Senate Budget and Fiscal Review—Senator Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Tony Mendoza
Senator Jim Nielsen

Thursday, April 20, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 113

Consultant: Joe Stephenshaw

Vote Only Calendar

Vote Only Calendar – Continued

Issues for Discussion

Public Comment

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Vote-Only Calendar

0540 Natural Resource Agency

Issue 1 – Once-Through Cooling Fees to Complete MPA Management Program

Governor's Proposal. The Governor's budget proposes to transfer $5.4 million dollars, on a one-time basis, from the State Water Resources Control Board Once-Through Cooling (OTC) Interim Mitigation Program mitigation payments to the Ocean Protection Trust Fund.

Background. OTC systems take water from a nearby source (e.g., rivers, lakes, aquifers, or the ocean), and circulate it through pipes to absorb heat from the steam in systems called condensers, and discharge the now warmer water to the local source. OTC contributes to the decline of fisheries and the degradation of marine habitats in its vicinity.

This request will enable the state to meet its legislative mandates pursuant to the Marine Life Protection Act without incurring additional General Fund obligations. The OTC payments will fund mitigation of OTC related impacts, including, among other things, required increases in enforcement, outreach to improve compliance, and evaluations of the Marine Protected Areas (MPA) Network to determine the degree to which the MPA Network is offsetting the impingement and entrainment issues happening both locally and regionally.

Issue 2 – Implementation of AB 2800 (Quirk), Climate Change in Infrastructure Planning and Development

Governor's Proposal. An April 1st Finance Letter proposes $150,000 from the Environmental License Plate Fund to implement AB 2800 (Quirk) Chapter 580, Statutes of 2016.

Background. AB 2800 requires the Natural Resources Agency to establish and manage a climate-safe infrastructure working group, comprised of registered engineers, scientists, other institutions, and registered architects, and requires the working group to provide recommendations to the Strategic Growth Council and Legislature on how to integrate scientific data concerning projected climate change impacts into state infrastructure engineering. The agency will work with staff from the Energy Commission to manage consultant workload requested by this proposal.

Issue 3 – Reappropriations: Ocean Protection, Urban Greening, River Parkways and Museum Grant Programs

Governor's Proposal. An April 1st Finance Letter proposes the reappropriation of the unencumbered balances of several appropriations to complete projects that are underway and to award new grants with funds from projects that came in under budget and for projects that were unsuccessful.

Background. This request would reappropriate the remaining funds for ongoing and new projects from the following programs:

1. Proposition 40 River Parkways Program - This request would reappropriate the remaining balance of $1.1 million from 2014-15.

2. Proposition 40 California Cultural and Historical Endowment (CCHE) - CCHE has provided over $122 million in preservation grants. This reappropriation would allow for utilization of residual funds from a 2014 appropriation from projects that fell through or came in under budget.
3. Proposition 50 River Parkways - Proposition 50 allocated $100 million for river parkway projects. Awards for 118 projects were made from 2006 through 2016. This reappropriation of funds from 2006-07 and 2007-08 will allow ongoing projects to reach completion and would provide an opportunity to award funds to new projects.
4. Proposition 84 River Parkways - A total of 67 projects have been awarded from $72 million in available funds. Funds from three unsuccessful projects and from projects that came in under budget were awarded to three new projects as they became available. This reappropriation would allow the ongoing projects to reach completion and would provide an opportunity to award funds to new projects.
5. Proposition 84 Urban Greening – Proposition 84 authorized $90 million for urban greening projects that reduce energy consumption, conserve water, improve air and water quality, and provide other community benefits. This reappropriation would allow ongoing projects to reach completion and would provide an opportunity to award funds to new projects.
6. Proposition 84 Ocean Protection Council – Proposition 84 authorized $90 million for projects to conserve marine resources. This reappropriation will allow ongoing projects to reach completion and would provide an opportunity to award funds to new projects.

3100 California Science Center

Issue 1 – Restore 13 Custodial Positions to Clean and Maintain the California Science Center

Governor's Proposal. The Governor's budget proposes $644,591 from the Exposition Park Improvement Fund to restore 13 custodial positions necessary to support California Science Center facilities.

Background. Primarily due to the state budget crisis during the recession, Science Center staffing decreased from 148 authorized positions in 2009-10, to 110 authorized positions in 2016-17. The impact on custodial support from this staffing reduction was significant. The Science Center had a total of 41 custodians and seven custodian supervisors to address a three-shift/362-day work year and 10 facilities. Today, the Science Center has 17 custodians, and three custodian supervisors. Moreover, 13 approved custodial positions once slated for the Phase II Ecosystems building were abolished to mitigate employee layoffs. As a result, there is zero custodial support for the Phase II building which opened to the public in April 2010.

Issue 2 – Exposition Park Reimbursement Authority and Expenditure Authority Increases

Governor's Proposal. An April 1st Finance Letter proposes $150,000 from the Exposition Park Improvement Fund and an increase of $225,000 in reimbursement authority, annually, over a three-year period, for the Office of Exposition Park Management to pay for consultant services to develop a new master plan for Exposition Park.

Background. All of the physical land, with the exception of EXPO Center and the Rose Garden, is owned by the State of California, and the majority of buildings and employees are also state. It is estimated there are four million visitors each year, which makes Exposition Park one of the busiest urban parks in the United States.

The last master plan for Exposition Park is approximately three decades old. A new master plan will provide a cohesive vision for the grounds while ensuring the State of California meets its lease obligations with each park entity. Reimbursements will come from park tenants and a Southern California Association of Governments' grant.

Issue 3 – Reappropriate Deferred Maintenance Funds for the California African American Museum

Governor's Proposal. An April 1st Finance Letter proposes reappropriation of funds appropriated to the California African American Museum (CAAM) for deferred maintenance projects that include restroom and water fountain renovations and for improvements to exhibit and art storage facilities.

Background. The 2016-17 budget act provided CAAM with two appropriations that addressed deferred maintenance issues at the museum: 1) $275,000 from the Exposition Park Improvement Fund to renovate four bathrooms and replace the two wall mounted drinking fountains inside the CAAM building both for employees and guests, and 2) $2 million General Fund for other projects including; replacement of existing HVAC system, improved security, new roller doors, energy efficient lighting, painting, etc.

Because contracts have yet to be entered into, and in order to ensure funding is available to complete projects, CAAM is requesting this funding be available for an additional year.

3125 California Tahoe Conservancy

Issue 1 – Local Assistance Funding Technical Adjustment

Governor's Proposal. An April 1st Finance Letter proposes a technical adjustment to add provisional language to two local assistance items. The provision, which has routinely been included in prior conservancy appropriations, will allow the use of the funds for capital outlay purposes upon the approval of the Department of Finance.

Issue 2 – South Tahoe Greenway Shared Use Trail Phase lb/2

Governor's Proposal. An April 1st Finance Letter proposes to switch the fund source for this project from federal funds to reimbursement authority. The $250,000 reimbursement will come from Caltrans via a grant from the Active Transportation Program rather than federal funds.

Issue 3 – Tahoe Pines Campground Restoration and Access Project

Governor's Proposal. An April 1st Finance Letter proposes $323,000 from the Habitat Conservation Fund (Prop 117) and $200,000 from the Lake Tahoe Conservancy Account (LTCA) for the construction phase of the Tahoe Pines Campground Restoration project. A reversion of the unencumbered Prop 117 and LTCA balances from which this project was being funded is also requested.

Background. The project will restore and protect the integrity of onsite riparian habitat, improve water quality, and provide public access for river-oriented recreational day use opportunities. The project site is an eight-acre state-owned property in the Meyers area of the Tahoe Basin, which contains over 900 feet of Upper Truckee River frontage. The total project cost estimate is $873,000. The balance of funding needed is available in other, existing appropriations.

Issue 4 – Conceptual Feasibility Planning

Governor's Proposal. An April 1st Finance Letter proposes a reduction of $18,000 from Proposition 12 (the Clean Water, Clean Air, and Coastal Protection Bond Fund), for conceptual and feasibility studies originally requested in the Governor's budget. This funding is no longer necessary for this project.

3480 Department Conservation

Issue 1 – State Mining and Geology Board Legal Costs

Governor's Proposal. The Governor's budget proposes $200,000 from the Mine Reclamation Account for the State Mining and Geology Board within the Department of Conservation (DOC) to fund legal services provided to the board by the California Attorney General's office.

Background. The board performs a number of duties pursuant to the Surface Mining and Reclamation Act (SMARA), including acting as a lead agency when local agencies are incapable of performing those duties. SMARA was enacted to ensure that adverse environmental impacts of surface mining activities are prevented, that surface mine sites are reclaimed to a usable condition readily adaptable for an alternate, beneficial use, and to encourage production and conservation of mineral resources. The board's legal cost relating to SMARA has increased over the last several years.

Issue 2 – Strategic Growth Council Grant Support

Governor's Proposal. The Governor's budget proposes $220,000 from Proposition 84, on a one-time basis, for the Sustainable Communities Planning grants and Incentives Program grants.

Background. This grant program assists local governments in creating plans that improve air and water quality. The requested funds will be used for program delivery to ensure proper compliance of all grantees, and to provide technical assistance to grantees throughout the grant term.

Issue 3 – Sustainable Agricultural Lands Conservation Program Positions

Governor's Proposal. The Governor's budget proposes three permanent positions to administer the Sustainable Agricultural Lands Conservation Program on behalf of the Strategic Growth Council. An existing memorandum of understanding with the Office of Planning Research and the Strategic Growth Council will fund these positions.

Issue 4 – AB 2756 Implementation

Governor's Proposal. The Governor's budget proposes to transfer the 2016-17 appropriation in the Acute Orphan Well Account into the Oil and Gas Environmental Remediation Account.

Background. AB 2756 (Thurmond and Williams) Chapter 274, Statutes of 2016, eliminated the Acute Orphan Well Account and replaced it with the Oil and Gas Environmental Remediation Account. Both accounts were established to plug and abandon orphan wells. Without action, the balance in the Acute Orphan Well Account will revert to the General Fund.

Issue 5 – CA Agriculture Lands Planning Grant Program

Governor's Proposal. The Governor's budget proposes $150,000, annually, for four years from the Soil Conservation Fund for program support and $2.0 million, annually, for two years from the Soil Conservation Fund for local assistance.

Background. The Agricultural Protection Planning Grant Program provides grants to local governments for agricultural land conservation.

Issue 6 – Technical Adjustment

Governor's Proposal. An April 1st Finance Letter proposes to reappropriate $10 million from 2016-17 for the continued development and implementation of the Well Statewide Tracking and Reporting, a centralized data management system.

3560 State Lands Commission

Issue 1 – Legal Representation

Governor's Proposal. An April 1st Finance Letter proposes $580,000 from the General Fund to provide for out-of-state legal representation in the bankruptcy case for Ricon Island Limited Partnership (RILP).

Background. RILP is a lessee of three state oil and gas leases offshore of Ventura County. RILP filed for Chapter 11 bankruptcy protection in Texas on the eve of a commission public hearing to terminate RILP's oil and gas leases for significant regulatory violations and breach of its leases. Adequate local counsel representation is needed to protect the state from estimated abandonment costs of $30-$55 million and potential environmental risks to the marine environment and the California Coastal Sanctuary.

3600 Department of Fish and Wildlife

Issue 1 – Proposition 1 San Joaquin River Settlement Reversion

Governor's Proposal. The Governor's budget proposes a reversion of a current year state operations appropriation of $16.8 million in Proposition 1 (Water Quality, Supply, Infrastructure Improvement Fund of 2014) funds associated with the San Joaquin River settlement and an increase in local assistance in the budget year.

Background. The Proposition 1 bond funds are part of the $475 million which was specifically identified for the San Joaquin River restoration settlement. The department currently has provisional language that allows the Proposition 1 funds appropriated in local assistance to be available for local assistance or capital outlay. Because the department has used a portion of the overall appropriation (state operations and local assistance) for capital outlay the department is requesting a reversion of the state operations appropriation and an increase to the local assistance appropriation.

