006," approved by California's electorate in November 2006, provides \$5.4 billion to address water supply needs and protect natural resources.

(For additional information, see the Proposition 84 discussion in the Resources Chapter.)

The Governor's Budget proposes a total of \$1.1 billion for Proposition 84, including \$111.4 million and 30.1 positions for the State Water Resources Control Board for water quality programs, including:

- \$75.7 million and 8 positions for the State Water Pollution Control Revolving Fund Program. This program provides low interest loans or grants to construct municipal wastewater treatment facilities, storm water pollution control projects, non-point source pollution projects, and estuary enhancement projects. This funding includes the state share of federal matching funds.
- \$6.2 million and 1.5 positions for the Agricultural Water Quality Grant Program. This program provides grants for public agencies or nonprofit organizations to improve agricultural water quality, including projects related to research and construction of agricultural drainage water improvements.
- \$14.6 million and 3 positions for the Urban Storm Water Grant Program. This program provides grants to local public agencies for projects that contain storm water runoff, such as diverting the runoff to treatment facilities.
- \$8.8 million and 5.7 positions for the Clean Beaches Grant Program. This program provides grants to public agencies for water quality projects in coastal waters, estuaries, and bays. Projects include upgrading septic systems, storm water pollution reduction programs, and clean beach projects in Santa Monica. Proposition 84 specifies that 20 percent of the funds for clean beaches be allocated to the Santa Monica Bay Restoration Commission.
- \$6.1 million and 11.9 positions for basin and land use planning activities. This program will provide grants to local agencies to incorporate watershed protection efforts into land use policy, including projects such as restoring creeks and wetlands, directing runoff to permeable surfaces, and increasing water reuse.

BROWNFIELDS

Brownfields are abandoned industrial properties that are contaminated, or thought to be contaminated, and are underutilized due to potential cleanup costs and liability concerns. Cleanup activities are required for redevelopment projects to proceed, and the state plays a critical role in ensuring that brownfield sites comply with environmental standards. The redevelopment of urban brownfield properties optimizes the use of existing infrastructure, limits urban sprawl, and protects California's natural resources. When agricultural land and open spaces are developed for residential, commercial or industrial uses, costly infrastructure

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such as roads and sewers must be developed and urban sprawl places additional burdens on the state's environment.

The Water Board and the Department of Toxic Substances Control administer voluntary brownfield cleanup programs. The Governor's Budget proposes \$3.1 million Cleanup and Abatement Account and 25.1 positions for the Water Board to accelerate the cleanup of approximately 750 additional brownfield sites. The Budget proposes \$219,000 special funds and 1.9 positions for the Department of Toxic Substances Control to implement recent legislation that provides incentives for brownfield cleanups.

BIOMONITORING

Biomonitoring is a scientific technique for assessing human exposure to chemicals based on sampling and analysis of an individual's tissues and fluids, such as blood. The results of these measurements provide information about the amounts of chemicals that enter and remain in the body. One of the goals of biomonitoring is to evaluate trends in chemical exposures and identify communities that are at risk. Biomonitoring data can support efforts to improve public health and establish policy priorities.

The Governor's Budget proposes \$1.5 million General Fund and 4.9 positions to begin implementation of Chapter 599, Statutes of 2006, (SB 1379, Perata) which requires the Department of Public Health, in collaboration with Cal/EPA, to establish a Biomonitoring Program. Specifically, the Budget proposes \$167,000 and 1.2 positions for the Office of Environmental Health Hazard Assessment for public outreach and education activities and to support the Scientific Guidance Panel in making recommendations for the design and implementation of the Biomonitoring Program. The Budget proposes \$123,000 and 0.9 positions for the Department of Toxic Substances Control to assist in developing protocols to properly detect persistent organic chemicals in human tissue samples. (For additional information, please see the Biomonitoring discussion in the Health and Human Services Chapter.)