

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 09/14)

Fiscal Year 2016-17	Business Unit 3855	Department Sierra Nevada Conservancy	Priority No. 1
Budget Request Name 3855-300-BCP-BR-2016-A1		Program 3220	Subprogram

Budget Request Description
 Increase Reimbursement Authority and Two Positions

The Sierra Nevada Conservancy (SNC) is requesting an increase to its reimbursement authority from \$50,000 by \$400,000 for a total of \$450,000, and two permanent positions to oversee a multi-year reimbursement contract (contract) with the Department of Housing and Community Development (HCD).

Requires Legislation <input type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input type="checkbox"/> No	Department CIO	Date

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.
 FSR SPR Project No. Date:

If proposal affects another department, does other department concur with proposal? Yes No
 N/A

Prepared By <i>Amanda Martin</i>	Date 3/24/16	Reviewed By <i>[Signature]</i>	Date 3-24-16
Department Director <i>Jim Cronham</i>	Date 3/24/16	Agency Secretary <i>[Signature]</i>	Date 3/24/16

Department of Finance Use Only

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

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA	Original Signed by Amanda Martin	Date submitted to the Legislature 4-1-16
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Analysis of Problem

A. Budget Request Summary

The Sierra Nevada Conservancy (SNC) is requesting an increase to its reimbursement authority from \$50,000 by \$400,000 for a total of \$450,000, and two permanent positions to oversee a multi-year reimbursement contract (contract) with the Department of Housing and Community Development (HCD).

B. Background/History

Organizational Background: The Sierra Nevada Region covers approximately 25 percent of the state and is the source of more than 60 percent of the state's developed water supply. It provides all or part of the drinking water for more than 23 million people and hundreds of thousands of acres of farmland. The Sierra Nevada is the primary source of fresh water flowing into the Sacramento–San Joaquin Delta. Snowpack in the Region provides a natural form of water storage and Sierra forests play a role in ensuring water quality, yield, and reliability. It is largely because of the importance of this Region that the SNC was established in 2005. The services provided by the Region, however, are threatened by the catastrophic, severe fires occurring with greater regularity over the last ten years.

The SNC, through extensive work with on-the-ground partners, has prioritized this issue through the implementation of the Watershed Improvement Program (WIP). The WIP is a coordinated, integrated, collaborative program to restore the health of California's primary watershed through increased investment and needed policy changes. The SNC has completed the first year of implementation, and has coordinated extensively with on-the-ground stakeholders; local, regional, state, and federal policy-makers; private foresters; and members of affected communities to identify priority actions to focus investment and prioritize policy issues and impediments.

The HCD has received \$70 million in funding from the United States Department of Housing Urban Development (HUD) Community Development Block Grant for National Disaster Resilience (CBDG-NDR). HCD will provide \$1.5 million of those funds via an inter-agency agreement with the SNC that would span five years to oversee the distribution of \$48 million in local assistance funding for forest and watershed investments and to develop a strategy for a biomass/wood products facility. SNC's network of staff and partners throughout the Region makes it a natural partner for HCD.

Programmatic Background: Between 2011 and 2013, President Obama declared major disaster areas in more than 2,100 counties and 48 states, and billions of dollars have been allocated for disaster recovery. The NDR funds are being made available through the federal Disaster Relief Appropriations Act, 2013 (PL 113-2) for disaster recovery from major disasters declared under the Stafford Act (42 U.S.C. 4121 et seq.) in 2011, 2012, and 2013.

The federal CDBG program, which provides a wide range of community development benefits to communities, is the umbrella program under which the National Disaster Resilience activities are structured. Through the leadership of the Governor's Office of Planning and Research, and in collaboration with multi-state agencies including the SNC, California Environmental Protection Agency, Natural Resources Agency, and California Conservation Corp, HCD has applied for, and received, \$70 million in competitive NDRC funds. These funds will enable the state to implement an integrated, replicable model of community and watershed resilience, made up of three components. The SNC will be responsible for implementing and overseeing two of the three components which include:

1. Forest and Watershed Health

Twenty-seven (\$27) million will be used for tree and brush thinning, biomass removal, restoration, and reforestation activities in the Rim Fire burn area. Given the certainty of an unpredictable future of drought, climate change, and wildfires, these activities are designed to improve forest and watershed health and resilience against disturbances.

Analysis of Problem

2. Integrated Biomass and Wood Products Facility

Twenty-one (\$21) million will be used to construct a facility that will provide clean power, cooling and heating, and a wood products facility to utilize biomass material removed from the impacted disaster area. The facility will serve the Rim Fire recovery area, and act as a Regional facility to accept thinned biomass from Tuolumne and surrounding counties.