Issue 2 – Water Storage Investment Program

Governor's Proposal. The Governor's budget proposes $1.9 million in reimbursement authority to support the development and implementation of the Water Storage Investment Program (WSIP), pursuant to Proposition 1. This proposal will allow the department to meet statutory requirements for the WSIP under Proposition 1, provide full technical and policy level support for the program, and participate in the implementation of projects over the next five years.

Background. Proposition 1 authorized $2.7 billion dollars to the California Water Commission for funding public benefits associated with water storage projects that improve the operation of the state water system, are cost effective, and provide a net improvement in ecosystem and water quality conditions. Proposition 1 requires the department to participate in specific components of the WSIP including: 1) providing ecosystem priorities and relative environmental value of ecosystem benefits associated with storage projects for use in evaluating project proposals, 2) issuing findings associated with ecosystem benefits of individual project proposals, and 3) entering into contracts with successful project applicants to ensure that the project achieves the ecosystem benefits identified.

During the past year and a half of working with the Water Commission on the WSIP program, it has been determined that additional resources are needed for the department to carry out its role as outlined in Proposition 1. The department needs additional funding to 1) engage with potential project applicants on the proposed ecosystem improvements of potential projects, 2) conduct initial review of project proposals to ensure that proposals submitted under WSIP provide measurable improvements to the Delta ecosystem or to the tributaries to the Delta, 3) conduct technical review of project proposals to evaluate ecosystem benefits associated with eligible WSIP project proposals, 4) issue findings for individual projects that the ecosystem benefits of the project meet all of the requirements of WSIP, 5) evaluate and respond to appeals of initial project rankings focused on the ecosystem relative environmental value established during the technical review, 6) negotiate and implement contracts with project applicants to ensure that the public contribution of funds pursuant to WSIP achieves the ecosystem public benefits identified by the projects funded by the Water Commission, and 7) review environmental documents and issue permits associated with WSIP projects following final project rankings and funding commitments.

Issue 3 – Salmon and Steelhead Trout Restoration Grant Program

Governor's Proposal. The Governor's budget proposes $140,000 from the Salmon and Steelhead Trout Restoration Account to fund local assistance grant opportunities.

Background. These funds would be used to fund grants awarded through the Fisheries Restoration Grant Program (FRGP). FRGP is a competitive grant program created to respond to rapidly declining populations of salmon and steelhead trout in California.

Issue 4 – Yolo Bypass Wildlife Area – Waterfowl Habitat

Governor's Proposal. The Governor's budget proposes $246,000 from the Fish and Game Preservation Fund-State Duck Stamp Account for a minor capital outlay project at the Yolo Bypass Wildlife Area to provide habitat for resident and migratory waterfowl and other wetland dependent wildlife.

Background. The Yolo Bypass Wildlife Area - Waterfowl Habitat lack water infrastructure. Lack of water has resulted in fallow ground which does not benefit wetland dependent wildlife. Adding water infrastructure (pump/platform, electrical panel, delivery ditch) will allow the department to deliver water to the units and restore the ground into a functioning wetland. The funding source is from the State Duck Stamp Account (dedicated dollars) from a fee developed for the purpose of restoring and enhancing waterfowl habitat.

3640 Wildlife Conservation Board

Issue 1 – Proposition 1 Position Authority

Governor's Proposal. An April 1st Finance Letter proposes the conversion of two limited-term positions, expiring July 1, 2017, to permanent to meet the ongoing program delivery needs associated with the Wildlife Conservation Board's requirement to enhance stream flows, established by Proposition 1.

Background. The requested position conversion is to provide the staff resources necessary to revise and release grant solicitation guidelines annually, receive and review grant proposals, select and recommend to the board projects to be funded, and develop, execute, and manage grant agreements for projects approved by the board. The positions are currently the only board positions solely dedicated to the Stream Flow Enhancement Program.

3760 State Coastal Conservancy

Issue 1 – Proposition 12 Technical Adjustment

Governor's Proposal. An April 1st Finance Letter proposes a decrease of $3.1 million in Proposition 12 (Safe Neighborhood Parks, Clean Water and Coastal Protection Bond Act of 2000) authority to prevent a negative bond allocation balance.

Background. The Governor's budget contains a local assistance appropriation to the conservancy from Proposition 12 of $14.6 million, which was requested based on assumptions regarding prior year reversions that will not occur as initially estimated. Therefore, a reduction in the conservancy's local assistance appropriation is needed in order to prevent a negative bond allocation balance and to maintain funds for program delivery.

Issue 2 – State Operations Funding Realignment

Governor's Proposal. The Governor's budget proposes $420,000, which includes a shift of $120,000 from the Environmental License Plate Fund and $300,000 in adjustments to existing bond allocations and Special Funds that have historically supported the conservancy. This request does not increase the conservancy's overall baseline support budget because of one-time state operations amounts being reduced as baseline budget adjustments.

Background. The 2011 budget act directed the conservancy to develop a long-term funding plan. That plan was completed and submitted to the Legislature in January 2013. The plan identified three strategies for sustainable funding for the conservancy: 1) reducing its support budget, 2) increasing incoming grants and diversifying its funding, and 3) obtaining non-bond support funding. The conservancy has made progress on the first two strategies; this request seeks to address the third.

Issue 3 – Request for Increased Federal Trust Fund and Reimbursement Authority

Governor's Proposal. The Governor's budget proposes $233,000 in federal fund authority and $500,000 in reimbursement authority to increase state operations support for the conservancy.

Background. The conservancy has submitted more applications to federal, state, and non-state grantors over the past several years, resulting in a higher volume of grants being awarded and the current levels of reimbursement and federal fund authority are insufficient. This has necessitated an increase in submitted budget revisions, which contributes to increased workloads for both the conservancy and Department of Finance. Increasing the baseline authority for federal funds and reimbursements will remedy this situation.

Issue 4 – Proposition 12 Reversion and Appropriation

Governor's Proposal. The Governor's budget proposes a reversion and a new appropriation in the amount of $14.6 million in Proposition 12 funds and provisional language to allow the funds to be used for local assistance and capital outlay and be available for encumbrance until June 30, 2020.

Background. As the conservancy is reaching the end of its Proposition 12 allocation, most of the funds requested for appropriation in this proposal will be used for the completion of ongoing projects funded by Proposition 12. The funds are needed to ensure that progress on several ongoing efforts including restoration of the Ballona Wetlands and Santa Monica Bay, the restoration and enhancement of salmonid habitat north of the Gualala River, and the construction of regional trails as part of the San Francisco Bay Area Conservancy Program is not interrupted or halted.

Issue 5 – Appropriation for Public Access

Governor's Proposal. The Governor's budget proposes $89,000 from the California Beach and Coastal Enhancement Account (Whale Tail Fund), for purposes of local assistance and capital outlay to continue implementation of the conservancy's public access, education and related programs.

Background. This amount reflects the amount that the conservancy is eligible to receive pursuant to the statutory allocation of the Whale Tail Fund. Funds will be used to develop, operate and maintain public access ways, including accepted offers-to-dedicate, to support public education related to coastal resources and to fund the Explore the Coast grant program. The requested funds will be disbursed as grants to public agencies and non-profit organizations and for recreational and interpretive facilities, materials, and events. Provisional language is being requested to allow the amounts appropriated to be utilized as local assistance or capital outlay.

Issue 6 – Federal Trust Fund and Reimbursements – Local Assistance

Governor's Proposal. The Governor's budget proposes $2 million in federal fund authority and $10 million in reimbursement authority to accommodate the federal, state, and other grants that the conservancy anticipates over the next several years.

Background. Over the past several years, the conservancy has been increasingly successful in attracting grant funds for projects from both federal and state sources. The conservancy expects to receive several substantial federal and state grants in the coming years, which will exceed the current levels of both federal fund and reimbursement authorities. This request will align the conservancy's authority with anticipated grant funding.

3790 Department of Parks and Recreation

Issue 1 – Vessel Operator Card Augmentation

Governor's Proposal. The Governor's budget proposes $497,000 from the Vessel Operator Certification Account to implement certification and card issuance for vessel operators.

Background. Pursuant to SB 941 (Monning) Chapter 433, Statutes of 2014, all motorized vessel operators in California are required to become certified. The department was tasked with developing the operator card and certification program. The Budget Act of 2015 included funding and positions authority for three staff to create the new program. This new funding will allow the division to contract with a vendor to administer a required vessel operator exam and issue operator cards. Applicants are charged a $10 fee for certification, which supports this fund. The department projects revenue of approximately $700,000 in 2017-18 and $1.3 million in 2018-19 and 2019-20.

Issue 2 – Oceano Dunes SVRA Visitor Center Project

Governor's Proposal. The Governor's budget proposes $1 million in 2017-18, and $805,000 ongoing from the OHVTF and three positions for facility staffing and maintenance for the Oceano Dunes SVRA/Pismo State Beach Visitor Center and Equipment Storage projects approved by the Legislature in 2014.

Background. In 2014, the Legislature authorized capital improvements in the amount of $6.1 million for this project. The improvements included a multi-purpose facility that will serve as a visitor center to accommodate the increased demand for interactive interpretive exhibits, an education program, Junior Ranger programs, training facilities, campground hosts, dune patrol volunteers, and other park staff. This project also includes an equipment storage building which will protect high-value equipment and six vehicles. It is anticipated that revenue will increase each fiscal year the state beach campgrounds are fully operational.

Issue 3 – Proposition 12 Statewide Bond Close-out

Governor's Proposal. The Governor's budget proposes $81,000 ongoing from Proposition 12 and one half-time position to provide statewide bond oversight and cash management during the bond's final years.

Background. Statewide bond staff will only be needed for Proposition 12 through 2016-17, but a small portion of bond funding is still unencumbered. In addition, tax compliance, cash management, and post-expenditure reporting needs have grown in the last few years, increasing bond oversight workload.

Issue 4 – Marsh Creek – Shea Settlement and Match Fund Reappropriation

Governor's Proposal. The Governor's budget proposes a reappropriation of the unencumbered balance of settlement funds (Shea settlement) deposited into the State Parks Recreation Fund (SPRF) to mitigate damages at Marsh Creek State Park and a reappropriation from SPRF for matching funds related to projects at Point Sur Lightstation (Big Sur). The total estimated balance requested for reappropriation is $700,000.

Background. The department had project permit delays related to the Shea settlement at Marsh Creek State Park. This reappropriation will allow the department to complete construction projects. The department awarded a construction contract for Point Sur Lightstation Bridge rehabilitation for five bridges in spring 2014, but the contractor was unable to execute the project. Rebids came in much higher than expected. The department requests the balance of this funding to complete four of the originally proposed five bridges to stay within the original budget.

Issue 5 – Boating Needs Assessment

Governor's Proposal. The Governor's budget proposes $300,000 from the Harbors and Watercraft Revolving Fund to expand the scope of the department's existing Boating Needs Assessment (BNA).

Background. The BNA is typically conducted every five years to assess boats and boating facilities located in ten regions throughout the state. However, the last survey effort was facilitated in 2000 and 2001 with the final five-volume report released late 2002. The study addressed specific topics such as wet and dry storage, law enforcement boating facility needs, the economic value of recreational boating to the state, and estimated demand projections through 2020.

Issue 6 – Proposition 40- Recreation and Facilities Programs

Governor's Proposal. The Governor's budget proposes $16 million, on a one-time basis, from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund for grants through a competitive youth soccer and recreation development program. Additionally, the budget includes $10 million, on a one-time basis, for grants through a competitive outdoor environmental education facilities program.

Background. In the 2015-16 Governor's budget, the Administration announced its intent to fund a $26 million youth soccer program in 2017-18, utilizing an available Proposition 40 balance. The Legislature approved the youth soccer and recreation development program concept, but indicated its intent to authorize $10 million of the funds for a separate outdoor environmental education facilities program. This proposal will implement both the youth soccer and recreation development and outdoor environmental education facilities programs.

