DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

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February 17, 2016

Honorable Mark Leno, Chair
Joint Legislative Budget Committee
Senate Budget and Fiscal Review Committee

Honorable Shirley Weber, Chair
Assembly Budget Committee

Honorable Ricardo Lara, Chair
Senate Appropriations Committee

Honorable Jimmy Gomez, Chair
Assembly Appropriations Committee

Notification of Intent to Fund through a Separate Appropriations Bill—Cleanup and Corrective Action in the Exide Technologies Residential Area

The purpose of this letter is to inform the Legislature of the Administration's intent to pursue an additional appropriation in the amount of $176.6 million from the Toxic Substances Control Account to expedite sampling and cleanup of lead contamination in the residential area surrounding the Exide Technologies facility. The State will vigorously pursue Exide and other potential responsible parties to recover the costs of this cleanup.

Exide Technologies is located in the City of Vernon, about five miles southeast of downtown Los Angeles. The facility occupies 15 acres in a heavily industrial region with surrounding residential areas. Facility operations included recycling lead-bearing scrap materials obtained from spent lead-acid batteries. This facility ceased operations in 2014 and permanently closed after the Department of Toxic Substances Control notified Exide that its application for a new permit would be denied. The Department then ordered Exide to test and clean up residential properties and conducted its own testing.

The Department's analysis indicates that releases from the facility deposited lead dust across an area of southeast Los Angeles County, resulting in contamination extending 1.7 miles from the facility and impacting up to 10,000 properties, including residences, parks, and schools.

In August 2015, $7 million of emergency funding was approved to test up to 1,500 residential properties, parks, schools, and daycare centers in the surrounding community; develop a comprehensive cleanup plan; and begin cleanup of the highest priority sites based on the degree of lead contamination and other exposure factors. To date, the Department has removed more than 10,000 tons of contaminated soil and analyzed more than 20,000 soil samples from hundreds of properties. The Department has also established an Advisory Group of community leaders, local residents, business leaders, scientists, and elected officials to help guide closure and cleanup efforts.

The Administration is now proposing additional funding in the amount of $176.6 million from the Toxic Substances Control Account to test the remaining properties, schools, daycare centers, and parks in the 1.7 mile radius and remove contaminated soil at the properties that have the highest lead levels and greatest potential exposure to residents. In addition, the Department will

conduct specialized tests and analyses to conclusively identify the source of the contamination and hold Exide –and any other responsible parties – accountable.

For the purposes of expediting the cleanup of the contaminated sites, this proposal also includes an exemption to the California Environmental Quality Act. However, the Department will analyze and mitigate adverse impacts that may occur from the cleanup activities.

The plan provides resources to expand community engagement in the testing and cleanup process, enhance coordination and job training for community residents, and promote the use of local business and labor for contracting purposes.

The $176.6 million appropriation from the Toxic Substances Control Account will be supported by a loan from the General Fund. This loan will enable the Department to address the significant public health concerns in the communities surrounding the Exide Technologies facility in an expedited manner. However, cleanup costs initially incurred by the State will ultimately be sought from the parties responsible for the lead contamination.

In addition, the Governor is directing the Department to evaluate lead-acid batteries through a Hazardous Waste Reduction Initiative. The analysis could result in identifying lead batteries as a "Priority Product" under the Safer Consumer Products program, which will require manufacturers to evaluate the product's health impacts and consider ways to reduce impacts.

If you have any questions or need additional information regarding this matter, please call Ellen Moratti, Principal Program Budget Analyst, at (916) 324-0043.

MICHAEL COHEN
Director
By:

AMY M. COSTA
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee
Honorable Melissa Melendez, Vice Chair, Assembly Budget Committee
Honorable Lois Wolk, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable Richard Bloom, Chair, Assembly Budget Subcommittee No. 3
Mr. Mac Taylor, Legislative Analyst (3)
Mr. Mark Ibele, Staff Director, Senate Budget and Fiscal Review Committee
Mr. Mark McKenzie, Staff Director, Senate Appropriations Committee
Mr. Joseph Shinstock, Appropriations Fiscal Director, Senate Republican Fiscal Office
Mr. Kirk Feely, Budget Fiscal Director, Senate Republican Fiscal Office
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christian Griffith, Chief Consultant, Assembly Budget Committee
Mr. Pedro R. Reyes, Chief Consultant, Assembly Appropriations Committee
Mr. Eric Swanson, Staff Director, Assembly Republican Fiscal Committee
Mr. Seren Taylor, Director of Strategic Policy, Assembly Republican Leader's Office
Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Eric Jarvis, Assistant Secretary for Fiscal and Administrative Programs, California Environmental Protection Agency
Ms. Barbara Lee, Director, Department of Toxic Substances Control
Ms. Francesca Negri, Chief Deputy Director, Department of Toxic Substances Control

Attachment A

Section XX

The sum of one hundred seventy six million, six hundred thousand dollars ($176,600,000) is hereby appropriated from the Toxic Substances Control Account and shall be available for activities related to the cleanup and testing of contaminated properties in the communities surrounding the Exide Technology facility.

(a) All activities related to the cleanup and testing of contaminated properties shall be exempt from the requirements of Division 13 of the Public Resources Code.

Section XX

The sum of one hundred seventy six million, six hundred thousand dollars ($176,600,000) is hereby transferred as a loan from the General Fund to Toxic Substances Control Account.

(a) All funds received through cost recovery efforts from responsible parties associated with the cleanup of contaminated properties in the communities surrounding the Exide Technology facility shall be used to repay the General Fund loan.

(b) To the extent cost recoveries are not sufficient to fully repay the loan, the Director of Finance may forgive any remaining balance.