C. State Level Considerations

The Rim Fire started August 17, 2013, burned more than 257,000 acres, and almost shut down the Yosemite National Park. It was not fully contained until late October 2013. According to Governor Brown, the Rim Fire's impact on the Yosemite tourist industry cost the state at least \$70 million. Although the state received a fire management assistance declaration in August providing some federal money, those grants only covered 29 percent of the fire's impacts. The Rim Fire had a direct emergency response cost of \$127 million and estimates of environmental damage range up to \$736 million, along with the financial impact from lost tourism revenues.

"In the aftermath of the fire, the state and its communities face infrastructure damage, significant negative economic impact, as well as complex and multifaceted environmental damages," Brown wrote in an appeal letter in response to FEMA's denial of the state's request for a federal disaster declaration for the Rim Fire. "The burned area created an enormous potential for catastrophic flooding and debris runoff from winter storms."

Over 60 percent of the state's developed water comes from the Sierra Nevada, providing all or part of the water supply to 23 million people and hundreds of thousands of acres of farmland. This water supply is directly threatened in any forest fire, especially those of a catastrophic, severe nature such as the Rim Fire. This priority has been identified in a number of state documents and programs, including:

1. The California Water Plan and the Water Action Plan: Actions related to headwaters issues are identified as a priority, and Regional self-sufficiency is prioritized as a mechanism for meeting those priorities.
2. Safeguarding California: The document references forest overstocking and biomass accumulation issues associated with catastrophic fire, and the high rate of emissions – including short lived climate pollutants – coming off of these fires.
3. The Bioenergy Plan: The SNC is listed as a partner in implementing the goals identified in this document, including increasing local communities' environmental and economic stability associated with forest biomass, and decreasing fire danger.
4. The Tree Mortality Task Force: The SNC is a partner in identifying priority actions for addressing the enormous stock of beetle-killed trees in the Sierra Nevada and around the state.

The activities funded by the \$70 million will include to rehabilitate and restore the forest and watershed, provide a facility to process the biomass impacted by the fire, and provide economic opportunities through jobs created by the recovery activities.

D. Justification

Undertaking the work associated with the HUD's CDBG-NDR program is consistent with the SNC's mission: to initiate, encourage, and support efforts that improve the environmental, economic, and social well-being of the Sierra Nevada Region, its communities, and the citizens of California. For the CDBG-NDR program, and as a partner to HCD, the SNC will provide Regional and programmatic implementation expertise as well as technical and project management oversight to carry out the following activities:

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Activity 1: The SNC will administer and coordinate the Forest and Watershed Health activities identified under Phase II of the NDRC:

- Restoration and reforestation
- Biomass removal and thinning
- Strategic fuel breaks
- Rangeland improvements
- Noxious weed treatments

Activity 2: SNC will manage the Integrated Biomass and Wood Products Facility planning and implementation activities awarded under the NDRC in coordination with CalEPA and CAL-FIRE. SNC will establish interagency agreements with partners and contractors to develop a feasibility study and a state-level bioenergy working group to identify opportunities for replicating the process across the state of California. These tasks include:

- Biomass facility and wood products campus planning
- Biomass facility and wood products campus implementation

The SNC is best prepared to partner with HCD on the CDBG-NDR program for the following reasons:

- The SNC's Watershed Improvement Program – a coordinated, integrated, and collaborative program to restore the health of California's primary watershed – is the foundation for state activities in forest management in the Sierra Nevada and is being implemented under a MOU signed by CNRA Secretary John Laird and Regional Forester, Randy Moore, Region 5 of the US Forest Service.
- The SNC is identified in the California 2012 Bioenergy Action Plan as the state agency responsible for pursuing funding for forest bioenergy research and implementation, and assisting communities with the development of community-scale projects.
- The SNC is an active partner in restoration and forest management projects throughout California, especially with the US Forest Service, Region 5.
- The SNC staff has worked with a broad range of community, agency, and industry stakeholders to find economic uses for the excess biomass removed in forest restoration activities.
- Having successfully administered \$54 million in Proposition 84 grant funding and currently in the process of awarding and administering \$25 million in Proposition 1 grant funding, the SNC has processes already in place to issue awards quickly and efficiently, as well as a structure for the assurance of regulatory compliance.
- The SNC has partnerships in place that will help to expedite project implementation as the CDBG-NDR funds must be fully obligated by September 30, 2017, and fully expended within 24 months of the obligation (award) date.

The CDBG-NDR funds are subject to strict statutory deadlines for expenditure. In accordance with section 904(c) of title IX of the Disaster Relief Appropriations Act, 2013, a grantee is required to expend all CDBG-NDR funds within two years of the date that HUD signs the grant agreement. According to the projected dates in the table below, preliminary work is scheduled to begin in Spring of FY 2015-16, and current staff will initiate the process associated with some of the activities listed.