Issue 7 – Encumbrance Extension Request – San Diego County – 1988 Bond Act

Governor's Proposal. An April 1st Finance Letter proposes to reappropriate the balance of $2.1 million from a 2014 California Wildlife, Coastal and Park Land Conservation Fund of 1988 appropriation to extend the encumbrance period to allow for project scope changes related to the acquisition of natural lands in the Tijuana River Valley as well as time to obtain legislative approval.

Background. The 1988 bond act provided $9.9 million to the county for the acquisition of natural lands in the Tijuana River Valley. The county used the funds to acquire approximately 430 acres of land in the Tijuana River Valley, of which 127.6 acres was taken by the federal government through eminent domain.

In December 2012, a settlement agreement was approved whereby the federal government provided $2.1 million as compensation for the acreage seized. These funds were returned to the 1988 bond act fund, and then appropriated to the county in the 2014-15 fiscal year for the acquisition of natural lands in the Tijuana River Valley. The extension is necessary to allow time for the change of the project scope from acquisition to development as well as time for the County of San Diego to obtain Legislative approval as required by the 1988 bond act.

Issue 8 – Local Assistance Program – Habitat Conservation Fund

Governor's Proposal. An April 1st Finance Letter proposes to reappropriate balances of $2 million appropriations in 2009 and 2010 from the Habitat Conservation Fund (HCF) for local assistance program compliance.

Background. The HCF was created by the California Wildlife Protection Act of 1990 and provides $2 million on an annual basis for a competitive grant program administered by the Office of Grants and Local Services.

From its inception through FY 2012-13, funds from HCF were appropriated annually through the budget process. During the FY 2013-14 budget process, the fund was removed from the annual budget process and converted to a continuous appropriation. Due to withdrawn projects and projects completed under the previous budget act appropriations, reverted balances remain from 2009-10 and 2010-11.

Issue 9 – Reappropriation for Orange County Beach Restoration Program

Governor's Proposal. An April 1st Finance Letter proposes to reappropriate $4.5 million from a 2016 Public Beach Restoration Fund appropriation for beach re-nourishment of the Orange County Beach Restoration Project because the primary funding partner, the US Army Corps of Engineers, is unable to execute the contract within state encumbrance deadlines.

Background. In 2016-17, the department received an appropriation of $5.3 million, of which $739,000 was encumbered to complete engineering and design of this project. The remaining $4.5 million is budgeted for construction, but will be encumbered under a different agreement. Based on the most recent schedule from the corps, this construction agreement will not be executed for a minimum of three months beyond the state encumbrance deadline. Therefore, a re-appropriation for the remaining balance of funding is needed.

An additional $739,000 in construction funding for this project is already proposed in the Governor's budget. The total amount for construction of this project is $5.3 million.

Issue 10 – Division of Boating and Waterways Reimbursement Authority

Governor's Proposal. An April 1st Finance Letter proposes $156,000 in reimbursement authority for local beach restoration projects. The authority will allow the department to receive funds from local project partners.

3810 Santa Monica Mountain Conservancy

Issue 1 – Reappropriation of Proposition 84

Governor's Proposal. An April 1st Finance Letter proposes the reappropriation of $963,000 of Proposition 84 funds, from returned grant funds, to be used for local assistance and capital outlay projects until June 2020.

Background. The conservancy was allocated $56 million of proposition 84 funds, which are almost exhausted. In February 2017, there was a return of funds from a conservancy grant. This proposal is for a new appropriation of up to $963,000 of these returned funds to be used for the implementation of local assistance projects consistent with Proposition 84. Projects are coordinated with federal, state, local governments and non-profit entities.

Issue 2 – Local Assistance Reappropriation of Proposition 40 and 50 Funds

Governor's Proposal. An April 1st Finance Letter proposes the reappropriation of Propositions 40 and 50 funds included in the 2012 budget act. Additionally, the conservancy requests the funds be available for encumbrance and expenditure until June 30, 2020. The funds will be used for the acquisition, enhancement, restoration of natural lands, improvement of public recreation facilities, and for grants to local agencies and non-profit organizations to increase access to parks and recreation opportunities for underserved urban communities.

Background. The conservancy identified projects to be funded and encumbrances and expenditures were inadvertently made from later year appropriations. As a result, several Proposition 40 and 50 projects were not fully encumbered and there is an unencumbered balance from 2012-13 funds that are currently unavailable for encumbrance or expenditure. This request makes those funds available.

3835 Baldwin Hills Conservancy

Issue 1 – Reappropriation of Proposition 84

Governor's Proposal. An April 1st Finance Letter proposes the reappropriation of the balance from a 2014 budget act appropriation from Proposition 84 and authority for the funds to be available for encumbrance or expenditure until June 30, 2020. The funds will be used for local assistance grants or capital outlay for land conservation, preservation, planning and development, as well as, water quality improvements and habitat restoration in the Baldwin Hills and Ballona Creek Watershed.

3845 San Diego River Conservancy

Issue 1 – Proposition 1 Position Authority

Governor's Proposal. An April 1st Finance Letter proposes the conversion of one limited-term position to permanent to manage the Proposition 1 (Water Quality and Supply, and Infrastructure Improvement Act of 2014) program, and continue other reporting requirements.

Background. The conservancy previously hired an environmental scientist on a limited-term basis to manage the Proposition 1 grant program. However, there are ongoing efforts regarding grant administration, project management, and data collection and reporting that necessitate converting the position to permanent. Funding is provided from Proposition 1 program delivery funds.

3855 Sierra Nevada Conservancy

Issue 1 – Request for Federal Trust Fund

Governor's Proposal. An April 1st Finance Letter proposes $30,000 in federal fund authority for a partnership with the U.S. Forest Service to fund activities consistent with the Sierra Nevada Watershed Improvement Program.

Issue 2 – Proposition 84 – New Appropriation

Governor's Proposal. An April 1st Finance Letter proposes $285,000 in Proposition 84 (The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006) funds to provide funding for watershed protection local assistance grants and provisional language to extend the encumbrance period of the funds until June 30, 2020.

Background. Proposition 84 contains provisions that allows the legislature to appropriate $54 million to the conservancy for grants and other agreements for protection and restoration of rivers, lakes and streams, their watersheds and associated land, water, and other natural resources. This request is to ensure the total $54 million continues to be used consistent with bond requirements.

8570 Department of Food and Agriculture

Issue 1 – Environmental Auditing Unit Program Funding and Produce Safety Rule Implementation

Governor's Proposal. The Governor's budget proposes $1.9 million in federal fund authority and seven positions (growing to $3.4 million and 14 positions in 2020-21) to implement the new Federal Produce Safety Rule requirements.

Background. The Food Safety Modernization Act, Produce Safety Rule is a federal mandate to reduce foodborne illness and ensure safe food supply. California Department of Food and Agriculture (CDFA) intends to use the requested funding and positions to make produce safety program enhancements and to establish the Environmental Auditing Unit within CDFA's Division of Inspection Services to serve as the department's produce safety program.

Issue 2 – Use of Antimicrobial Drugs on Livestock

Governor's Proposal. The Governor's budget proposes $2.0 million General Fund and 8.5 positions to implement SB 27 (Hill) Chapter 758, Statutes of 2015.

Background. SB 27 addressed the overuse of antibiotics in livestock and poultry by enforcing limits on antimicrobial use in livestock and requiring CDFA to develop stewardship guidelines, track antimicrobial sales and collect information about on-farm use, sample pathogens for resistance trends and report to the Legislature.

The 2016 Budget Act included eight positions and $1.4 million in General Fund authority for CDFA to gather information on livestock antimicrobial sales and usage, anti-microbial-resistant bacteria, livestock management practice data, and develop science-based antimicrobial stewardship guidelines and best management practices for veterinarians and livestock owners and managers.

This request seeks additional resources for CDFA to contract with the California Animal Health and Food Safety Laboratory to perform pathogen surveillance and antimicrobial resistance testing on samples, as well as to contract with universities to develop and maintain stewardship materials to promote antimicrobial stewardship in livestock and ensure each animal receives the intended benefit from the prescribed drug.

Issue 3 – Short-lived Climate Pollutants (SB 1383)

Governor's Proposal. The Governor's budget proposes $312,000 from the Cost of Implementation Account and two permanent positions to implement SB 1383 (Lara) Chapter 395, Statutes of 2016.

Background. Short-lived climate pollutants (SLCPs) are a class of greenhouse gases or climate pollutants that remain in the atmosphere for a relatively short period of time. SLCPs, such as methane and black carbon (soot), remain in the atmosphere anywhere from a few days to a few decades. This is in contrast to carbon dioxide, which remains in the atmosphere for centuries.

CDFA operates a Dairy Digester Research and Development Program, which provides financial incentives and research funds to assist dairy operators with building and maintaining digesters and energy generating technologies to reduce methane.

SB 1383 requires the Air Resources Board to develop dairy/livestock manure methane regulations and analyze progress in consultation with CDFA.

Issue 4 – Sustaining the Viability of Emergency Exotic Pest Response

Governor's Proposal. The Governor's budget requests $1.8 million in federal fund authority, annually, for two years and 20 permanent positions to create Emergency Plant Health Response Teams.

Background. According to the Center for Invasive Species Research at UC Riverside, agricultural losses to exotic pests in California exceed $3 billion annually. CDFA is responsible for early detection and prompt eradication of such agricultural pests. CDFA accomplishes this through the operation of a statewide detection-trapping program, special detection surveys, and the maintenance of emergency projects response teams.

Due to an increase of exotic pest eradication projects over the past five years, the United States Department of Agriculture awarded CDFA funding to support the hiring and maintenance of Emergency Plant Health Response Teams. These teams develop and implement comprehensive approaches to invasive species eradication.

Staff Recommendation. Approve vote only items as budgeted.

Issues for Discussion

3720 California Coastal Commission

The California Coastal Commission, comprised of 12 voting members appointed equally by the Governor, the Senate Rules Committee, and the Speaker of the Assembly, was created by voter initiative in 1972 and was made permanent by the California Coastal Act of 1976 (Coastal Act). The Coastal Act calls for the protection and enhancement of public access and recreation, marine resources, environmentally sensitive habitat areas, marine water quality, agriculture, and scenic resources, and makes provisions for coastal-dependent industrial and energy development. New development in the coastal zone requires a coastal permit either from local government or the commission. Local governments are required to prepare a local coastal program (LCP) for the coastal zone portion of their jurisdiction. After an LCP has been reviewed and approved by the commission as being consistent with the Coastal Act, the commission's regulatory authority over most types of new development is delegated to the local government, subject to limited appeals to the commission. The commission also is designated the principal state coastal management agency for the purpose of administering the federal Coastal Zone Management Act in California and has exclusive regulatory authority over federal activities such as permits, leases, federal development projects, and other federal actions that could affect coastal zone resources and that would not otherwise be subject to state control.

The Governor's budget proposes $23.3 million in total expenditures for the commission in the budget year. The primary funding source for the commission is the General Fund - $15.7 million is proposed from the General Fund in the budget year.

		Positions			Expenditures		
		2015-16	2016-17	2017-18	2015-16*	2016-17*	2017-18*
2730	Coastal Management Program	125.6	113.1	113.1	$20,926	$22,294	$21,568
2735	Coastal Energy Program	7.3	7.3	7.3	1,463	1,527	1,523
9900100	Administration	1.0	1.0	1.0	2,724	2,765	2,821
9900200	Administration - Distributed	22.5	22.5	22.5	-2,558	-2,655	-2,655
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**156.4**	**143.9**	**143.9**	**$22,555**	**$23,931**	**$23,257**

Dollars in thousands

3820 San Francisco Bay Conservation and Development Commission

The San Francisco Bay Conservation and Development Commission is a state planning and regulatory agency with regional authority. Its mission is to protect and enhance the San Francisco Bay and to encourage the bay's responsible and productive use for this and future generations. The commission authored and maintains the San Francisco Bay Plan and relies on it, the McAteer-Petris Act, and other regulatory authority to maximize public access to the bay and minimize bay fill. The commission issues permits for filling, dredging, and development projects within the bay, along the bay shoreline, and within salt ponds and certain managed wetlands adjacent to the bay. The commission also implements the Suisun Marsh Preservation Act of 1977. By state statute, the commission develops and implements the federal Coastal Zone Management Act's program for the bay and exercises authority over federal activities otherwise not subject to state control. The commission leads the ongoing multi-agency regional effort to address the impacts of sea level rise and climate change on the bay and its

environs. Funding for these efforts to address climate change is derived mainly from federal grants and other agreements, contracts, and reimbursements.

