

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016/17	Business Unit 3480	Department Conservation	Priority No. 8
Budget Request Name 3480-002-BCP-BR-2016-MR		Program VARIOUS	Subprogram VARIOUS

Budget Request Description
 Technical Adjustments

Budget Request Summary

The Department of Conservation (Conservation) requests a reappropriation of the unencumbered balance of the \$10 million from Item 3480-001-3046 (Oil, Gas and Geothermal Administrative Fund, Fund 3046), Provision 2, Budget Act of 2015 for the continued development and implementation of an Oil and Gas Data Management System in which to run operations and meet the requirements of recent legislation.

Conservation also requests a reversion of the balance from Item 3480-101-6051 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Proposition 84)), Budget Act of 2014.

Using those reverted Proposition 84 funds, along with other naturally reverted funds, Conservation requests a new item, for expenditure or encumbrance until **June 30, 2019**, totaling \$2,097,000.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed
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Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
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For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

<input type="checkbox"/> FSR <input type="checkbox"/> SPR	Project No.	Date:
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If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Paula Pimentel	Date 3/29/2016	Reviewed By 	Date 3/29/16
Department Director 	Date 3/30/16	Agency Secretary 	Date 3/30/16

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Original Revised By: Workload Budget per Government Code 13308.05

PPBA	signed By: Ellen Moratti	Date submitted to the Legislature 4-1-16
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Analysis of Problem

A. Budget Request Summary

The Department of Conservation requests the following technical adjustments, which will be allocated to specific programs as specified in the below table:

Reappropriation of the unencumbered balance of the \$10 million from Item 3480-001-3046 (Oil, Gas and Geothermal Administrative Fund, Fund 3046), Provision 2, Budget Act of 2015 for the continued development and implementation of an Oil and Gas Data Management System in which to run operations and meet the requirements of recent legislation.

Reversion of the balance from Item 3480-101-6051 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006, Proposition 84), Budget Act of 2014. Conservation estimates approximately \$179,500 will be available from this reversion.

Using those \$179,500 in reverted Proposition 84 funds, along with other naturally reverted funds of \$1,917,000, Conservation requests a new item, for expenditure or encumbrance until June 30, 2019, totaling \$2,097,000.

Department of Conservation 2016/17 Spring Finance Letter Request

Dollars in thousands

Program Detail	2016/17
2425 – Division of Oil, Gas, and Geothermal Resources	
2425010 – Regulation of Oil and Gas Operations	Balance
2430 – Division of Land Resources Protection – Prop 84	
2430028 – Soil Resource Protection / California Farmland Conservancy Program	
Local Assistance	180
2430010 – Open-Space Subvention Administration / Strategic Growth Council	
Local Assistance	1,917

B. Background/History

Division of Oil, Gas, and Geothermal Resources

As specified in Chapters 1 and 4, Division 3 of the Public Resources Code, DOGGR regulates onshore and offshore oil, gas, and geothermal well operations throughout the State by enforcing laws for the conservation of petroleum and geothermal resources and the protection of public health and safety, and the environment.

The DOGGR's mission is to prevent damage to life, health, property, the environment, and natural resources by ensuring that wells are properly drilled, operated for production and injection purposes, repaired, and plugged and abandoned.

The DOGGR's regulatory program includes evaluating permit applications to drill, rework, and plug and abandon wells, and providing permit conditions that ensure operations are conducted to prevent damage to State resources and provide adequate protection for oil field workers and surrounding communities. In addition, the Division provides expertise to local planning agencies to provide critical information when new development is planned over, near, or adjacent to historic oil field operations. To ensure continuing oil field operations, including well stimulation, are not impacting the environment, the Division is responsible for maintaining a field, island, and platform presence to ensure oil field operations are in compliance with State laws and regulations.

Analysis of Problem

Recently, Chapter 313, St. of 2013 (SB 4) required adoption of new regulations by January 2015, and those regulations required operators to report detailed and complicated oil and gas data related to well stimulation. SB 4 also requires the Division of Oil, Gas and Geothermal Resources to create, implement, and maintain a website/database to track that well stimulation information.

Division of Land Resource Protection

On November 7, 2006, California Voters passed Prop 84. It added Division 43 to the Public Resources Code (PRC), Chapter 9, Sustainable Communities and Climate Change Reduction, Section 75065 (c). This section authorized the Legislature to appropriate funds for planning grants and planning incentives, including revolving loan programs and other methods to encourage sustainability elements in the development of regional and local land use plans.

The Division of Land Resource Protection (DLRP) is principally focused on the conservation of agricultural and open space land resources. DLRP's programs include the Williamson Act Program, the Farmland Mapping and Monitoring Program, the California Farmland Conservancy Program (CFCP), the Resource Conservation District Assistance Program, and the Watershed Program. The CFCP provides grant funding to non-profit land trusts and local governments for the purchase of agricultural conservation easements that protect farmland in perpetuity.