The commitments are as follows:

Activity 1: Forest and Watershed Health

Projected Beginning Date:

Reforestation site prep and tree planting will occur when the ground and climate are suitable for activities

April 2016

Fuel breaks planning will start as soon as the funds are received, with implementation occurring after the fire season

October 2016

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Biomass removal will commence as soon as the funds are received and the ground and climate allow	March 2016
Rangeland infrastructure assessment	May 2016
Noxious weed removal	May 2016

<u>Activity 2: Integrated Biomass and Wood Products Facility</u>	<u>Projected Activity Dates:</u>
Community engagement and confirmation of facility design	April-July 2016
Hire architect and finalize plans and specifications	April-August 2016
Environmental review process	August-December 2016
Plan review, permits obtained, and bid project	December-March 2016
Facility construction	March-October 2017
Purchase and install equipment	October-November 2017
Open for operation	December 2017

In order to ensure timely and efficient implementation of the program, the SNC is requesting two new positions that will be funded by the \$1.5 million in administration costs allocated by the grant. One is at the Associate Governmental Program Analyst (AGPA) level, and the other is at the Conservancy Project Development Analyst II (CPDA II) level. The level of staff and the identified support costs are the minimum amount necessary to accomplish implementation and administration of the CDBG-NDR program.

Funding	Total of Grant Awards Overseen by SNC					
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Total
Biomass	\$ 478,000	\$ 9,545,000	\$ 9,545,000	\$ 955,000	\$ 477,000	\$21,000,000
Forest & Watershed	\$ 900,000	\$16,200,000	\$ 9,000,000	\$ 900,000		\$27,000,000
Total	\$ 1,378,000	\$25,745,000	\$18,545,000	\$ 1,855,000	\$ 477,000	\$48,000,000
Interagency Agreement between HCD and SNC for Program Delivery Costs						
Reimbursement	\$ 59,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 1,659,000

The AGPA would be lead for the development and implementation of the processes to be used in the distribution and administration of these grants. This position would track and report all expenditures associated with this funding and invoice the HCD as necessary. The employee must be knowledgeable on federal and state accounting requirements and a strong contract manager. The AGPA will be responsible for maintaining grant files to ensure audit readiness. The AGPA will also maintain spreadsheets to respond to budget drills from HCD.

The CPDA II would be an individual who has in-depth knowledge of the issues specific to the Region, and of US Forest Service operations and opportunities. Project and contract management skills must be especially good, as the number of partners and expedited deadlines will require excellent communication, coordination, and attention to detail. While the SNC has some staff members who have a rudimentary understanding of processing biomass into energy, and the market forces at work shaping how, when, and where that happens, this position will require that the individual filling it is a subject matter expert and advisor to SNC on these issues.

While the SNC has many capable staff on hand, the technical specialty associated with the collaborative activities to which it has committed, as well as the incredible workload associated with these commitments and the timelines under which the SNC and partners will be operating, necessitate the hiring of an AGPA

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and CPDA II. The SNC would also use some of the administration costs to hire a consultant whose main duties would be to ensure the CPDA II has the current scientific knowledge relating to biomass and bioenergy.

By budgeting the new positions as of July 1, 2016, staff can be trained and ready to begin implementation of the CDBG-NDR program in a timely manner, and in compliance with federal deadlines. If these new positions aren't approved, the SNC will have inadequate staff to implement its responsibilities for the CDBG-NDR programs, which would result in delayed implementation, invoicing, and insufficient resources for project oversight.

Because the inter-agency agreement between SNC and HCD will cover at least five fiscal years with a possible extension to six years, SNC is requesting permanent positions as opposed to limited term positions, which are only allowed a two-year term. The SNC is currently pursuing other grants and federal reimbursement funding which would allow it to continue this work in future years, and which would cover all expenditures pertaining to these two positions. The SNC needs its reimbursement authority to be permanently increased by \$400,000 due to the reimbursement that SNC is already receiving and other funding SNC is currently applying for.

E. Outcomes and Accountability

Project outcomes include a more resilient Tuolumne County, greater in-region capacity, and better coordination between state agencies to accomplish administration goals.

The HCD must implement the Federal Consolidated Plan and enter into the MOU with SNC within a very short time frame after the receipt of the HUD award. Grant funds not obligated by September 30, 2017 will be disencumbered by HUD, and all obligated grant funds must be expended within two years of the award date. Although the funds will be expended within two years from award, HCD and the SNC must ensure compliance with the terms of the Standard Agreement, including monitoring the completed projects, and report beneficiary and financial data to HUD. Progress in implementation of the grant and funding expenditures are to be reported quarterly for the life of the HUD/HCD agreement.

