

SUBCOMMITTEE NO. 2

Agenda

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



Wednesday, May 17, 2017
10:00 a.m.
State Capitol - Room 112

Consultant: Joe Stephenshaw

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

Vote-Only Calendar

0540 Natural Resource Agency

Issue 1 – Reappropriation

Governor’s Proposal. The May Revision proposes a reappropriation of General Fund money that was originally appropriated in the 2016 budget to allow the Secretary of the Natural Resources Agency to fully disburse local assistance grants.

Background. The 2016 budget included \$4.5 million in local assistance funding for the Armenian Museum, Pasadena Playhouse, Excelsior Auditorium, and Lark Music Society. This proposal will ensure that the funds are still available to be disbursed as specified in the 2016 budget.

Staff Recommendation. Approve as budgeted.

3100 California Science Center

Issue 1 – New Elevator for ADA Compliance

Governor’s Proposal. The May Revision proposes \$1.96 million General Fund for an elevator to necessary to meet Americans with Disabilities Act (ADA) requirements.

Background. Currently, there is only elevator within the public entrance and circulation area which has a cab capacity of 25. The annual attendance for the Science Center is 2.1 million. The department has been working with the Department of General Services since 2008 on an approach to address vertical accessibility. As a result, renovation to the one main elevator was done in 2016-17. The department updated its back-of-house service elevator in 2015-16 as an emergency option and constructed a down escalator in 2010-11. The final vertical access project that remains unfulfilled is an additional elevator.

Staff Recommendation. Approve as budgeted.

3340 California Conservation Corps (CCC)

Issue 1 – Vehicle Replacement Plan Funding Realignment

Governor’s Proposal. The Governor's budget proposes to move spending authority of \$812,000 (Collins Dugan Account) from 2018- 19 to 2017-18 to allow the CCC to replace 60 vehicles in 2017-18 and complete its fleet replacement by June 30, 2018. These resources were originally approved as part of the 2016-17 Vehicle Replacement Plan Budget Change Proposal.

Background. The subcommittee previously heard this proposal. This request will fund the continuation of the CCC's vehicle replacement plan, but complete it in two years instead of three. The

CCC will purchase 30 vehicles in the current year and 60 vehicles in 2017-18, at an average cost of \$27,067 per vehicle, allowing the CCC to replace vehicles that have reached their useful life and/or are not in compliance with current fuel efficiency requirements.

Staff Recommendation. Approve as budgeted.

Issue 2 – Information Technology Replacement Plan

Governor’s Proposal. An April 1 Finance Letter proposes \$625,000 from Collins-Dugan in each year for 2017-18, 2018-19, and 2019-20 to fund existing positions and computer/laptop purchases to replace the current outdated equipment. The personnel resources will be responsible for the computer and laptop replacement plan for the entire department.

Staff Recommendation. Approve as budgeted.

Issue 3 – Tahoe Base Center: Equipment Storage Relocation

Governor’s Proposal. An April 1 Finance Letter proposes \$269,000 lease revenue bond funds, above what was requested in Governor's Budget. The 2017-18 Governor's budget proposal for this project assumed acquisition would occur in fiscal year 2016-17. This proposal reflects acquisition being completed in 2017-18 and an increased estimate because of the extended project timeline.

Staff Recommendation. Approve as budgeted.

3790 Department of Parks and Recreation

Issue 1 – Candlestick Point SRA: Yosemite Slough (North) – Public Use Improvements

Governor’s Proposal. The May Revision proposes \$1.3 million from the State Park Contingent Fund for the Candlestick SRA: Yosemite Slough (North) Public Use Improvement project.

Background. A Spring Fiscal Letter requesting reimbursement authority was heard and approved on April 20. The Spring Fiscal Letter has based the cost estimate on information gathered two years ago. The increased costs are based on updated information. The California State Parks Foundation is fully funding this project.

Staff Recommendation. Approve as budgeted.

Issue 2 – Extension of Liquidation

Proposal. This proposal is to extend the liquidation period to June 30, 2018, for one General Fund local assistance grant for the California Museum of History and to June 30, 2022, for various Proposition 84 local assistance grants.

Staff Recommendation. Approve one-year extensions with budget bill language to report on long-term plan for dealing with this issue.

3900 Air Resources Board

Issue 1 – Specialized Diesel Enforcement Section

Governor’s Proposal. The May Revision proposes \$1.6 million (\$812,000 Vehicle Inspection and Repair Fund and \$811,000 Motor Vehicle Account) and 10 positions to augment the Air Resources Board’s current contract with California Highway Patrol to provide support during roadside inspections. This proposal also request a one-time appropriation of \$160,000 for four specialized vehicles to be used to conduct field inspections, and \$150,000 in annual contract funds.

Background. Mobile sources, including both on-road and off-road engines, are responsible for approximately 80 percent of nitrogen oxide emissions and approximately 90 percent of diesel particulate matter emissions throughout California. Most of these emission sources, such as trucks, transportation refrigeration units, forklifts, yard trucks, and other sources are concentrated around freight hubs such as warehouses and distribution centers, which are primarily located in disadvantaged communities. These types of facilities are increasing in number across the state with continued growth in the economy.

The ARB has adopted regulations designed to reduce emissions from sources at warehouses and distribution centers. The regulations require modern trucks to be equipped with emissions controls to operate in California. There are more than one million heavy-duty diesel-fueled trucks and buses operating throughout the state. The ARB estimates that around 30 percent – or 300,000 heavy-duty diesel vehicles – do not meet regulation requirements and are emitting excess diesel particulate matter and nitrogen oxide emissions. This relatively small percentage of high-emitting vehicles are responsible for more than 50 percent of all diesel particulate matter emissions. This assessment was published in 2015, and reviewed over a decade of warranty claim reports, thousands of vehicles surveyed on the roadside and fleet yards throughout California, and also extensive in-use emissions performance data.