The Governor's budget proposes $7.8 million in total expenditures for the commission in the budget year. The primary funding source for the commission is the General Fund - $5.6 million is proposed from the General Fund in the budget year.

		Positions			Expenditures		
		2015-16	2016-17	2017-18	2015-16*	2016-17*	2017-18*
2980	Bay Conservation and Development	40.9	39.8	39.8	$6,334	$8,122	$7,783
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**40.9**	**39.8**	**39.8**	**$6,334**	**$8,122**	**$7,783**

The San Francisco Bay Conservation and Development Commission has jurisdiction over fill and new development along the San Francisco Bay shoreline out to 1,000 feet under the McAteer-Petris Act; the Coastal Commission has jurisdiction over development activities along the rest of the coast and state waters, exclusive of the San Francisco Bay.

Issue 1 – Oversight – Climate Adaptation/Sea Level Rise

Background. According to state research, in the past century, the global mean sea level has increased by seven to eight inches and it is extremely likely that human influence has been the dominant cause of observed atmospheric and oceanic warming. Given current trends in greenhouse gas emissions and increasing global temperatures, sea level rise is expected to accelerate in the coming decades, with scientists projecting as much as a 66-inch increase in sea level along segments of California's coast by the year 2100. While over the next few decades, the most damaging events are likely to be dominated by large El Niño - driven storm events in combination with high tides and large waves, impacts will generally become more frequent and more severe in the latter half of this century.

As the California Natural Resource Agency's (CNRA) Safeguarding California Implementation Plan - Oceans and Coastal Resources and Ecosystems Sector Plan notes, California's coastal agencies have a long history of successfully protecting, maintaining, and enhancing the health of coastal and ocean areas by addressing issues such as pollution, unsustainable resource use, and rapid urban development. This work is crucial considering that California's ocean and coast contribute $39.1 billion annually to the state's GDP (National Ocean Economics Program (NOEP) 2014). Climate change stressors, including but not limited to, sea-level rise and changing ocean conditions, are likely to escalate longstanding challenges such as unsustainable resource use, which present new governance and management challenges. The obstacles do not come from a single stressor, but the cumulative impacts. For example, it is not only sea-level rise that causes concern, but it is the long-term sea-level rise coupled with extreme storms, high tides, and seasonal fluctuations (e.g. El Niño Southern Oscillation, Pacific Decadal Oscillation, etc.).

The CNRA report points out that sea-level rise can increase flood risks in low-lying coastal areas and areas bordering rivers. A five foot increase in water levels due to sea-level rise, storms, and tides is estimated to affect 499,822 people, 644,143 acres, 209,737 homes, and $105.2 billion of property value in coastal California areas (Climate Central 2014). More specific concerns cited in the report include:

- The impacts on sea- and airports in particular will have important economic implications. For instance, the San Francisco Airport accounted for $5.4 billion in business and 33,580 jobs in 2012.

Inclusion of off-site activities that rely on air service (e.g. cargo deliveries, customer visits) increase the airport's economic contribution to $31.2 billion and 153,000 jobs (Bay Area Council Economic Institute 2015). The San Francisco Airport is already vulnerable to floods; sea-level rise is anticipated to exacerbate future floods, placing the airport at greater risk.

- California's beaches and recreational resources provide tremendous benefits to the state, including recreation and tourism revenues, habitat for commercial fish species, enhanced water quality, and increased quality of life. The tourism and recreation of California's ocean and coast has been calculated at roughly $16.9 billion annually (NOEP 2014). Sea-level rise is expected to exacerbate the erosion of sea cliffs, bluffs, and dunes along the coast and lead to the losses of public beaches and recreational resources.

- State coastal agencies have undertaken important steps to address vulnerabilities and impacts and to implement the four categories of ocean and coastal recommendations identified in Safeguarding California: 1) improve management practices for coastal and ocean ecosystems and resources, and increase capacity to withstand and recover from climate impacts; 2) better understand evolving trends that may impact ocean and coastal ecosystems and resources; 3) better understand climate impacts on ocean and coastal ecosystems and resources; and 4) share information and educate.

The CNRA report notes that coastal agencies have identified ways to reduce coastal and ocean climate change vulnerabilities and impacts using available capacity and resources and leveraging existing programs, projects, and forums. However, making further progress on adaptation requires a commitment to:

- Allocate adequate funding and capacity to improve the understanding of climate change vulnerabilities and impacts and to formulate, implement, and monitor adaptation measures that support the overarching goal of coastal and ocean health.

- Coordinate and align efforts across agencies, levels, and sectors to achieve a shared vision of coastal and ocean health.

- Learn continuously to inform the development and adjustment of flexible adaptation approaches that effectively and efficiently respond to changing conditions.

- Leverage existing legal, policy, and institutional structures to govern and manage coastal and ocean areas and resources for short and long-term health.

While state coastal agencies have demonstrated their commitment to collaborating on climate change adaptation, transformational change will also require continued support from the Governor's office and the Legislature, commitments by local and regional entities, and efforts by other state agencies. This is especially true when it comes to fully implementing adaptation policies to address risks from sea-level rise, particularly in relation to infrastructure planning and investment and water quality management.

California Coastal Commission. On August 12, 2015, the California Coastal Commission unanimously adopted its Sea Level Rise Policy Guidance: Interpretive Guidelines for Addressing Sea Level Rise in Local Coastal Programs and Coastal Development Permits. The document provides recommendations for local governments, applicants, and others for how to address sea level rise in Local Coastal Programs (LCPs) and Coastal Development Permits (CDPs). It also provides a

background of the best available science on sea level rise, and describes the importance of avoiding hazards and protecting coastal habitats and other coastal resources as sea level rises.

According to the commission's Sea Level Rise Policy Guide, the potential environmental, economic, and social impacts of sea level rise in California underscore the importance of addressing the issue in land use planning and regulatory work. Many aspects of the coastal economy, as well as California's broader economy, are at risk from sea level rise, including coastal-related tourism, beach and ocean recreational activities, transfer of goods and services through ports and transportation networks, coastal agriculture, and commercial fishing and aquaculture facilities.

Sea level rise also poses environmental and social justice challenges. This is particularly true for communities that may be dependent upon at-risk industries, are already suffering from economic hardship, or which have limited capacity to adapt, including lower-income, linguistically isolated, elderly, and other vulnerable populations.

Local Coastal Plans (LCPs), in combination with Coastal Development Permits (CDPs), provide the implementing mechanisms for addressing many aspects of climate change within coastal communities at the local level. The goal of updating or developing a new LCP to prepare for sea level rise is to ensure that adaptation occurs in a way that protects both coastal resources and public safety and allows for sustainable economic growth. This process includes identifying how and where to apply different adaptation mechanisms based on Coastal Act requirements, other relevant laws and policies, acceptable levels of risk, and community priorities. LCP and Coastal Act policies are also reflected in CDPs, which implement sea level rise management measures and adaptation strategies through individual development decisions. By planning ahead, communities can reduce the risk of costly damage from coastal hazards, can ensure the coastal economy continues to thrive, and can protect coastal habitats, public access and recreation, and other coastal resources for current and future generations.

In addition to continuing the ongoing coordination of the LCP Grant Program, and other outreach, training, and coordination efforts, the commission has several ongoing grant-funded projects related to sea level rise adaptation planning.

San Francisco Bay Conservation and Development Commission (BCDC). In 2010, BCDC and NOAA's Office for Coastal Management brought together local, regional, state and federal agencies and organizations, as well as non-profit and private associations for a collaborative planning project along the Alameda County shoreline – the Adapting to Rising Tides (ART) Subregional Project – to identify how current and future flooding will affect communities, infrastructure, ecosystems and economy.

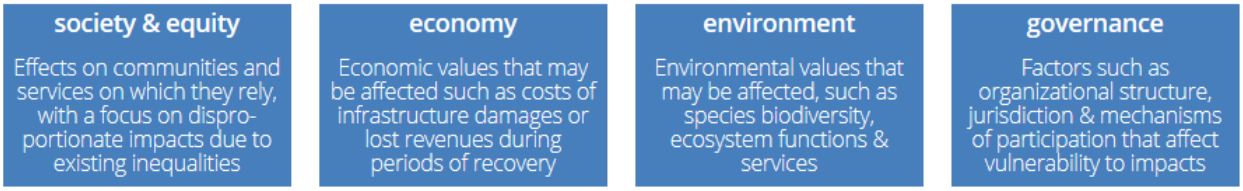
Since then, the ART program has continued to both lead and support multi-sector, cross-jurisdictional projects that build local and regional capacity in the San Francisco Bay Area to plan for and implement adaptation responses. These efforts have enabled the ART program to test and refine adaptation planning methods (ART Approach) to integrate sustainability and transparent decision-making from start to finish, and foster robust collaborations that lead to action on adaptation.

Experience with a variety of adaptation planning efforts that range from broad to focused scales, single to multi-sector, has led the ART Program to emphasize three factors for success in this approach.

1. **Collaborative by design.** Climate change, similar to hazard planning, requires planning across jurisdictions, geographies, sectors, and time frames to address complex, cross-cutting issues. ART emphasizes convening and closely collaborating throughout a planning process with a stakeholder working group representing the diverse values, viewpoints and responsibilities relevant to the project, to build relationships that lead to future collaborations.

2. **A transparent process.** To build a strong, actionable case for adaptation, the ART approach adheres to transparent decision-making throughout the planning process. ART Design Your Project guidance and supplies help maintain transparency and support clear communication to stakeholders about decisions and project outcomes, including resilience goals developed and agreed upon by the working group, and evaluation criteria that clearly reflect priorities and objectives.

3. **Sustainability from start to finish.** A core aspect of ART is consideration of the relevance and implications of all aspects of sustainability in each step of the planning process, from who is included in the initial working group list to what evaluation criteria are selected to evaluate adaptation responses. ART uses four sustainability frames:



The ART program is working with local, state, regional and federal agencies and organizations to gather, develop and analyze the data needed to understand the impacts of a changing climate on Bay Area communities, infrastructure, services, and natural resources. Each ART program project has a rich repository of data, maps and analysis about the many assets, asset categories and sectors evaluated.

Staff Comment. There have been various recent efforts to drive and support state climate adaptation strategies, including efforts specifically targeting seal level rise. Examples include, Governor Brown's April 2015 executive order addressing climate change and sea level rise adaptation, which states that state agencies shall take climate change into consideration in their planning and investment decisions, AB 2516 (Gordon) Chapter 522, Statutes of 2014, which established a planning for sea level rise data base, and a measure by the chair that created an Integrated Climate Adaptation and Resiliency Program. This is an opportunity to get an update from two of our state entities that are leading efforts to combat sea level rise and explore options to enhance these efforts.

Staff Recommendation. Informational item, no action necessary.