Since its inception in 1996, the CFCP has provided \$83 million in grant funding to permanently protect over 5,600 acres of agricultural land. CFCP program delivery and grant funding have been provided from several sources, including the General Fund, the Environmental License Plate Fund, and the Soil Conservation Fund. Bond funding for the CFCP has come from Proposition 12 in 2000, Proposition 40 in 2003, and Proposition 84 in 2008. CFCP easement grants have averaged approximately 37 percent of appraised easement value, with match funding coming from landowner donations, federal, local, and other state grant awards, and funding from private foundations.

In addition, SB 732 (Steinberg, Chapter 729, Statutes of 2008), created the Strategic Growth Council (SGC), which is composed of agency secretaries from the Business, Transportation and Housing Agency; California Health and Human Services Agency; California Environmental Protection Agency; the California Natural Resources Agency; the Director of the Governor's Office of Planning and Research; and a public member appointed by the Governor. Furthermore, SB 732 also tasked the SGC to create and administer the Sustainable Communities Planning Grants and Incentives Program (SCPGIP) (PRC 75127, 75128) with funding authorized in Prop 84 (PRC 75065). The expressed purpose of this grant program is to assist cities, counties, councils of governments, metropolitan planning organizations, regional transportation planning authorities, or other joint powers authorities in California to create plans that seek to improve air and water quality, promote public health, promote equity, increase housing affordability, increase infill and compact development, revitalize urban and community centers, protect natural resources and agricultural lands, reduce automobile usage and fuel consumption, improve infrastructure systems, promote water conservation, promote energy efficiency and conservation, and strengthen the economy. The SGC determined the best course of action was to award grants in three rounds of funding.

C. State Level Considerations

Division of Oil, Gas, and Geothermal Resources

Oil and gas production in California is a \$34 billion annual industry, employing more than 25,000 people with an annual payroll of over \$1.5 billion. California is the third largest oil-producing state in the nation, producing about 625,000 barrels per day, which supplies the state with 35 percent of its transportation fuels (the remainder is refined oil imported via rail or ship).

Property and other tax payments to the State and local governments from the industry amount to about \$800 million annually. There are approximately 110,000 active or idle production and injection wells in the State.

The components of the new and existing programs (SB 4 and SB 1281) require DOGGR to make available large amounts of data to our stakeholders. Currently, DOGGR is utilizing Microsoft Access and Excel as the vehicle for receiving this data. These programs are not capable of handling the size

Analysis of Problem

of the data being collected. These systems also do not allow for this data to be easily navigated by our stakeholders, thus impacting transparency.

Division of Land Resource Protection

This proposal provides access to Prop 84 bond funds for grants to local governments and non-profit land trusts to permanently protect farmland from conversion to non-agricultural uses via permanent agricultural conservation easements. It also allows DLRP to ensure that the SCPGIP, a program administered by the DOC on behalf of the SGC, may completely utilize all authorized program funds under PRC 75065(c).

California Environmental Resources Evaluation System (CERES): Any data generated would be provided to local, regional, and state agencies, free of charge. In addition, it would be posted on CERES' and DOC's website for easy access and use.

Environmental Protection Indicators for California (EPIC) Impacts: DOC has worked with the California Environmental Protection Agency and the State Water Resources Control Board to determine how environmental indicators will be incorporated into the program. Consequently, cities and counties have had to address these environmental goals when applying for program participation according to the following EPIC indicators: air quality, water quality and water use; land-use, waste, and materials management; and ecosystem health.

D. Justification

Division of Oil, Gas, and Geothermal Resources

The reappropriated funding will be used for the development and implementation of an Oil and Gas Data Management System in which to run operations and meet the requirements of recent legislation. Of the funds appropriated in the Budget Act of 2015 for the development and implementation of a comprehensive database system in which to run operations and meet the requirements of recent legislation, up to \$10,000,000 is available for expenditure for Oil and Gas Data Management System costs.

There is an urgent need for a fully implemented and functional comprehensive data management system. The system is needed for the Division to comply with new statutory mandates of recent legislation, and to comply with the requirements of the Federal Safe Drinking Water Act. It is also needed so that the Division can move away from paper-based processes to a system that is more responsive and effective in regulating industry.

Division of Land Resource Protection

Proposition 84 local assistance funds were originally granted to local agencies. However, due to unforeseen issues, not every grantee was able to utilize the full amount of its award, and the remaining funds were disencumbered and reverted.

The requested funding of \$180,000 will be used for agricultural land conservation grants to local governments and non-profit land trusts to permanently protect farmland from conversion to non-agricultural uses via permanent agricultural conservation easements. The requested funding of \$1,917,000 will allow DLRP to ensure that the SCPGIP, a program administered by the DOC on behalf of the SGC, may completely utilize all authorized program funds under PRC 75065(c). The DLRP and SGC request for \$1,917,000 in Proposition 84 funds is to assist eligible agencies in developing a plan or planning instrument that achieves capacity building, project implementation, and/or additional planning efforts that encourage sustainable land use and meet the goals of the California Global Warming Solutions Act of 2006. A portion of these funds will be directed toward disadvantaged communities.