The ARB currently devotes resources to enforcing truck and equipment rules at roadsides, ports, and through investigations of fleets operating throughout the state. Enforcement at warehouses and distribution centers has been limited given current resources. This proposal requests for resources to form a specialized team that would focus enforcement efforts in disadvantaged communities and at warehouses and distribution centers.

Staff Recommendation. Approve as budgeted.

Issue 2 – Mobile Source Audit and Compliance Program Enhancement

Governor’s Proposal. The May Revision proposes \$1.96 million (including \$1.2 million for seven positions and three year funding of \$450,000 in annual contracts from the Air Pollution Control Fund, and \$304,000 for two positions from various other special funds) to help strengthen its mobile source emission oversight program.

Background. The ARB’s Mobile Source Program is responsible for certifying engines for compliance with California clean air standards. Vehicles, engines and components not certified by CARB cannot be sold or legally operated in the state. Other activities of the MSP include confirmation, compliance and audit activities. Confirmation activities include testing vehicles and engines before an executive

order (EO) is issued to confirm test data provided by manufacturers, on-the-road-testing using Portable Emission Measurement Systems (PEMS), and/or using special operating cycles in the lab that replicate road conditions encountered in normal driving. Compliance activities determine whether engine emissions after sale meet the limits set in the regulations. Audit activities may include inspecting manufacturer facilities and laboratories, reviewing warranty claims and testing engine emissions. In the event this confirmation, compliance or audit activities reveal anomalies or the products fail to meet requirements, CARB may deny the EO or issue a notice of violation.

According to the ARB, increasing the resources for MSP will allow for faster certification and evaluation of vehicle and engine types, and provides more staff for the enhanced testing protocol intended to identify engines operating outside of requirements or has emissions different when tested on the road.

Staff Recommendation. Approve as budgeted.

Issue 3 – Implementation of SB 1

Governor's Proposal. The May Revision proposes \$165,000 from various special funds and one position to begin implementing SB 1.

Background. SB 1 (Beall, Chapter 5, Statutes of 2017) created the Road Maintenance and Rehabilitation Program and the Solutions for Congested Corridors Program. The bill acknowledges the impact of the transportation sector on California's air quality. As such, the bill requires the ARB to develop and implement new tracking, compliance, and enforcement processes so that reductions in emissions from motor vehicles are achieved, and to work in concert with other state agencies as an expert consultant for air quality and greenhouse gas related elements in the bill.

Specifically, the bill requires CARB to serve in a consultative role to the Department of Transportation and the California Transportation Commission as they administer the new programs created by SB 1 and to the University of California at Davis Institute of Transportation Studies as it reports on potential zero- and low-emission vehicle revenue mechanisms.

Further, the bill requires the DMV, starting January 1, 2020, to verify that a medium-duty or heavy-duty vehicle is compliant with or exempt from CARB's Truck and Bus Regulation before allowing registration. This will require CARB to address a substantial increase in compliance assistance and enforcement questions, and current database incapacibilities that will be needed for accurate communication between CARB and DMV databases. Also, in order to minimize future impacts on the trucking industry, the bill sets a useful life period for commercial vehicles, precluding CARB from requiring, via potential future regulations, commercial vehicle fleet turnover in advance of specified deadlines. As part of this effort, the bill requires CARB to track the emissions impacts of the enhanced compliance provisions associated with implementation of the Truck and Bus Regulation, as well as evaluate the impact of the useful life provision on meeting clean air goals. Finally, the bill includes funding mechanisms to support improvements to California's transportation system and other projects that it contains. This request is consistent with SB 1 and is in furtherance of California's air quality goals.

Staff Recommendation. Approve as budgeted.

Issue 4 – ARB Southern California Consolidation Project

Governor’s Proposal. The Governor’s budget proposes \$413.1 million in lease-revenue bond authority for the construction phase to consolidate and relocate ARB's existing motor vehicle and engine emissions testing and research facilities that are currently located in Southern California.

In addition, an April 1st Finance Letter proposes a fund shift in the amount of \$82.6 million from the lease revenue bond funds proposed in the Governor’s budget to the Air Pollution Control Fund (APCF). This request reflects a partial shift of debt financing to cash funding for the construction phase of this project.

Background. This project will be located on land in Riverside County near the University of California Riverside (UCR). The existing ARB facilities no longer meet ARB's programmatic requirements, nor do they allow ARB the space necessary to perform the testing required to meet current air quality and climate change mandates. The total project cost is estimated to be \$419.5 million. As part of a court settlement with Volkswagen (VW), the ARB will receive approximately \$154 million in civil penalties that will be deposited into the APCF. Of this amount, \$82.6 million is proposed for this project. By reducing the amount financed for this project, the state will reduce total debt service costs by an estimated \$66 million.

The LAO recommended the Legislature consider modifications to the ARB proposal to shift \$83 million in construction funding for the new lab (out of total construction costs of \$413 million) from lease revenue bonds to VW civil penalties deposited in the APCF. The subcommittee previously heard this proposal on April 27th and help open to allow additional time to consider the funding mix. On May 3rd, the Assembly Budget Subcommittee 3 on Resources and Transportation took action to restructure the cost share of this proposal by allocating all VW settlement funds, to the extent practicable, to the construction cost.

Staff Recommendation. Conform to the Assembly action.

Issue 5 – Air Pollution Research Grants - TBL

Proposal. Trailer bill language has been proposed to add the California State University to entities that the ARB has to consider in awarding air pollution research grants.