3790 Department of Parks and Recreation

The mission of the California Department of Parks and Recreation (DPR) is to provide for the health, inspiration, and education of the people of California by helping to preserve the state's extraordinary biological diversity, protecting its most valued natural, cultural and historical resources, and creating opportunities for high-quality outdoor recreation for current and future generations to enjoy. With increased urbanization, the establishment of park units and recreation areas accessible to the major population centers of the state has become particularly important. Specific activities include stewardship of natural resources, historic, cultural and archeological sites, artifacts and structures, provision of interpretive services for park visitors, construction and maintenance of campsites, trails, visitor centers, museums, and infrastructure such as roads and water systems, and creation of recreational opportunities such as hiking, bicycling, fishing, swimming, horseback riding, jogging, camping, picnicking, and off-highway vehicle recreation. In addition, the Division of Boating and Waterways funds, plans, and develops boating facilities on waterways throughout California and ensures safe boating for the public by providing financial aid and training to local law enforcement agencies.

The Governor's budget proposes $675.6 million in total expenditures for the department in the budget year. The primary funding sources for DPR are the State Parks and Recreation Fund (SPRF), the General Fund and the Off-Highway Vehicle Trust Fund (OHVTF) - $180.5 million, $138.8 million, and $92.9 million, respectively, is proposed from these sources in the budget year. The decrease in funding for the department from 2016-17 to 2017-18 is primarily due to a one-time appropriation of $60 million in the current year for deferred maintenance projects.

		Positions			Expenditures		
		2015-16	2016-17	2017-18	2015-16*	2016-17*	2017-18*
2840	Support of the Department of Parks and Recreation	3,496.7	3,486.6	3,494.1	$422,226	$534,376	$462,448
2850	Division of Boating and Waterways	56.2	60.8	60.8	24,356	28,447	29,295
2855	Local Assistance Grants	-	-	-	84,106	168,419	183,876
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**3,552.9**	**3,547.4**	**3,554.9**	**$530,688**	**$731,242**	**$675,619**

Dollars in thousands

Issue 1 – Base Funding – Maintain Operations

Governor's Proposal. The Governor's budget proposes $12.6 million from the SPRF and $4 million from the California Environmental License Plate Fund (ELPF), on a one-time basis, to maintain existing service levels throughout the state parks system. This proposal is intended to allow the department to complete implementation of operational efficiency initiatives, enhance revenue generation opportunities, and explore additional partnerships, including an outside support organization as specified by SB 111 (Pavley) Chapter 540, Statutes of 2016. The proposal sustains the current level of service at parks, while acknowledging the need to solve the long-term structural shortfall.

Background. The state park system, administered by DPR, contains almost 280 parks and serves about 75 million visitors per year. State parks vary widely by type and features, including state beaches, museums, historical sites, and rare ecological reserves. The size of each of park also varies, ranging from less than one acre to 600,000 acres. In addition, parks offer a wide range of amenities including campsites, golf courses, ski runs, visitor information centers, tours, trails, fishing and boating opportunities, restaurants, and stores. Parks also vary in the types of infrastructure they maintain,

including buildings, roads, power generation facilities, and water and wastewater systems.

Over the past several years, the department has relied on one-time augmentations to sustain core operation service levels. In 2014-15 and 2015-16, the department received one-time augmentations from its SPRF fund balance; however, in 2016-17 a one-time transfer of fuel tax revenue, initially slated to go to the Off-Highway Vehicle Trust Fund (OHVTF), was needed to both sustain operations and keep SPRF solvent.

Service-Based Budgeting (SBB)
The Parks Forward Commission (PFC) was appointed in July of 2013 to recommend improvements for ensuring the state park system's long-term sustainability. The commission's primary purpose was to look beyond the immediate crisis and toward a broader vision for California parks - a vision of a focused and modernized department positioned to lead a park system that:

- Values and protects the state's iconic landscapes, natural resources, and cultural heritage;
- Remains relevant and accessible to all Californians and welcomes visitors from around the world;
- Engages and inspires younger generations; and
- Promotes healthy and active lifestyles and communities that are quintessentially Californian.

In anticipation of the PFC report, the California Natural Resources Agency and the department's director commenced a state parks transformation process by retaining an advisor with extensive state and local government organizational development experience to identify a series of initiatives that will result in many positive changes in the department's organization. To accomplish these changes, the department has assembled a transformation team that has taken on several important transformative initiatives, including Service-Based Budgeting (SBB). SBB was established to improve allocation of resources, increase service consistency across parks, monitor spending across programmatic areas, and understand under-met programmatic needs.

In May 2016, the department completed the data collection effort for SBB that documents all functions, across each district and park to enable analysis of the resource requirements for each task the department needs to perform to achieve its mission (optimum service level). This process also revealed which tasks are currently performed and to what extent (current service level). This data is captured in hours by classification and can be converted to cost using current salary, benefit, and operating equipment and expense information. The department has been able to analyze this information through high-level analytics, and for the first time can articulate through a qualitative analysis the service levels it currently provides and how it allocates its resources. The department has begun the process of setting service level standards that align to the department's mission and goals.

Maintaining Existing Service Levels
According to the department, any decrease in funding would mean reductions to core operations and could ultimately impact visitor services, natural and cultural stewardship, community engagement, or park infrastructure. Over the past two years $80 million has been invested in addressing state parks infrastructure. It is critical that support functions be maintained and preserved as well. While SBB will inform the allocation of existing resources, resources in many areas are already stretched thin to address critical health and safety, infrastructure, and revenue generation mandates. To the extent that funding to maintain existing services is depleted, the department will lose flexibility to reallocate internally to either fill service gaps or promote revenue generating activities.

Revenue Generation Projects
The department's request includes $477,000 in SPRF to support four revenue-generating projects at Hearst Castle within Hearst San Simeon State Historical Monument (Hearst Castle), Morro Strand State Beach (SB) and South Carlsbad SB. The department is mandated to engage in revenue-generating projects throughout the state parks system in order to obtain sustainability and sufficiency. These four projects are vital to adhere to the Legislative mandate and create revenue for the Department as part of its Transformation Team efforts and are self-supporting from the revenue they generate.

Legislative Analyst's Office (LAO). The LAO's overview of this proposal included the following addition background related to funding for the department:

- **Major Funding Sources for State Park Operations.** Park operations are ongoing activities necessary to run the park system, including staffing, management, maintenance, fee collection, and administration. Other activities performed by the department, such as capital outlay projects and grants provided to local governments, are not considered part of park operations. The state park system receives funding from many sources to support its operations. The major sources for funding include:

    - **SPRF.** In recent years, the department's largest fund source for operations has been SPRF, which has provided about 40 percent of the department's operations funding. The fund is supported primarily by revenues collected from fees charged to park users. Parks frequently charge user fees, including for parking, park entrance, and specific recreational activities (such as the use of overnight campsites). The fund also receives revenue from contracts with state park concessionaires that provide certain services, as well as some revenue from the Highway Users Tax Account and the Motor Vehicle Fuel Account for constructing and maintaining public roads in state park units.
    - **General Fund.** With a few exceptions, state parks cost more to operate and maintain than they currently generate in revenue. For this reason, state park operations are partly funded from the state General Fund. The amount of General Fund support for the parks has declined since 2006-07.
    - **Off-Highway Vehicle (OHV) Trust Fund.** The department receives roughly $60 million annually from the OHV Trust Fund for operations of the Off-Highway Motor Vehicle Recreation Division of DPR. Revenue for the OHV Trust Fund primarily comes from 1) fuel taxes that are attributable to the recreational use of vehicles off highway, 2) OHV registration fees, and 3) fees collected at State Vehicular Recreation Areas (SVRAs). This fund primarily is spent to operate and expand the state's eight SVRAs, to acquire land for new SVRAs, and make grants to agencies for OHV trails on other public lands.
    - **Other Special Funds.** State parks receive support from various special funds, including revenue from the state boating gas tax, federal highway dollars for trails, and various state revenue sources earmarked for natural resource habitat protection. Historically, DPR has also received funding from ELPF, which collects revenue from specialty license plate sales. However, this funding was eliminated as part of a solution to ELPF's structural deficit in 2015-16.

- **Recent SPRF Shortfalls.** Changes to DPR's budget since 2011-12 have resulted in a SPRF operating deficit and depletion of the SPRF fund balance. During the recent recession, the 2011-12 and 2012-13 budgets reduced baseline General Fund support for the department by a total of $22 million to achieve General Fund savings. In response to the reduction, the Legislature provided

additional SPRF funding on a temporary basis rather than close state parks. The Legislature also took other actions to encourage parks to become more self-sufficient through increased revenue generation. This also increased expenditures and transfers from SPRF to provide funding for new projects and activities intended to generate revenue.

These changes, coupled with other one-time and ongoing spending, caused expenditures from SPRF and its subaccounts to increase by more than $66 million between 2011-12 and the projected 2017-18 level. Revenues and transfers to the fund did not increase at the same rate over that period. These trends resulted in a structural deficit and the virtual depletion of the SPRF fund balance.

- **Legislature Created Revenue Generation Program.** State parks have historically relied on park-generated revenue to help support operations. In recent years, the Legislature has directed DPR to improve its revenue generation. Specifically, SB 1018, (Committee on Budget and Fiscal Review), Chapter 39 of 2012 directed DPR to maximize revenue generation activities (consistent with the mission of the department).

  The District Incentive Program sets annual revenue targets for each district based on how much revenue that district earned in the previous three years. If both the state as a whole and an individual district exceed revenue targets, half of the district's revenue earned above its target is allocated back to that district. The remainder stays in SPRF—in the Revenue Incentive Subaccount—to be used for specified purposes, including new fee collection equipment and projects to improve the experiences of visitors. A district that does not exceed its target does not receive an allocation under the program. Chapter 39 also created and transferred bond funds to the State Park Enterprise Fund to be used for infrastructure and facility improvement projects designed to increase revenue.

The LAO found that the Governor's budget proposal is a reasonable way to address the shortfall on a one-time basis. The Governor's budget projects that SPRF will have a year-end fund balance of only $4.6 million (three percent of revenues and transfers) at the end of the budget year. In addition, while ELPF is projected to have a fund balance of $10.8 million at the end of 2017-18, it could not sustain the proposed funding for parks on an ongoing basis without putting that fund into a structural deficit. In fact, the ELPF had its own structural deficit until a series of budget actions was taken last year that included eliminating ELPF support for DPR. One reason ELPF could support this expenditure in the budget year is because of a proposed one-time transfer of $6.3 million from the Motor Vehicle Account into ELPF. This transfer is related to past overcharges to the ELPF discovered in a 2013 audit by the California State Auditor. The LAO noted that using ELPF to support DPR in the budget year delays rebuilding the fund's balance and reduces the amount available for other ELPF-supported activities.

Staff Comments. The current transportation funding proposal, SB 1 (Beall), beginning November 1, 2017, would transfer the gasoline excise tax revenues attributable to boats and off-highway vehicles from a new $0.12 per gallon increase, and future inflation adjustments from that increase, to the SPRF, to be used for state parks, off-highway vehicle programs, and boating programs. This is projected to result in approximately $45 million in the first year growing to $60 million, annually, of new annual revenue for the department. This new revenue should significantly impact the funds ongoing structural issue and raises the question of whether a portion of the Governor's budget proposal, one-time funds from the ELPF, is still necessary.

Further, the Legislature may wish to inquire about how the department is planning to utilize SB 1 revenues to the extent that they exceed the level required to maintain current operations. For instance, one of the PFC's recommendations was for the department to expand park access for California's underserved communities and urban populations and engage California's younger generations. The PFC's report noted that, while growing the overall number of park visitors is important, equally important is ensuring park visitors reflect California's demographic makeup. To accomplish this, the PFC recommended that the department set a goal to have park visitation mirror California's demographic makeup in 10 years and develop and implement a rigorous marketing strategy that drives toward this goal. The Legislature may wish to have the department provide an update on its effort in this regard and how new revenue can be used to supplement this effort.

Since SB 1 was just recently passed by the Legislature, the Governor's budget does not currently contemplate how to expend these newly anticipated funds. Staff assumes the Administration will come in with proposals for expenditure of these funds at the May Revise. However, in the meantime, it may make sense for the subcommittee to adopt an action in order to communicate its priorities to the Administration in anticipation of later budgetary actions.