Without assistance from the State, there is not enough funding for staff at local and regional levels to initiate and encourage the development of land use plans that promote water conservation, reduce automobile use and fuel consumption, encourage greater infill and compact development, protect natural resources and agricultural lands, and revitalize urban and community centers.

Analysis of Problem

E. Outcomes and Accountability

Division of Oil, Gas, and Geothermal Resources

Appropriated funds will be subject to budgetary and fiscal controls such as appropriation limits, expenditure authority, and expenditure tracking reports. DOGGR will work closely with CALTech staff to ensure that proper State procedures are followed in the development of the Oil and Gas Data Management System. The project will be subject to review and approval by the California Department of Technology.

Division of Land Resource Protection

DLRP bond funds will be used for grants to local governments and non-profit land trusts to permanently protect farmland from conversion to non-agricultural uses via permanent agricultural conservation easements. Additionally, SCPGIP is an established program with existing staff and, as such, grant work plan and invoicing guidelines have been created and are currently being administered by DLRP staff. DLRP staff have over 12 years of experience in administering grant programs for which grant guidelines have been publicly developed and implemented. The SGPGIP and its grantees will also be subject to regular audits by Office of State Audits and Evaluations (OSAE). DOC programs have been audited on a regular basis by OSAE and, as a report issued in fiscal year 2011/12 stated in its summary statement:

"In general, DOC awarded funds in compliance with applicable legal requirements and established criteria. DOC established several key accountability processes, including comprehensive grant guidelines, competitive awarding processes, and established project reporting requirements."

Projected Outcomes

Workload Measure	CY	BY
Applications Received	0	50
Grants Awarded	0	10
Total Grants Awarded (\$)	0	\$1,900

F. Analysis of All Feasible Alternatives

Alternative #1: Deny this request.

Pro:

- California will not incur additional bond loan and interest charges.
- State expenditures will not increase.

Con:

- Required funding will not be provided for development and implementation of an Oil and Gas Data Management System in which to run operations and meet the requirements of recent legislation.
- Required funding will not be provided for agricultural land conservation grants to local governments and non-profit land trusts to permanently protect farmland from conversion to non-agricultural uses via permanent agricultural conservation easements, and for developing a plan or planning instrument that achieves capacity building, project implementation, and/or additional planning efforts that encourage sustainable land use and meet the goals of the California Global Warming Solutions Act of 2006, where a portion of these funds will be directed toward disadvantaged communities.

Analysis of Problem

Alternative #2: Approve request to reappropriate funds.

Pro:

- Required funding will be provided for development and implementation of an Oil and Gas Data Management System in which to run operations and meet the requirements of recent legislation.
- Required funding will be provided for agricultural land conservation grants to local governments and non-profit land trusts to permanently protect farmland from conversion to non-agricultural uses via permanent agricultural conservation easements, and for local assistance in developing a plan or planning instrument that achieves capacity building, project implementation, and/or additional planning efforts that encourage sustainable land use and meets the goal of the California Global Warming Solutions Act of 2006, where a portion of these funds will be directed toward disadvantaged communities.

Con:

- California will incur additional bond loan and interest charges.
- State expenditures will increase.

G. Implementation Plan

DOGGR will utilize the reappropriated funds by June 30, 2017, and DLRP will utilize the reappropriated funds by June 30, 2019.

H. Supplemental Information

None

I. Recommendation

The Department recommends Alternative #2: Approve request to reappropriate funds.

BCP Fiscal Detail Sheet

BCP Title: Technical Adjustments - Reappropriations

DP Name: 3480-308-BCP-DP-2016-A1

Budget Request Summary

		FY16				
	CY	BY	BY+1	BY+2	BY+3	BY+4
Operating Expenses and Equipment						
54XX - Special Items of Expense	0	2,097	0	0	0	0
Total Operating Expenses and Equipment	\$0	\$2,097	\$0	\$0	\$0	\$0
Total Budget Request	\$0	\$2,097	\$0	\$0	\$0	\$0

Fund Summary

Fund Source - Local Assistance

Safe Drinking Water, Water Quality
6051 - and Supply, Flood Control, River and
Coastal Protection Fund of 2006

	0	2,097	0	0	0	0
Total Local Assistance Expenditures	\$0	\$2,097	\$0	\$0	\$0	\$0
Total All Funds	\$0	\$2,097	\$0	\$0	\$0	\$0

Program Summary

Program Funding

2430010 - Open-Space Subvention
Administration

2430028 - Soil Resource Protection

Total All Programs

	0	1,917	0	0	0	0
	0	180	0	0	0	0
Total All Programs	\$0	\$2,097	\$0	\$0	\$0	\$0