Background. Statute currently requires the ARB to consider the capabilities of the University of California when awarding grants related to air pollution research. This proposal would add CSU to that requirement, as follows:

Health and Safety Code Section 39704:

In awarding contracts for the conduct of air pollution research, the state board shall consider the capability of the University of California and the California State University to mount a comprehensive program of research to seek solutions to air pollution problems and the ability of the university, through its several campuses, to mobilize a comprehensive research program for this purpose.

Staff Recommendation. Approve proposed language.

Discussion Calendar

3720 California Coastal Commission

Issue 1 – Essential Accounting and Fiscal Staff

Governor’s Proposal. The May Revision proposes \$244,000 (\$122,000 General Fund and \$122,000 Coastal Act Services Fund) and two positions to be used for activities related to implementing recommendations from the Office of State Audits and Evaluations (OSAE).

Background. The OSAE December 30, 2016 review - Evaluation of Coastal Commission Fiscal Management Related Internal Controls – included recommendations that pinpointed areas of improved fiscal management and control processes and procedures, which the Coastal Commission management staff has developed a plan to address. The two positions being requested, both Associate Government Program Analysts are essential to prompt and ongoing implementation of the OSAE recommendations.

The OSAE recommends that the Commission centralize all billing and collections in the accounting unit; develop and maintain a range of detailed written schedules and procedures; and develop and maintain an annually federally-approved indirect cost rate. The department reports that the additional workload related to the recommendations cannot be addressed without increased accounting and business services capacity with the addition of two AGPAs.

Issue 2 – Pilot Enforcement Program Expansion

Governor’s Proposal. The May Revision proposes \$260,000 from the State Coastal Conservancy Fund and two positions to support a three-year pilot program to expand the enforcement program to address the backlog of Coastal Act violations that impact public access. There were over 2,300 backlogged cases at the end of 2016.

Background. The commission's enforcement program enforces all aspects of the Coastal Act to ensure that violations of the Coastal Act are resolved and that the violators address all associated liabilities. Through its enforcement program, the Commission works to ensure that all development in the coastal zone complies with the Coastal Act requirements to obtain permits, and that all parties comply with provisions of their coastal development permits.

The enforcement program is led by the Chief of Enforcement, and divided into a Northern District Unit, a Southern District Unit, and headquarters unit. District staff are based in offices in San Diego, Long Beach, Ventura, Santa Cruz, San Francisco and Arcata and investigate violations and attempt to resolve the violations at an early stage. Headquarters staff work on cases that could not be resolved at the district level and bring violations before the commission to address those cases through the issuance of formal administrative cease and desist orders, restoration orders, and/or administrative penalty actions. Headquarters staff also seek to resolve violations amicably through consent orders, but may also bring proposed administrative orders to the commission unilaterally and propose that the commission impose administrative penalties. Headquarters staff also support the commission in litigation concerning Coastal Act violations.

The statewide enforcement unit currently employs three Headquarters Enforcement Analysts (Coastal Program Analyst I or II classifications) to staff the most serious violation cases in the entire state

(covering approximately 1,271 miles of the state's coastline) that are elevated from the Commission's six district offices. These elevated violation cases are those that are causing the most significant resource damage (including damage to public access), will likely involve litigation, and have the most statewide importance.

Issue 3 – Stabilize Baseline Funding

Governor's Proposal. The May Revision proposes \$637,000 Coastal Act Services Fund to address increased fixed costs, including costs for facilities and long-term records storage, which have increased almost 33 percent since fiscal year 2011-12.

Background. The Coastal Commission has a headquarters office in San Francisco that includes the North Central District Office, a very small office in Sacramento, and district offices in Arcata, Santa Cruz, Ventura, Long Beach and San Diego. The Coastal Commission works with the Department of General Services to lease office space for the commission's San Francisco headquarters office, the legislative office in Sacramento and district offices. Facility costs for the commission offices have increased from 2010-11 to 2016-17 by approximately \$600,000. In addition, the balance of this request is to support the increased cost of DGS record center services and storage.

Legislative Analyst's Office (LAO). The LAO notes that the Governor's proposal to provide an additional \$637,000 in ongoing funding from the Coastal Act Services Fund—combined with the other proposal for \$122,000 to fund a new accounting analyst—would create a new \$545,000 operating shortfall in the fund. The LAO therefore recommends approving this request on a one-time rather than ongoing basis and requiring the administration to come back with a more sustainable approach in its 2018-19 budget proposal. The fund's reserve can support this additional expenditure for 2017-18.

Staff Recommendation. Approve Issues 1, 2, and 3 on a two-year basis.

3100 California Science Center

Issue 1 – Trailer Bill Language – Exposition Park Clean Up

Governor's Proposal. The May Revision proposes trailer bill language intended to change the name of the Sixth Agricultural District, currently known as the California Science Center, to Exposition Park and clarify roles and responsibilities of the entities within the park.

In addition to the Governor's proposal, the Science Center Foundation has submitted a proposal for trailer bill language to the committee that would allow for funding that is currently in the Science Center's budget for lease payments to remain on their budget past 2022 in order to be used for lease payments associated with their Phase III construction project, which will house the space shuttle Endeavour.

Staff Comment. Stakeholders have raised concern that the Administration's trailer bill language is not strictly technical in nature and makes substantive changes that should be vetted more thoroughly prior to approval by the Legislature.

Staff Recommendation. 1) Adopt the Administration's trailer bill language with amendments consistent with the concerns raised by the Science Center Foundation, and 2) adopt the trailer bill language related to maintaining funding past 2022 to pay for the next phase of their construction program.