Staff Recommendation. Staff recommends that the subcommittee adopt the following action:

Approve $15 million of the funds received by the Department of Parks and Recreation as follows:

1. $5 million for the department to acquire, rehabilitate, restore, protect and expand wildlife corridors including projects to improve connectivity and reduce barriers between habitat areas with a priority in urban areas of the state. The department may acquire property directly and may also provide grants to other public agencies and non-profit organizations to achieve wildlife corridor connectivity.

2. $5 million for the department to establish a grant program for eligible community-based organizations to provide community access services to park-poor communities to state park and beach facilities. Grants shall be distributed to address all parts of the state but with priority to reach/impact the greatest number of community members (meaning number of people impacted by the program). Funds may also be used to help match funds such as those adopted under Measure A in LA, for community-based organizations that leverage local matching funds.

3. $5 million for park maintenance and repair specifically to ensure that public-use facilities, such as restrooms, are in working order.

Issue 2 – Americans with Disabilities Act Program Appropriation shift to General Fund

Governor's Proposal. The Governor's budget proposes $4.1 million General Fund, and an equal reduction of Proposition 12 funds for 2017-18, growing to an ongoing shift of $12.3 million beginning in 2018-19, to support the Americans with Disabilities Act (ADA) Program. This proposal reflects the end of the life of the bond.

Additionally, this proposal includes $1 million General Fund and five positions beginning 2018-19 for the maintenance of completed ADA improvement projects.

Background. DPR is subject to a 1990s federal consent decree (Tucker Consent Decree) that requires the department to complete a list of barrier removal projects for ADA compliance. The most recent transition plan for project completion includes deadlines that range from 2016 to 2028. The department has completed 1,089 of 3,064 listed items and has an additional 431 in progress. The department is required to complete these projects within a specific timeline, and this funding request will allow them to proceed largely on schedule.

The Tucker Consent Decree prioritizes the work in the transition plan by park level based on public attendance, geographic location, and variety and uniqueness of park activities. Level 1 parks are the highest priority, while Level 4 are the lowest. In Level 1 parks, the department agreed to make all activities and supporting facilities physically and programmatically accessible. In Level 2 and 3 parks, the department agreed to make the major activities and supporting facilities physically and programmatically accessible.

The ADA Program has three types of projects:

- **Accessibility Construction Unit (ACU):** Projects that are completed by the ADA program's own four-eight person construction crews. These are smaller projects that do not require full design and engineering documents because the ACU crews are highly experienced in accessibility codes and requirements and are able to complete work with conceptual designs only. ACU projects average $200,000 each.

- **Trail:** Trail projects designed by the ADA program's landscape architects and completed either by departmental trail crews or with labor from the California Conservation Corps. Trail work is labor-intensive and completed by hand. While trail layouts are designed in-house before construction, topographical challenges require much flexibility in the final design and layout. Regardless of labor source, all trail projects are supervised by the department's trail experts. Trail projects average $400,000 each.

- **Contracted:** Large projects that require full design and engineering documents. The department designs, engineers, monitors, and inspects the projects, while the construction work itself is contracted to private companies through the public contracting process. Contracted projects average $1,000,000 each.

ADA projects related to the consent decree were previously funded by Proposition 12 but the resource need for these projects is greater than the amount of Proposition 12 available funding, so the balance will be funded by General Fund. The latest ADA barrier-removal cost estimate, completed by the department's Acquisition and Development Division, estimates that $175 million will be needed to address the presently identified ADA barrier-removal projects.

Staff Recommendation: Approve as budgeted.

Issue 3 – Hazardous Mine Remediation

Governor's Proposal. The Governor's budget proposes $14.5 million General Fund for environmental remediation at Empire Mine State Historic Park, Malakoff Diggins State Historic Park, and Mount Diablo State Park. All three parks are currently under cleanup and abatement orders and these funds allow DPR to comply with the orders. Additionally, this proposal includes $2 million General Fund ongoing for Empire Mine monitoring and maintenance requirements and future clean-up costs.

Background. These state parks bring their own respective uniqueness to the State Parks System. Mount Diablo is located in Contra Costa County at the eastern fringe of the San Francisco Bay Region, is a unique 19,600-plus acre "Island Mountain" girdled by suburban development. Rising 3,849 feet above the neighboring lowlands, Mount Diablo offers 360 degree views that, on clear days, can take in 35 counties and 200 miles. In 1851, the mountaintop was selected as the starting point for a survey of the public domain and is used to this day in official land surveys. This proposal is a one-time request to remove the contaminated materials from the park to an appropriate disposal facility. It will include bringing a consultant on board to assist with the implementation.

Malakoff Diggins is a Historic Park Unit and is subject to Public Resources Code (PRC) 5024. PRC 5024 requires state agencies to take a number of actions to ensure preservation of state-owned historical resources under their jurisdiction. Malakoff Diggins is also listed on the National Register of Historic Places and subject to Secretary of the Interior's standards for historic preservation. The North Bloomfield Historic District at Malakoff Diggins is a national historic landmark and, by direct association, the Diggins pit itself could be considered a significant contributing historic feature. Proposed remedial solutions may impact protected cultural resources and risk delisting. In light of this, the department has completed a park-wide cultural resources inventory which is the first step in obtaining a better understanding of the vast resources at the park and provides a baseline to assist in determining impacts. Tasks in this proposal will build from the previous appropriation and initiate consultation with permitting agencies, control agencies, continuing the water monitoring and sampling and implement approved remedial alternatives.

Located in Grass Valley, Empire Mine is the site of one of the oldest, largest, deepest, longest, and richest gold mines in California. In operation for more than 100 years, the mine produced 5.6 million ounces of gold before it closed in 1956. The park consists of 856 acres, including forested backcountry and 14 miles of trails. Additionally, the park contains many of the mine's original buildings, the mine owner's home with restored gardens, and the main shaft entrance to 367 miles of abandoned and flooded mine shafts. Attendance at the park exceeds 110,000 visitors each year. Recreational opportunities at the park include picnicking, hiking, biking, horseback riding, and guided tours. The requested funds for Empire Mine is the department's estimate of what will be needed each year to fund continued evaluation, analysis, design, and maintenance of remedial action projects required. This proposal excludes the construction costs of future remediation projects because the timing and cost of these projects cannot be meaningfully anticipated at this time.

As a result of historic mining activities and operations, there are environmental hazards which are violating the Clean Water Act at these parks. The regional board has issued Waste Discharge Requirements to Malakoff Diggins and Empire Mine; and also issued a cleanup and abatement order for Mount Diablo and Empire Mine.

This funding will fully meet the orders for Mount Diablo, meet the interim measures at Malakoff Diggins, and satisfy the multiple orders at Empire Mine, which, like Malakoff Diggins, will have ongoing monitoring and maintenance requirements and potential future clean-up costs.

Staff Recommendation: Approve as budgeted.

Issue 4 – Local Assistance Program – Various Grant Funding

Governor's Proposal. The Governor's budget proposes $32.4 million on a one-time basis, and $119.2 million ongoing, from special and federal funds for various local assistance programs. Additionally, the budget includes $300,000, annually, for four years from the Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 for local assistance program compliance.

This request also includes trailer bill language that removes the requirement that the department submit any project, for which it recommends any loan or grant be made, for inclusion in the budget.

Funding includes:

- $300,000 Proposition 12 annually for four years.
- $30 million Off-Highway Vehicle Trust Fund (one-time).
- $32.2 million Recreational Trail Fund ongoing ($7.1 million for OHV grants and $25.1 million for Recreational grants.)
- $53.7 million Federal Trust Fund ongoing ($12 million for boating and waterways grants, $40 million for recreational grants, and $1.7 million for historic preservation grants).
- $30.5 million Harbors and Watercraft Revolving Fund ongoing ($20 million for boating facilities, $11.5 million for boating operations safety and enforcement).
- $1.75 million Abandoned Watercraft Abatement Fund ongoing.
- $2.4 million Public Beach Restoration Fund (one time).

Background. The mission of local assistance programs is to address California's diverse recreational, cultural and historical resource needs by developing grant programs, administering funds, offering technical assistance, building partnerships and providing leadership through quality customer service. These programs partner with local, state, federal, tribal agencies, non-profit organizations, and the general public to help ensure cultural resources are appreciated and maintained as a matter of public interest and community pride. These are typically ongoing grant programs.

Staff Recommendation: Approve as budgeted.

Issue 5 – Oceano Dunes Environmental Compliance

Governor's Proposal. The Governor's budget proposes $880,000 in 2017-18, and $815,000 ongoing from the Off Highway Vehicle Trust Fund (OHVTF) and eight positions for staffing, equipment, and ongoing support of environmental conservation programs and regulatory compliance at Oceano Dunes State Vehicular Recreation Area (SVRA).

Background. Oceano Dunes SVRA Is located in southern San Luis Obispo County near the community of Oceano. The Oceano Dunes District manages five and a half miles of shoreline which attracts visitors from throughout the United States and abroad. This is the only California State Park

that provides opportunities to drive vehicles along the shoreline and into the sand dunes. The district also manages two miles of beach open for pedestrian use only. There are 1.7 million annual visitors to Oceano Dunes SVRA each year. It is one of the most popular camping destinations in all of the state park system, representing approximately 18 percent of all the coastal camping spots within the system.

The department has been the subject of specific regulatory actions and lawsuits focused on endangered species management and air pollution at Oceano Dunes SVRA. This SVRA is an active Off-Highway Vehicle (OHV) recreation park, but it is also home to extremely sensitive resources like the state and federally listed endangered California Least Tern and the federally listed threatened Western Snowy Plover. As recently as 2004, the department settled a lawsuit over its endangered species management program. The department is also pursuing a Habitat Conservation Plan (HCP) to formally cover park activities under the Federal Endangered Species Act. The California Coastal Commission has encouraged the department to complete the HCP in a timely manner during the annual reviews of park operations. In February and March of 2016, the department found three dead Western Snowy Plovers in or near vehicle tracks. These discoveries prompted a formal letter from the U.S. Fish and Wildlife Service and an increased level of scrutiny of park management by their law enforcement agents. This proposal will provide additional staff to monitor bird activity and implement necessary protection activities to allow continued OHV activity in the park while providing adequate protection for these ground-nesting species, consistent with the State and Federal Endangered Species Acts.

Staff Recommendation. Approve as budgeted.

Issue 6 – General Plans Program

Governor's Proposal. The Governor's budget proposes $2 million from Proposition 84 and $120,000 from the OHVTF to fund existing and future planning projects under the general plan program. Funding from the OHVTF will continue in the out-years.

Background. General plans are used by the department to guide the management and improvements of each state park. Of 280 units, over 75 have no general plan or general planning document and others have plans older than 30 years old. Without these plans, park improvements may be disorganized, less efficient, and have no overarching guiding plan.

The department is requesting OHVTF funds to develop a general plan and EIR for a new OHV park, Onyx Ranch. Statute requires the department to develop a general plan for OHV parks before it can develop OHV recreational opportunities at that park.

The Off-Highway Motor Vehicle Recreation (OHMVR) division is responsible for developing general plans for SVRAs. When approved by the OHMVR Commission, general plans define proposed land uses, facilities, and operations; identify environmental impacts and management of resources; and guide future development and visitor services.

Eastern Kern County, Onyx Ranch SVRA became the newest SVRA in the California State Park System in December 2014. The 25,000-acre acquisition is largely interspersed with U.S. Bureau of Land Management (BLM) parcels or lands under other private or public ownership. Visitors have long enjoyed OHV recreation, camping, hunting, target shooting, hiking, wildlife viewing and other recreational activities on adjacent public and private lands. OHV recreation in the new SVRA currently occurs in conjunction with BLM designated open areas, roads and trails. There are no developed

facilities or visitor services on the SVRA lands. The general plan would provide the direction for the OHMVR division to expand OHV recreation and access to non-motorized recreation; coordinate land management and recreational opportunities with adjacent public and private landowners; provide safety education and interpretive services; protect sensitive natural and cultural resources; and restore and rehabilitate habitat.