F. Analysis of All Feasible Alternatives

Alternative A – Approve this proposal as requested to provide for timely and effective program implementation, oversight, and administration. Staffing and operating expenses as listed will enable the SNC to meet commitments and provide services as specified in CDBG-NDR grant application.

Pro: Will provide the SNC with the reimbursement funding and staff to administer natural resource conservation and restoration activities as specified in CDBG-NDR grant application.

Con: None.

Alternative B – Administer the new program, to the extent feasible, using existing staff.

Pro: Will provide the SNC with more reimbursement funding to be dedicated to on-the-ground project implementation.

Con: Current staff would not be sufficient to administer the program in the five-year timeline being proposed, due to the ongoing workload associated with Propositions 84 and 1. Given the critical role the Sierra Nevada Region plays in California's water supply, failure to approve this proposal would delay actions identified in the California Water Action Plan.

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Alternative C – Seek opportunities to implement program through interagency agreements with other state agencies.

Pro: Would reduce the need to increase SNC staffing to meet program needs.

Con: It is unlikely these services could be provided in a more cost-effective manner by another agency. In addition, the Regional knowledge and experience possessed by the SNC would not be effectively utilized under this alternative.

Alternative D – Do not approve this proposal which would keep the SNC from fulfilling its commitment of services to HCD to fulfill the obligations associated with the CDBG-NDR funding application.

Pro: There would be no increase in staff or expenditures.

Con: The essential services provided by the SNC to this important program would not be provided, having an adverse impact on Tuolumne County resilience and California's water supply reliability. It is possible that this would forfeit the \$70 million in federal funds awarded to the state.

G. Implementation Plan

Effective July 1, 2016.

H. Supplemental Information

N/A

I. Recommendation

Alternative A – Approve this proposal as requested to provide for timely and effective program implementation, oversight, and administration. Staffing and operating expenses as listed will enable the SNC to meet the needs and provide the funding program as specified in the CDBG-NDR grant application.

BCP Fiscal Detail Sheet

BCP Title: Increase Reimbursement Authority

DP Name: 3855-300-BCP-DP-2016-A1

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	2.0	2.0	2.0	2.0	2.0
Total Positions	0.0	2.0	2.0	2.0	2.0	2.0
Salaries and Wages						
Earnings - Permanent	0	127	127	127	127	127
Total Salaries and Wages	\$0	\$127	\$127	\$127	\$127	\$127
Total Staff Benefits	0	61	61	61	61	61
Total Personal Services	\$0	\$188	\$188	\$188	\$188	\$188
Operating Expenses and Equipment						
5301 - General Expense	0	100	100	100	100	100
5320 - Travel: In-State	0	15	15	15	15	15
5324 - Facilities Operation	0	7	7	7	7	7
5340 - Consulting and Professional Services - Interdepartmental	0	10	10	10	10	10
5340 - Consulting and Professional Services - External	0	80	80	80	80	80
Total Operating Expenses and Equipment	\$0	\$212	\$212	\$212	\$212	\$212
Total Budget Request	\$0	\$400	\$400	\$400	\$400	\$400

Fund Summary

Fund Source - State Operations

0140 - California Environmental License Plate Fund	0	0	0	0	0	0
0995 - Reimbursements	0	400	400	400	400	400
Total State Operations Expenditures	\$0	\$400	\$400	\$400	\$400	\$400
Total All Funds	\$0	\$400	\$400	\$400	\$400	\$400

Program Summary

Program Funding

3220 - Sierra Nevada Conservancy	0	400	400	400	400	400
Total All Programs	\$0	\$400	\$400	\$400	\$400	\$400

Personal Services Details

Salary Information

Positions	Min	Mid	Max	<u>CY</u>	<u>BY</u>	<u>BY+1</u>	<u>BY+2</u>	<u>BY+3</u>	<u>BY+4</u>
4809 - Conservancy Proj Analyst II				0.0	1.0	1.0	1.0	1.0	1.0
5393 - Assoc Govtl Program Analyst				0.0	1.0	1.0	1.0	1.0	1.0
Total Positions				0.0	2.0	2.0	2.0	2.0	2.0
Salaries and Wages	CY	BY	BY+1	BY+2	BY+3	BY+4			
4809 - Conservancy Proj Analyst II	0	65	65	65	65	65			
5393 - Assoc Govtl Program Analyst	0	62	62	62	62	62			
Total Salaries and Wages	\$0	\$127	\$127	\$127	\$127	\$127			
Staff Benefits									
5150900 - Staff Benefits - Other	0	61	61	61	61	61			
Total Staff Benefits	\$0	\$61	\$61	\$61	\$61	\$61			
Total Personal Services	\$0	\$188	\$188	\$188	\$188	\$188			