0540 Natural Resource Agency

Issue 1 – Natural Resources and Parks Preservation Fund

Governor's Proposal. The May Revision proposes to establish the Natural Resources and Parks Preservation Fund and to transfer \$65 million previously appropriated General Fund into the fund the first year. This fund is intended to provide an alternative to bond funding and will allow the Administration and the Legislature to make strategic investments where they are needed each fiscal year. The amount transferred and the programs to which the funds will be directed will be determined through the annual budget process.

Background. Bond measures have been a main funding source for projects throughout the Natural Resource Agency for almost two decades. However, a reliance on bond funding has not always been the case. In fact, prior to 2000, bond funding was modest. There were only \$4 billion in combined bond measures between 1976 and 1996. Then the shift to bond funding started in 2000 when there were \$4 billion in bond measures in that year alone. From 2000 to 2014, California voters authorized \$26.7 billion from seven bond measures. This new influx of funding shows the voters' strong support for programs that focused on water, flood, parks, habitat, land preservation, climate change and coastal issues. In fact, the average percentage of yes votes for these seven measures was 61 percent.

Bond measures have some clear advantages because they can dedicate a specific amount of funding for a subject area (water, parks, flood, etc.) or entity or location of interest (department, conservancy, etc.). In addition, bond funding allows the state to make significant investments and to spread the payments over time. It would have been difficult to make the substantial investments in land acquisitions over the last 16 years (1.2 million acres in fee title and 950,000 in easements) without having bond measures to fund them. It also would have been difficult to make any significant outlays overall due to the constant boom and bust cycle of budgets in the first decade of the 2000s. Despite these advantages, disadvantages also exist. For example:

- Bonds are approved for specific areas/subjects that may not align with the current need.
- Bonds come with limitations on how they can be spent.
- Bonds are expensive and cost the state more than double the initial amount over 30 years.
- Bond funds require more extensive tracking and reporting due to the bond statutes, GO Bond Law and Federal Tax Law.
- Bond funds require at least 2 percent of each measure for the cost of oversight, auditing, bond issuance costs, tracking and reporting.
- Debt payments can limit the amount of General Fund available for baseline natural resources programs. In fact, the shift to bond funding over the last 18 years raised the annual GO bond debt payments for the agency from \$190 million in 1998 to \$1.04 billion in the current year.

Given these disadvantages, the Administration is proposing to shift to a "pay as you go" system where a specific amount of funding in the budget each year is transferred from the General Fund to the

Natural Resources and Parks Preservation Fund that is dedicated for these purposes. Through a BCP each fall, the Secretary will propose the amount that would go to a category or multiple categories of programs based on current needs. Natural resources programs previously funded by bond measures generally fall into the following categories: 1) Water/Flood, 2) Parks-State and Local, 3) Forestry-Rural, Urban and Working Forests, 4) Land Preservation-Wild and Working Lands, 5) Habitat-Aquatic and On-land, Preservation and Restoration, or 6) Climate Adaptation.

In the first year \$65 million of unencumbered General Fund for deferred maintenance provided to the Department of Parks and Recreation in the Budget Acts of 2015 and 2016 will be reverted back to the General Fund, which will facilitate a transfer of \$65 million to the Natural Resources and Parks Preservation Fund. This proposal requests an appropriation of \$65 million from this new fund to Parks to invest in deferred maintenance projects.

Staff Recommendation. Approve as budgeted.

3560 State Lands Commission

Issue 1 – Plug and Abandonment of Platform Holly and Ellwood Beach Piers

Governor’s Proposal. The May Revision proposes \$10 million General Fund to support staffing and operations of offshore oil and gas facilities located in Santa Barbara County. The proposal also includes provisional language to 1) to allow for an additional augmentation, if needed, for these activities until the proceeds of the surety bond on these leases is received by the State Lands Commission and 2) allow for the repayment of these expenditures from the surety bond proceeds.

Background. Venoco, LLC is the lessee for three state oil and gas leases offshore Ventura County. One of the leases is for the Ellwood Beach Pier while the other two are the oil fields serving Platform Holly.

In 1964 and 1965, the Commission issued the Platform Holly leases to Atlantic Richfield Company (ARCO), after competitive bidding. These leases, and all offshore state oil and gas leases issued after 1957, are sometimes called Cunningham-Shell leases because they were issued pursuant to the provisions of the Cunningham Shell Tidelands Act. In 1966, production from the South Ellwood Field commenced using Platform Holly, subsea pipelines, and the Ellwood Offshore Facility (EOF).

In 1993, Mobil Exploration and Producing, Inc. acquired both leases from ARCO. In 1997, Mobil sold the leases, including Platform Holly, the EOF, and other facilities (including the two Ellwood Beach Pier wells) to Venoco, which has since operated the facilities.

On May 19, 2015, the underground pipeline that transports oil produced from Platform Holly ruptured causing the Refugio oil spill. The line remains shutdown with no specific timeline identified for repairs or resuming operation. Consequently, there has been no production from Platform Holly since the oil spill.

On April 17, 2017, Venoco quitclaimed its interests in the three offshore oil and gas leases back to the Commission. Venoco then filed for bankruptcy and plans to pursue liquidation of its assets under the United States Bankruptcy Code. Venoco's quitclaims along with their financial inability to continue staffing and operating these leases have created a significant safety concern for the State of California.

In order to avert an emergency, the Commission requested and received emergency funding in an amount of \$3 million to maintain adequate staffing through the end of the 2016-17 fiscal year.

According to Commission staff, total costs for plugging, abatement, and ongoing maintenance could grow to approximately \$70 million. Veneco's bond of \$22 million will cover some of the costs, including paying back this proposal. In addition, the Commission plans on filing claims in bankruptcy and exploring whether previous lease holders bear responsibility.