Staff Recommendation. Approve as budgeted.

Issue 7 – Capital Outlay Proposals

Governor's Proposal. The Governor's budget proposes $24.7 million for the department's capital outlay program, including: $10 million for continuing major projects currently in progress, $8.5 million for new acquisitions, $5.4 million for new major projects, and $800,000 for minor programs.

Additionally, An April 1st Finance Letter proposes a technical adjustment to one of the Governor's budget proposals, Candlestick Point SRA: Yosemite Slough (North) – Public Use Improvements, a reappropriation and supplemental appropriation of $1.3 million for one project, and the reappropriation of $54.6 million related to 24 existing projects.

Details of the department's capital outlay proposals are as follows:

1. **Border Field SP: Renovation for Public Use**
   Governor's Proposal. The Governor's budget includes $228,000 from the SPRF for the working drawing phase of this project. This existing mitigation project will resolve the seasonal flooding of the park entrance road and develop the outdoor educational plaza at Monument Mesa. The project will be funded using settlement funds from the federal government for impacts to Border Field State Park resulting from the recent Federal Border Infrastructure Project.

2. **Calaveras Big Trees SP: Campsite Relocation**
   Governor's Proposal. The Governor's budget proposes $138,000 in reimbursement authority for preliminary plans to relocate approximately five existing campsites to a new location within the park which will include leach field replacement, as needed.

3. **Candlestick Point SRA: Yosemite Slough (North) – Public Use Improvements**
   Governor's Proposal. An April 1st Finance Letter requests an adjustment to the fund source for this proposal. The Governor's budget included $4.1 million in reimbursement authority; however the funds are to be donated to the department and thus need to be authorized under SPRF. This request is technical in nature and only applies to fund source; the cost remains and purpose is still for preliminary plans, working drawings, and construction phases of this fully-reimbursable project to develop public access, parking, restrooms, and interpretive facilities, including an education center, to support public day use adjacent to a newly-restored wetland restoration project at Yosemite Slough (north side) in Candlestick Point State Recreation Area (CPSRA) on the San Francisco Bay. This project is part of the updated CPSRA General Plan approved in 2013.

   The California State Parks Foundation has agreed to donate the design specifications for this project, subject to state review and approvals, and will provide funding to the department to pay all state costs for design review, project management and construction.

4. El Capitan SB: Entrance Improvements

Governor's Proposal. The Governor's budget proposes $378,000 in Proposition 84 bond funds for the working drawings phase to address safety and operational issues at the park entrance. This project will provide an alternate safe route for pedestrians and bicyclists provide increased space for today's larger vehicles on the park road and entrance area, replace a culvert with a bridge to allow the endangered steelhead trout a barrier free passage, and replace the aging and damaged entrance kiosk.

5. Fort Ord Dunes SP: New Campground and Beach Access

Governor's Proposal. The Governor's budget proposes $3.2 million Proposition 84 bond funds to develop public facilities, including camping and day use beach access, at the Fort Ord Dunes State Park in Monterey County. In an effort to control costs and limit the need for additional funds, the department also proposes to eliminate a number of non-essential project features. The additional funds are needed to cover increased construction costs based on an updated design estimate and escalation costs caused by extensive delays. The majority of the delays can be attributed to difficulties in obtaining a coastal development permit and additional tasks required by the Coastal Commission.

6. Hollister Hills SVRA: Martin Ranch Acquisition

Governor's Proposal. The Governor's budget proposes $5 million from the OHVTF to acquire a 1,800 acre in-holding at the Hollister Hills SVRA, as specifically identified in Public Resources Code 5006.4. The property separates the upper and lower portions of Hollister Hills SVRA. The upper ranch portion of Hollister Hills SVRA is approximately 810 acres in size, while the lower ranch portion of the park is approximately 4,300 acres. Failure to enter into an agreement for purchase of the property would prove to be disastrous if the property were purchased by developers who chose to put in houses or other development which would conflict with the park use. Construction of housing could negate millions of dollars of funding already invested into the existing park.

7. Hungry Valley SVRA: 4x4 Obstacle Course Improvements

Governor's Proposal. The Governor's budget proposes $74,000 from the OHVTF for preliminary plans to upgrade and enhance an existing four-by-four obstacle course at Hungry Valley SVRA. Improvements to the facility will broaden the relevance of the park and will provide a variety of experiences and challenges to meet the growing demand of the Off-Highway Vehicle community. The existing facility is very old and dated making it increasingly difficult to maintain with existing resources. An enhanced facility will encourage OHV enthusiasts to use the obstacle course instead of searching for more challenging terrain, possibly off limits to OHV use resulting in excessive resource damage.

8. Lake Del Valle SRA: Boat Ramp Replacement

Governor's Proposal. The Governor's budget proposes $132,000 from the Harbors and Watercraft Revolving Fund for the preliminary plans phase to replace a boat ramp at Lake Del Valle State Recreation Area. The existing boat ramp is over 40 years old and is deteriorating to a state where it poses a public safety risk. The surface is extremely slippery year-round and visitors could easily slip and fall or have their vehicles and trailers slide out of control. To improve safety and convenience for users, this project would completely reconstruct the failing boat launching ramp at this location.

9. Lake Oroville SRA: Gold Flat Campground

Governor's Proposal. The Governor's budget proposes $216,000 in Proposition 84 bond funds for preliminary plans to upgrade Gold Flat Campground's old and failing infrastructure. This project will replace the outdated electrical and water distribution systems, install data conduit for future use, and overlay campground roads and campsite spurs at this popular campground. In compliance with the Americans with Disabilities Act (ADA), up to three accessible campsites will be created, along with accessible paths of travel and accessibility upgrades to the existing combination building.

10. McArthur-Burney Falls Memorial SP: Group Camp Development

Governor's Proposal. The Governor's budget proposes $868,000 in reimbursement authority for the construction phase to develop two adjoining group camps at McArthur-Burney Falls Memorial State Park as identified in the June 1997 General Plan. Development of the group camps is expected to increase the park's group camping capacity by a total of 100 campers. This new project is to be fully-reimbursed with non-state funds from Pacific Gas and Electric (PG&E) obligations.

11. McGrath SB: Campground Relocation and Wetland Restoration

Governor's Proposal. The Governor's budget proposes $1.3 million from Proposition 40 bond funds for working drawings to relocate the existing McGrath State Beach campground, relocate the maintenance yard, employee housing, campfire center, and day use parking. The campground and associated facility relocation/rehabilitation, including utility infrastructure replacement, is required due to yearly flooding, resulting in loss of major revenue generation and disruption of access to the operational and visitor use facilities. This project will assist the department in avoiding significant costs for ongoing clean-up and repair of deteriorating facilities due to regular flood damage.

12. Mendocino Headlands SP: Big River Boat Launch

Governor's Proposal. The Governor's budget proposes $205,000 from the Harbors and Watercraft Revolving Fund for preliminary plans to improve the existing beach launch at this location by constructing a concrete boat ramp, paving the dirt boat launch parking lot, repaving the park road connecting the highway with the boat launch parking lot, constructing parking spaces for persons with disabilities, and adding required signage and pavement markings.

13. Oceano Dunes SVRA: Grand Avenue Lifeguard Tower

Governor's Proposal. The Governor's budget proposes $91,000 from the Off-Highway Vehicle Trust Fund for preliminary plans to develop a lifeguard tower headquarters at Oceano Dunes. The project would provide a full time, permanent observation tower throughout the year. The tower would be used to provide preventative and responsive aquatic public safety response, provide medical and first aid to park visitors, an information center for visitors, an office location for lifeguards to perform administrative functions and to satisfy mandatory training functions and activities required of the classification.

14. Ocotillo Wells SVRA: Holly Corporation Acquisition

Governor's Proposal. The Governor's budget proposes $3.5 million from the Off-Highway Vehicle Trust Fund for the acquisition and related costs of acquiring 18 parcels of land adjacent to Ocotillo Wells SVRA near Salton City totaling 1,900 acres. The objective of the project is to acquire immediate possession of the property. This acquisition will: 1) reduce illegal off-

road activity; 2) protect natural and cultural resources; and 3) cultivate cooperative relationships with adjacent land managers.

15. Ocotillo Wells SVRA: Holmes Camp Water System Upgrade

Governor's Proposal. The Governor's budget proposes $107,000 from the Off-Highway Vehicle Trust Fund for preliminary plans to provide for the construction of a new water treatment and distribution system to meet current demand and health department standards, comply with the California DHS-DWFOB Check List of Security Measures for Water Utilities, and provide storage and protection from the desert environment.

16. Pismo SB: Entrance Kiosk Replacement

Governor's Proposal. The Governor's budget proposes $124,000 from the OHVTF for the preliminary plans to replace an entrance station kiosk in the North Beach Campground at Pismo State Beach. This project aims to reduce deferred maintenance by removing and replacing an entrance kiosk that is rapidly deteriorating and causing an undue burden on maintenance staff due to seasonal flooding. The entrance kiosk will be relocated to a higher elevation to prevent flooding damage and ensure continued operation.

17. San Luis Reservoir SRA: San Luis Creek Replacement and Parking Improvements

Governor's Proposal. The Governor's budget proposes $142,000 from the Harbors and Watercraft Revolving Fund for preliminary plans to improve visitor throughput at this facility by widening the existing two-lane boat ramp by two lanes, adding a third boarding float, and reconfiguring the parking lot. The project will also upgrade outdated fish cleaning and parking lot lighting systems.

18. South Yuba River SP: Historic Covered Bridge

Governor's Proposal. The Governor's budget proposes $2.8 million in Proposition 84 bond funds to supplement construction funds to restore and rehabilitate the world's longest single span historic covered bridge located at South Yuba River State Park. This bridge has spanned the South Yuba River in Nevada County for over 150 years. The project will require temporary protection of the river corridor beneath, and, downstream of the bridge; exterior and interior shoring; removal and replacement of damaged or compromised iron and wood structural components, and the removal or replacement of damaged siding and roofing. During the development of preliminary plans additional studies were conducted and revealed significant structural issues prompting the increase to construction costs.

19. Statewide: DBW Minor Capital Outlay Program

Governor's Proposal. The Governor's budget proposes $676,000 from Harbors and Watercraft Revolving Fund for the Division of Boating and Waterways (DBW) minor capital outlay program. This request is for the following minor projects for boating and waterway enhancements or improvements to address critical issues that include park operations, public recreation/access, and resource protection/restoration. The projects are intended to enable or enhance program delivery.

- **Picacho SRA: Paddlewheeler and Upper Dock Restrooms** - $332,000 - This project will install a single-unit prefabricated concrete vault restroom at the Paddlewheeler Boat-In Campground and two single-unit prefabricated concrete vault restrooms at the upper dock boat ramp.

- **Salton Sea SRA: Salt Creek Kayak Camp Restroom and Showers** - $344,000 - This project will replace the existing portable chemical toilet and existing wood shower stall building with a prefabricated concrete vault restroom and prefabricated concrete shower building.

20. Statewide: VEP Minor Capital Outlay Program

Governor's Proposal. The Governor's budget proposes $124,000 in Proposition 84 bond funds the Volunteer Enhancement Program Minor Program. The following projects will be funded and will provide for enhancements or improvements to address critical issues that include park operations, public recreation/access, energy efficiency, and resource protection/restoration.

- **Kenneth Hahn SRA: Baldwin Hills Subunit Greenhouse Renovations** - $50,000 - This project will renovate existing greenhouse by adding photovoltaic panel/system, porous apron and shade structure. This will increase native plant cultivation capacity by volunteers and students.

- **Mt. Diablo SP: Upgrade Camp Host Sites** - $74,000 - This project will make needed improvements to the Camp Host sites at the Juniper campground and Mitchell Canyon. These improvements will assist in attracting volunteer camp hosts to maintain and monitor the campgrounds for these locations.