Staff Recommendation. Approve as budgeted.

3860 Department of Water Resources

Issue 1 – Dam Safety and Emergency Flood Response

Governor's Proposal. The May Revision includes the Administration's dam safety and emergency response proposal, which was initially submitted to the Legislature as a current year proposal on February 24th of this year. Specifically, the Administration is proposing funding, trailer bill language, and the redirection of existing authority as follows:

- Appropriations totaling \$8.3 million General Fund, including:
 - 1) \$6.5 million as a General Fund loan to the Dam Safety Fund, to be repaid from revenue generated from dam safety fees, and 12 positions to support the following program enhancements: \$3 million for the Department of Water Resources (DWR) Division of Safety of Dams to conduct more extensive evaluations of appurtenance structures, such as spillways, gates, and outlets; and, \$3.5 million for DWR to review and approve required inundation maps and coordinate the review of emergency plans.
 - 2) \$1.9 million General Fund and four positions for the Office of Emergency Services (OES) to review and approve dam-related emergency response plans, and coordinate with local emergency management agencies on incorporation into all-hazard emergency plans (there is a distributed administration adjustment in the amount of \$175,000 to conform to this action).
- Appropriation of \$387.1 million in Proposition 1 funding for DWR to accelerate a portfolio of flood control projects over the next two fiscal years. The funds would be provided from the flood management allocation of Proposition 1 and are intended to enhance flood protection in the Central Valley, the Sacramento-San Joaquin Delta, and in other areas of the state with significant flood risk. The following table from the department provides further detail on the intended use of these funds:

	Program Area	Prop 1 Available	Total Appropriation
Delta	Urban Flood Risk Reduction	\$295	\$65
	Delta Levee Subventions		\$27

	Delta Special Projects		\$57.1
	“Systemwide” Flood Risk Reduction		\$130
	Emergency Response		\$10
Central Valley and Coastal Watersheds	Coastal Watershed Flood Risk Reduction	\$100	\$27
	Central Valley Tributary Projects		\$50
	“Systemwide” Flood Risk Reduction		\$21
Total			\$387.1

Dollars in millions

- Trailer bill language to require dams to have an emergency action plan that is updated every ten years, updated inundation maps every ten years, or sooner if specific circumstances change, and provide DWR with enforcement tools, including fines and operational restrictions for failure to comply.

Background. California has the “leading dam safety program in the nation” according to a peer review conducted by the Association of State Dam Safety Officials in 2016. Currently, 1,250 dams are subject to the state’s jurisdiction with respect to safety and regulated by DWR’s Division of Safety of Dams and are inspected annually. These dams are currently classified in three categories consistent with federal definitions; 678 high hazard, 271 significant hazard and 289 low hazard. Two dams are under review for classification.

The current inspection process focuses heavily on the dam itself and includes a visual inspection of the appurtenant structures. In light of the February 2017 spillway failure at Oroville, a more extensive evaluation of the adequacy, stability and structural integrity of appurtenant structures is necessary. In addition, Emergency Action Plans are not currently required for all jurisdictional dams; however, 70 percent of the high-hazard dams have them, including Oroville. Inundation maps, which provide the basis for Emergency Action Plans, are only created at the time a dam is built or enlarged and are only required for a complete sunny day dam failure scenario. They do not take into account a failure of an appurtenant structure as occurred at Oroville. Furthermore, the DWR Division of Safety of Dams has no enforcement power to mandate completion of Emergency Action Plans or inundation maps.

The Administration proposes to strengthen the evaluation of dam safety and establish new requirements for preparing and updating Emergency Action Plans and inundation maps, including improved coordination between DWR and OES.

The DWR is requesting \$3 million Dam Safety Fund to develop a focused Safety Re-Evaluation Program for a detailed review of appurtenant structures, beginning with the evaluation of 108 large spillways considered to pose the greatest downstream risk if they were to fail.

The DWR Dam Safety Program is comprised of four basic safety activities including: annual maintenance inspections, construction oversight, application reviews, and re-evaluation of existing dams. The re-evaluation component of the program over the last 10 years has focused on the highest risk to California dams including a seismic re-evaluation of dams in areas that have a high probability

of a major earthquake occurring. The recent seismic re-evaluation program has led to over \$1 billion in repairs to dams. As a result of the February 7, 2017 incident at the Oroville Dam spillways, it is necessary to immediately expand the re-evaluation program to include spillways of large dams. The re-evaluation program will need to continue at the expanded level in order to remediate dams associated with other high risk factors.

By October 1, 2017, DWR is proposing to complete a reconnaissance of the geologic, hydraulic, hydrological, and structural adequacy of the identified 108 largest spillways in the state. By January 1, 2018, DWR will complete a thorough site investigation and evaluation of those spillways that are found to be potentially at risk. Immediate action, such as emergency repairs or reservoir operation restrictions, will be required of dam owners as necessary to reduce the risk of any spillway identified to be in poor condition as a result of the study. DWR will complete evaluations of the remaining spillways by January 1, 2019, and direct dam owners to make required repairs or restrict reservoir operations as needed.

Continued review of spillways at significant-hazard dams will also be required. In addition, for all high and significant-hazard dams, other high risk factors that need to be considered include the adequacy of emergency outlet systems, and drainage systems within the dam and its foundation, implementation of robust vegetation/rodent management programs, as well as continued seismic re-evaluations of dams reflecting advancements in earthquake engineering.

DWR and OES are requesting a total \$5.3 million and new legislation to implement a comprehensive approach to dam safety by requiring the development and review of inundation maps and emergency action plans.

Currently, inundation maps, the cornerstone of emergency plans, are only created or updated at the time the dam is built or enlarged. A dam inundation map delineates the area that would be flooded by a particular dam breach or failure. It includes downstream effects and shows the probable path by water released due to the failure of a dam or from abnormal flood flows released through a dam's spillway and/or other appurtenant works. Furthermore, these maps are currently only required for a sunny day full dam failure scenario, and do not take into account a failure of an appurtenant structure or failure of downstream flood facilities such as a levee breach. Additional inundation maps for other critical flow control structures and saddle dams will be identified by DWR.

Emergency Action Plans are a critical component of a strong dam safety program, however; California currently has inadequate inundation maps, as well as insufficient requirements for the development of those plans. The plans outline the action steps that are taken to protect life and property and include the components of detection measures through inspections and maintenance, determinations of emergency levels based upon the threat of flooding, notification protocols for local government and the public, and other preventive measures dam owners/operators can take. The emergency plans utilize dam inundation mapping to guide actions and notification protocols since they show the potential area of flooding and its impacts

Under the Administration's proposal, DWR's Division of Safety of Dams will re-classify jurisdictional dams as extremely high, high, significant or low risk. DWR will require inundation maps and Emergency Action Plans for all jurisdictional dams allowing a waiver for low hazard dams. During regular inspections, DWR will track any dams where the hazard classification has changed and reassess the waiver as necessary.

DWR will identify which scenarios beyond a complete dam failure require a separate inundation map. The dam owner will create the inundation map and submit to DWR, which will be reviewed and approved by DWR's Division of Flood Management. The approved maps will then be posted publicly on DWR's website and linked to OES' website.

Dam owners will be responsible for creating Emergency Action Plans in accordance with federal guidelines and based on their updated inundation maps. OES will provide guidelines regarding the coordination between dam owners and local emergency management agencies to create local emergency response plans. Dam owners will submit the plans through DWR, who will work with OES to review and confirm that plan components are acceptable for incorporation into and to guide local emergency response plans. The dam owner will send the final Emergency Action Plans and inundation map to DWR, OES and local emergency management agencies.

OES will coordinate emergency response drills with dam owners and local emergency management agencies. The dam owner will be required to update the Emergency Action Plans regularly in accordance with federal guidelines and update the inundation maps every ten years or sooner if there is a change in dam status or change in downstream risk.

The proposal will provide DWR additional enforcement power over dam owners who are not complying with the new emergency plan/inundation maps requirements. The proposal includes revisions to the Water Code to incorporate penalties such as fines and reservoir operation restrictions when dam owners violate DWR's directives and orders.

Legislative Analyst's Office (LAO). Instead of the Governor's proposal to appropriate all (\$387 million) of the Proposition 1 flood funding in 2017-18, the LAO recommends that the Legislature provide only a portion of the total. The LAO's rationale is as follows:

- **Flood Management Merits Additional Spending...** A strong rationale exists for providing additional funding to improve the state's ability to manage floods. Much of the state's extensive flood management infrastructure is aged and in need of improvements.
- **...However Projects Supported by Previous Flood Funding Still Underway.** Given local entities are still in the midst of implementing flood projects with billions of dollars of funding from Propositions 84 and 1E, the local capacity to immediately undertake new projects with the full amount of Proposition 1 funding seems uncertain.
- **New Urgent Needs Could Emerge in Coming Years, Additional Source of Funding Not Yet Identified.** Given a significant source of funding for future flood projects - such as a new Central Valley regional assessment or a new statewide general obligation bond - has not yet been identified, we believe the state should preserve some Proposition 1 funding to be able to address flood management needs and priorities that may develop in the coming years.
- **Two of Governor's Proposals Represent New Programs about Which Detail is Somewhat Lacking.** Of the eight program areas the Governor has proposed for the Proposition 1 funds, two (Central Valley tributary projects and coastal watershed projects) represent new programs/efforts. The administration has provided limited information as to how these programs would be structured, how flood management needs in these regions have been assessed, how projects would be selected, and how funds would be prioritized for expenditure. In contrast, the other six expenditure categories represent existing programs or projects reflecting the clear prioritization criteria in the comprehensive 2017 Draft Update to the Central Valley Flood Protection Plan (CVFPP) that the state has recently completed.

In the following figure, the LAO provides one possible alternative approach the Legislature could take. This approach would provide one-third of the funding the Governor requested to continue existing programs and initiate systemwide projects identified in the draft CVFPP Update, and retain the remaining funding for future prioritization and appropriation. According to the LAO, this alternative would hold off on providing funding for the Governor's two new proposed programs until the administration provides additional detail in future budget change proposals and the Legislature is better able to evaluate their merit in the context of other programs and identified needs.

Proposition 1 Flood Funding Approaches
(dollars in millions)

Program Category	Amount	
	Governor	LAO Alternative
Delta		
Systemwide flood risk reduction projects	\$ 130.0	\$ 43.3
Urban Flood Risk Reduction Program	\$ 65.0	\$ 21.7
Delta Special Projects Program	\$ 57.1	\$ 19.0
Delta Levee Subventions Program	\$ 27.0	\$ 9.0
Emergency response projects	\$ 10.0	\$ 3.3
<i>Subtotal</i>	\$ 289.1	\$ 96.4
Statewide		
Central Valley tributary projects	\$ 50.0	\$ -
Coastal watershed flood risk reduction projects	\$ 27.0	\$ -
Central Valley systemwide flood risk reduction projects	\$ 21.0	\$ 7.0
<i>Subtotal</i>	\$ 98.0	\$ 7.0
Total	\$ 387.1	\$ 103.4

To ensure the flood funds are used in a cost effective manner and as the Legislature intends, the LAO recommends the Legislature 1) schedule the appropriations in the budget bill in specific expenditure categories, so that the administration must come back to the Legislature to request a change if it wants to redirect funding in a different manner, and 2) include language that funding must be spent in accordance with the framework established in the 2017 CVFPP update to be sure that a strategic statewide approach is followed. The LAO also recommends that the Legislature reject the Governor's proposed language that the funds be encumbered or expended by June 30, 2019, as this establishes an unreasonable timeline for complex flood management projects.