21. Topanga SP: Rehabilitate Trippet Ranch Parking Lot

Governor's Proposal. The Governor's budget proposes $219,000 in Proposition 84 bond funds for working drawings to rehabilitate the Trippet Ranch parking lot and surrounding area. This project will rehabilitate the parking lot and surrounding area damaged by erosion and storm water in order to reduce the safety risk to the public, reduce maintenance costs and better support interpretive uses of the historic zone.

22. Torrey Pines SNR: Sewer and Utility Modernization

Governor's Proposal. An April 1st Finance Letter proposes a reappropriation of existing working drawings and construction appropriations and requests a supplemental appropriation of $1.3 million for working drawings and construction from available Proposition 84 bond funds to connect the park to the local sewer system and upgrade the aging water and utility infrastructure to address significant public health and safety concerns, to avoid sensitive habitat degradation, and to reduce deferred maintenance and ongoing repair cost.

Upon completion of initial investigations and studies, the project, as currently authorized, requires the "taking" of rare and endangered plants (Dudleya brevifolia), impacts to an identified archeological site, and/or the demolition and restoration of a national historic road. Additional funds are needed to ensure minimal impact to these resources and to fund possible restoration activities.

23. Reappropriations: Capital Outlay Program

Governor's Proposal. An April 1st Finance Letter proposes the reappropriation of $54.6 million ($3.6 million General Fund and $51 million in special funds or bond funds) in existing capital outlay appropriations to allow for the completion of 24 projects that are currently in progress. Reasons for delays include: State Fire Marshall and/or ADA requirements, finalizing

approvals and permits, extended construction timelines, modified working drawings or design changes, delays in the acquisition process.

Staff Recommendation. Approve as budgeted.

3480 Department of Conservation

The Department of Conservation (DOC) administers programs to preserve agricultural and open space lands, evaluate geology and seismology, and regulate mineral, oil, and gas development activities.

The Governor's budget proposes $128.8 million in total expenditures for the department in the budget year. The primary funding source for DOC is the Oil, Gas, and Geothermal Administrative Fund - $80.8 million is proposed from this source in the budget year. The decrease in funding for the department from 2016-17 to 2017-18 is primarily due to $39.9 million from the Greenhouse Gas Reduction Fund that was appropriated to the DOC in 2016-17.

		Positions			Expenditures		
		2015-16	2016-17	2017-18	2015-16*	2016-17*	2017-18*
2420	Geologic Hazards and Mineral Resources Conservation	98.3	110.0	110.0	$22,155	$27,590	$27,561
2425	Oil, Gas, and Geothermal Resources	200.5	236.9	246.9	53,673	70,899	82,001
2430	Land Resource Protection	24.0	23.9	26.9	8,145	56,046	9,094
2435	Division of Mine Reclamation	32.7	35.5	35.5	7,307	8,684	8,694
2440	State Mining and Geology Board	4.1	4.0	4.0	932	1,274	1,474
9900100	Administration	114.2	112.6	112.6	16,239	19,379	20,759
9900200	Administration - Distributed	-	-	-	-16,239	-19,379	-20,759
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**473.8**	**522.9**	**535.9**	**$92,212**	**$164,493**	**$128,824**

Dollars in thousands

Issue 1 – TBL – CA AG Lands Planning Grant Programs – Grant Limits

Governor's Proposal. The Governor's budget proposes trailer bill language to revises the purpose of the Agricultural Protection Planning Grant Program to incorporate climate change goals. The trailer bill also includes language to increase the grant limits from $500,000 to $750,000.

Background. The DOC's Division of Land Resource operates several programs to conserve farmland and open space resources. One such program is the Sustainable Communities Agricultural Land Conservation (SALC) Program, which funds agricultural land conservation with revenue from California's Greenhouse Gas Reduction Fund (GGRF).

The SALC Program is part of California Climate Investments, a statewide program that seeks to reduce greenhouse gas emissions (GHG), strengthen the economy and improve public health and the environment. SALC complements investments made in urban areas with the purchase of agricultural conservation easements and development of agricultural land strategy plans that result in GHG reductions and a more resilient agricultural sector.

While the SALC program includes funding for planning grants to support cities and counties with developing local and regional land use policies and strategies that protect critical agricultural land, the department has had difficulty actually encumbering the funding.

For 2015-16, the Strategic Growth Council delegated $2.5 million in GGRF to the department for expenditure on planning grants under the SALC program. However, the department may only award grants to reimburse local governments after they have undertaken the planning work and demonstrated

reductions in emissions. Further, this requires a significant initial investment from local governments that they may be unwilling or unable to make.

During the last round of grants, only two local governments applied for the planning grants by the established deadline. Their combined request totaled $335,000, representing just 13.4 percent of total funding available. After review, the department could only award one of the grants.

Due to the restrictions placed on GGRF, SALC has not been successful in supporting local planning. The department is suggesting trailer bill language to include greenhouse gas reduction goals in the Agricultural Protection Planning Grant (APPGP) in order to complement the efforts of the SALC program.

APPGP, which was created by AB 52 (Wiggins) Ch. 983, Statutes of 2002, provides local governments with planning grants to improve the protection of agricultural lands and grazing lands, including oak woodlands and grasslands. This program provides the department the greatest flexibility to develop a targeted agricultural land protection planning grant program.

Staff Recommendation. Approve as budgeted.

Issue 2 – AB 2729 Implementation, Idle Well Testing

Governor's Proposal. The Governor's budget proposes $1.5 million ($2.5 million ongoing) from the Oil, Gas and Geothermal Administrative Fund and 15 permanent positions to develop the new Idle Well Management Program.

Background. California has approximately 20,000 idle oil and gas wells. Of these wells, approximately half have been idle for more than 10 years and almost one quarter has been idle for 25 years or more. As they degrade, aging idle wells pose a risk to underground sources of drinking water by leaking.

Unlike wells in production, where operators will likely see changes in production levels if a leak or damage occurs, leaks or damage to idle wells may go unnoticed for many years. Testing for wells that are not producing or injecting is not required until the well officially becomes idle—after five years. Testing and risk assessment needs to be done more frequently in order to adequately protect groundwater.

Additionally, the longer a well remains idle, the more likely it is to be deserted by the operator. This can threaten public health and the environment, and lead to significant costs for the state to properly plug wells and remediate any environmental damage. Further, low idle well fees and relatively inexpensive bonding requirements create a significant financial incentive for operators to idle low performing wells, rather than to properly plug wells. As a result, thousands of wells remain idle for decades.

The large inventory of idle wells is of special concern when oil prices are low. As operators struggle to remain profitable in a worldwide market, there is an increased possibility that more of them will become insolvent or otherwise financially incapable of plugging potentially problematic wells. As domestic production continues to decline, private funding for plugging wells may become increasingly scarce, potentially leaving the State responsible for plugging and remediation efforts.

AB 2729 (Williams and Thurmond) Chapter 272, Statutes of 2016, enacted substantive changes to the management of idle wells. AB 2729 ensures that funding is available to cap idle wells and creates disincentives for operators to maintain large numbers of idle wells. Specifically, AB 2729 does the following:

- Redefines "idle well" and "long-term idle well" to ensure that the testing and monitoring necessary to ensure public safety and environmental protection occurs.

- Increases idle well fees and provides an alternative to paying idle well fees for operators who develop and implement a plan to aggressively reduce their long-term idle well inventory.

- Eliminates exemptions and requires that all idle wells and long-term idle wells are subject to either idle well fees or an approved idle well management plan. Requires the Division of Oil, Gas, and Geothermal Resources to update idle well testing and monitoring requirements to detect risks to public health and the environment.

Under the new definitions of idle and long-term idle wells, DOGGR estimates there to be 29,565 idle wells in California. Pursuant to AB 2729, DOGGR would need to perform additional testing of idle wells, review test results for anomalies, ensure testing is done according to a prescribed schedule. DOGGR would also need to issue notices of violation when it is not, review and approve idle well management plans, and evaluate risks posed to underground sources of drinking water, and require additional testing based on identified risks or proximity to ground water. It is a fairly extensive undertaking that represents a substantial overhaul of how idle well are dealt with in the state.

Staff Recommendation. Approve as budgeted.

Issue 3 – Well Statewide Tracking and Reporting (WellSTAR)

Governor's Proposal. The Governor's budget proposes $21.1 million in 2017-18, $15.0 million in 2018-19, $5.5 million in 2019-20, $2.5 million in 2020-21, and $1.3 million ongoing from the Oil, Gas, and Geothermal Administrative Fund; and two permanent positions, and 12 three-year limited-term positions to further develop and implement the Well Statewide Tracking and Reporting (WellSTAR), a centralized database system to help run operations and meet the requirements of recent legislation.

Background. DOGGR has faced many challenges in recent years. Most notably, the US EPA audit in 2011 that revealed serious problems with the way DOGGR managed its UIC Class II Program. DOGGR has acknowledged that that nearly 2,500 wells have been permitted to inject oil and gas waste into protected aquifers, a clear violation of the Safe Drinking Water Act. DOGGR admitted that poor communication, inadequate record-keeping, inconsistent information, and general confusion among the agencies responsible for overseeing the injection well program led to permits being issued that allowed drinking water supplies to potentially be poisoned by dangerous byproducts of oil and gas production.

SB 855 (Committee on Budget and Fiscal Review) Chapter 718, Statutes of 2010, required DOGGR to give the Legislature an annual report each January until 2015 on various features of the division's Class II Underground Injection Control (UIC) Program. DOGGR only submitted two of the four reports, in 2011 and in 2015. The report submitted in 2015 found systematic problems that have existed within DOGGR for many years, including poor recordkeeping, lack of modern data tools and

systems, inconsistent and undersized program leadership, insufficient breadth and depth of technical talent, insufficient coordination among fields districts and Sacramento, and lack of consistent, regular, high-quality technical training.

New programs place additional pressure and scrutiny on DOGGR to increase performance and transparency. SB 4 (Pavley) Chapter 313, Statutes of 2013, requires DOGGR to collect data on oil and gas wells in order to provide greater transparency and accountability to the public regarding well stimulation treatments, its impacts on the environment and the disposal of well stimulation wastes. SB 1281 (Pavley) Chapter 561, Statutes of 2013, requires reporting of specific data regarding water produced during oil and natural gas drilling operations in order to evaluate how industry practices affect groundwater.

The Legislature approved $10 million in 2015-16 and another $10 million in 2016-17 for an oil and gas data management system, WellSTAR. WellSTAR is designed to give DOGGR, other state agencies, industry, and the public an integrated information system that provides the information on oil and gas production operations that is required by recent legislation and U.S. EPA. DOGGR entered into an agreement with the California Department of Technology (CDT) to complete a "Stage/Gate" process with assistance and direction of staff from the CDT Consulting and Planning Division. This process consists of providing legal and technical evidence of the project's vitality, sustainability, and cost-effectiveness.

The initial stages of the project revealed the complex nature of the task to identify all of the system requirements necessary to meet legislative and U.S. EPA requirements. Notably, during one of the initial stages, 473 requirements were identified. However, a later in-depth analysis revealed the initial analysis was incomplete, and a total of 1,384 requirements were documented and confirmed by DOGGR. The division states that because of the rigorous process that was followed to gather, document, and reconfirm requirements, it is confident in the final requirements for the new system.

Legislative Analyst's Office (LAO). The LAO recommend that the Legislature approve the request for $21.1 million in 2017-18, to fund only the first year of development of the WellSTAR database system. The LAO further recommends the Legislature fund the remainder of the request on a year-to-year basis. This approach will require the Administration to return with additional funding requests in the future, thereby ensuring that the Legislature has additional opportunities to exercise oversight over this complex information technology project.

Staff Recommendation. Adopt the LAO's recommendation to approve only the funding requested for the 2017-18 fiscal year. This will allow the Legislature the opportunity to review progress prior to appropriating future funding for this project.