Staff Comment. Given that recent incidents have highlighted the urgent need to ensure California’s dam infrastructure is sufficient and that the state is doing all that it can to prevent or mitigate potential flooding scenarios, it is encouraging to see that the Administration is proposing initiatives intended to immediately enhance dam safety. However, the LAO raises concerns regarding the accelerated Proposition 1 funding that should be taken into account as the proposal is considered.

Staff Recommendation. Approve the Administration’s Dam Safety and Emergency Flood Response proposal, however, revise the Proposition 1 component consistent with the LAO’s recommendation by: 1) adopting the LAO’s alternative funding plan totaling (\$103.4 million), 2) schedule the appropriations in the budget bill in specific expenditure categories, so that the administration must come back to the Legislature to request a change if it wants to redirect funding in a different manner, and 3) include language that funding must be spent in accordance with the framework established in the 2017 CVFPP update.

Issue 2 – Drought Emergency Response

Governor’s Proposal. The May Revision proposes a decrease by \$8 million General Fund. The Governor’s Budget included \$17.5 million for DWR to address drought-related issues. This proposal reduces funding for DWR’s drought response activities, while continuing support for the following needs: \$5 million local assistance and related support costs for emergency drinking water projects in areas of diminished groundwater supplies in the Central Valley, \$3.5 million for projects that enhance conditions for Delta smelt, and \$1 million for the Save Our Water campaign to focus on “Making Water Conservation a California Way of Life.”

Background. Executive Order B-40-17 lifted the Governor’s previous drought declaration in all but four counties. Despite the abundance of rain and snow over the winter and spring, communities and residents solely dependent on groundwater continue to suffer. DWR is actively working with local counties, communities, the Office of Emergency Services, and the State Water Resources Control Board to address ongoing critical water supply issues. Projects continue and are still being developed in Fresno, Kings, and Tulare Counties in particular. Many private wells have run dry and it could be years before they recover and are able to reliably provide water. Groundwater in the Central Valley and some coastal areas remain at critical levels in many regions and DWR will be required to maintain its role in providing technical and direct assistance to these regions and sectors.

According to the Administration, although the drought may be over for much of California, much work remains to recover from and prepare for the next drought including further efforts to help establish water conservation as a way of life. This request provides for direct support to address solutions for drinking water shortages, support increased conservation and the ability to work directly with local agencies to implement required actions.

Legislative Analyst’s Office (LAO). The LAO recommends that the Legislature reject the \$1 million for Save Our Water Campaign. Given the end of the drought emergency, the LAO does not believe continuing a statewide public relations campaign for water conservation in 2017-18 is the highest priority for General Fund resources. If the state proceeds with some form of establishing new urban water use reduction targets—as seems likely given legislative proposals and the proposed trailer bill—water agencies will have incentives to continue encouraging water conservation at the local level. Moreover, many local agencies (including Metropolitan Water District, which provides water to 19 million people) are already undertaking locally funded, region-specific water conservation campaigns.

Staff Recommendation. Approve the proposal related to continuing activities from the Governor's budget drought proposal. However, reject the \$1 million request for the Save Our Water Campaign.

Issue 3 – Proposition 13 San Joaquin River Fish Population Enhancement

Governor's Proposal. An April 1 Finance Letter proposes \$21 million from Proposition 13 for the Department of Water Resources to construct facilities to improve fish populations in the San Joaquin River Watershed. The funding will support four existing positions and projects over five years (\$3.73 M in 17-18, \$4.12M in 18-19, \$4.31 M in 19-20, \$4.42M in 20-21 and 21-22).

Background. The San Joaquin River is one of the two major rivers of California and is the second longest river in California. The river provides drinking water to over 22 million California citizens and was once one of the richest river ecosystems in California.

The largest historic run of spring-run Chinook in the Central Valley once occurred in the San Joaquin River. Those runs ended when the Friant Dam was constructed in 1942, and the water was diverted to provide drinking water and to irrigate crops. Since then, environmental organizations have been fighting to restore water flows and reviving the decreasing fish populations.

The San Joaquin River Restoration Program (SJRRP) was formed in response to a 2006 settlement of an 18 year-old lawsuit between the U.S. Departments of the Interior and Commerce, the Natural Resources Defense Council, and the Friant Water Users Authority. The goal of the settlement is to restore and maintain fish populations in "good condition" in the main stem of the San Joaquin River below Friant Dam to the confluence of the Merced River, including naturally-reproducing and self-sustaining populations of salmon and other fish.

DWR assists with various aspects of the planning, design, and construction of physical improvements identified in the settlement, including projects related to flood protection, levee relocation, design and construction of facilities to provide for fish passage and to minimize fish entrainment, the establishment of riparian habitat, and water surface and water quality monitoring. DWR also assists with various aspects of the implementation of the Water Management Goal.

DWR indicates that this proposal would dovetail with the SJRRP. The request focuses on improving fish populations in the San Joaquin River Watershed through technical and financial assistance to any local, state, and federal government entities and private land owners operating in concert with government entities implementing the SJRRP. The request does this by focusing on projects that will provide improved ecological performance on public or private lands in the San Joaquin River system that the SJRRP is focused on but not actively working on.

Legislative Analyst's Office. The LAO recommends providing \$4 million for one year, and requiring the department to update the Legislature on program activities and progress and request additional funding in next year's budget. This is a new effort the department is undertaking, and it is not yet able to provide adequate detail on which specific projects will be funded or how projects will be selected or prioritized. To provide sufficient oversight and ensure funds are being used effectively, the Legislature would benefit from additional information on how this new effort develops and evolves.

Staff Recommendation. Approve as budgeted.

3600 Department of Fish and Wildlife
3860 Department of Water Resources
3940 State Water Resources Control Board

Issue 1 – Open and Transparent Water Data Act (AB 1755)

Governor’s Proposal. The May Revision proposes appropriations to complement the AB 1755 (Dodd), Chapter 506, Statutes of 2016, April 1 Spring Finance Letter by providing one-time funding to begin development of the strategic plan and initial data protocols while donations to the Water Data Administration Fund are pursued. Specifically, this request includes: \$150,000 from the Environmental License Plate Fee (ELPF) for the Department of Fish and Wildlife (DFW), \$450,000 from the ELPF for the Department of Water Resources (DWR), and \$200,000 from the ELPF for the State Water Resources Control (SWRCB) to begin implementation of AB 1755.

Background. AB 1755, The Open and Transparent Water Data Act, places new responsibilities on DWR, SWRCB, and DFW to implement the following:

- Develop, implement, and maintain protocols for data sharing, documentation, quality control, public access, and promotion of open-source platforms and decision support tools related to water data.
- Publish a report on protocols.
- Develop and publish a strategic plan to guide implementation of an integrated water data platform.
- Create, operate, and maintain a statewide integrated water data platform.
- Develop and maintain common language or crosswalks for integrating datasets across programs and agencies.
- Make specified datasets available on the integrated water data platform by statutory deadlines, with.
- Quarterly updates thereafter.

The work to be undertaken pursuant to AB 1755 will address an unmet need for an open-access platform to: a) help water managers operate California's water system more effectively, plan and manage water resources better, and help water managers and users make more informed decisions through data-driven decision-making; b) integrate and increase access to existing water data; c) foster collaboration among state, federal, and local agencies on sharing and integrating existing datasets; d) improve transparency and accountability; and e) promote openness and interoperability of water data and make information accessible, discoverable, and usable by the public, thereby fostering entrepreneurship, innovation, and scientific discovery.

Legislative Analyst’s Office (LAO). The LAO recommends adopting this proposal, however, they note that the activities required by AB 1755 span multiple years and the administration is only proposing one year of funding. The ELPF likely could not sustain out-year expenditures. Assuming the departments are not able to absorb future costs within their existing budgets, the Legislature will be faced with revisiting how to support continued implementation of the legislation in future years. (The administration hopes that charitable donations will materialize.)

Staff Recommendation. Approve as budgeted.

3790 Department of Parks and Recreation

Issue 1 – Improving State and Local Parks

Governor’s Proposal. The May Revision proposes \$54 million from the State Parks and Recreation Fund and \$26.6 million in reimbursement authority to reflect the expenditure of revenues resulting from the passage of SB 1 (Beall), Chapter 5, Statutes of 2017.

Background. SB 1 (Beall, Chapter 5, Statutes of 2017) created the Road Maintenance and Rehabilitation Program to fund road maintenance, various safety projects, and active transportation projects. The measure would also generate revenue to support state parks, including off-highway vehicle and boating programs.

The Department of Finance anticipates an increase of \$54 million for the department. This May Revision proposal represents the Administration’s plan for expenditure of these additional funds. Specifically, the proposal requests to:

- **Fix Our Parks**—\$31.5 million for deferred maintenance projects to repair and maintain the aging infrastructure of the state park system and to address the recent damage sustained from the severe winter storms. This proposal also includes increasing reimbursement authority by \$26.6 million to facilitate funding from the Federal Emergency Management Agency to help address storm-damaged areas.
- **Establish Partnerships to Improve Access to Parks**—\$1.5 million to establish a pilot project to provide transportation to parks from urban areas and schools.
- **Build a Recruitment and Training Program**—\$1 million to establish a recruitment and training program. This program will focus on hard-to-fill classifications, including park rangers, lifeguards, maintenance workers, administrators, and managers. The program will also develop strategies to better reach candidates from diverse communities.
- **Fund Local Parks**—\$18 million to provide a local assistance grant to the Jurupa Area Recreation and Park District.
- **Support Off-Highway Vehicle Recreation**—\$1 million from the State Parks and Recreation Fund to the Off Highway Vehicle Trust Fund. \$1 million for local assistance grants for additional law enforcement, environmental monitoring, and maintenance grants supporting federal off-highway vehicle recreation.
- **Reduce Boating Hazards**—\$1 million from the State Parks and Recreation Fund to the Abandoned Watercraft Abatement Fund. \$1 million for local assistance grants to remove abandoned watercraft from California’s waterways.

Staff Recommendation. Approve the request with the addition of budget bill language requiring the department to report back on the use of the access funding; including, where the funding was spent and the number and type of participants in the program.

Issue 2 – 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 Governor's 2017-18 budget includes \$137 million in General Fund support for DPR operations. 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 Recommendation. Approve the proposal with the addition of \$1.5 million from the ELPF, on a one-time basis, and budget bill language to establish an Outdoor Environmental Education Grants Program to increase the ability of underserved and at-risk populations to participate in outdoor environmental educational experiences at State Parks and other public lands where outdoor environmental education programs take place.