

**Senate Budget and Fiscal Review—Mark Leno, Chair**  
**SUBCOMMITTEE NO. 2**

**Agenda**

**S. Joseph Simitian, Chair**  
**Jean Fuller**  
**Alan Lowenthal**



**Thursday, February 3, 2011**  
**9:30 am or upon adjournment of session**  
**Rose Ann Vuich Hearing Room (2040)**

**Consultant: Catherine Freeman**

**Departments Proposed for Vote-Only**

<b><u>Item</u></b>	<b><u>Department</u></b>	<b><u>Page</u></b>
3340	California Conservation Corps.....	2
3560	State Lands Commission.....	2
3720	Coastal Commission.....	2

**Departments Proposed for Discussion**

<b><u>Item</u></b>	<b><u>Department</u></b>	<b><u>Page</u></b>
0540	Secretary for Natural Resources .....	3
3480	Department of Conservation.....	4
3500	Department of Resources Recycling and Recovery .....	7
3540	Department of Forestry and Fire Protection .....	10
3600	Department of Fish and Game .....	16
3790	Department of Parks and Recreation .....	21

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**Resources—Environmental Protection—Energy—Transportation**

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**DEPARTMENTS PROPOSED FOR VOTE-ONLY****3340 California Conservation Corps**

**1. BCP-1: EnergySmart Jobs Program—ARRA Funded.** The Governor requests a one-time \$541,000 augmentation to the Collins Dugan Reimbursement Account appropriation as well as limited term position authority to fulfill a contract employing Corpsmembers who will serve as energy efficiency auditors. Funding is from the American Reinvestment and Recovery Act (ARRA), federal funds.

**3560 State Lands Commission**

**2. BCP-1: Selby Slag Remediation.** The Governor requests \$1 million in General Fund to fulfill the state's legal obligation to pay a proportional share of certain further hazardous waste remediation costs at Selby, California.

**3720 California Coastal Commission**

**3. BCP-2: Coastal and Marine Education Whale Tail License Plate Program.** The Governor requests a one-time augmentation of \$82,000 to increase Whale Tail revenues from the Coastal Beach and Coastal Enhancement Account to the Coastal Commission's budget for grants to nonprofits and government agencies.

**Staff Recommendation:** APPROVE ITEMS 1-3

**VOTE:**

## 0540 Secretary for Natural Resources

The Secretary for Natural Resources heads the Natural Resources Agency. The Secretary is responsible for overseeing and coordinating the activities of the boards, departments, and conservancies under the jurisdiction of the Natural Resources Agency.

**Governor's Budget.** The Governor's Budget includes \$62.8 million to support the Secretary for Natural Resources. This is a 85 percent decrease under current year estimated expenditures primarily due to reduced bond fund expenditures.

### *Items Proposed for Vote-Only*

**1. BCP-1: San Joaquin River Restoration.** Proposition 84 allocates \$100 million to the Natural Resources Agency to implement a court settlement between water users and the federal government concerning the San Joaquin River Restoration. The Agency, through consultation with its constituent departments proposes to direct \$60 million to the Department of Water Resources and \$40 million to the Department of Fish and Game (minus bond issuance set-asides). This request would provide year 5 of a five-year rollout of these funds.

**Staff Recommendation:** HOLD OPEN—This item will conform to items in the Department of Water Resources and Department of Fish and Game budgets.

**Vote:**

### *Items Proposed for Discussion*

#### **2. Informational Item—Introduction by Secretary for Natural Resources**

The subcommittee may wish to have Secretary John Laird give an overview of his approach to managing the Natural Resources Agency over the coming years, given the state's fiscal situation as well as proposals to realign portions of the agency to locals.

## 3480 Department of Conservation

The Department of Conservation (DOC) is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of: geology, seismology, and mineral resources; oil, gas, and geothermal resources; and agricultural and open-space land.

**Governor's Budget.** The Governor's Budget includes \$97.8 million (\$4.6 million GF) for support of the DOC, a decrease of approximately \$37 million, due mainly to a reduction in bond funds.

### *ITEMS PROPOSED FOR VOTE-ONLY*

**1. BCP-1: Information Technology (IT) Maintenance.** The Governor requests a one-time appropriation of \$132,000 from various special funds for maintenance of the DOC's IT infrastructure.

**2. BCP-5: California Farmland Conservancy Program Local Assistance Funds.** The Governor requests a one-time appropriation of \$2.5 million from Proposition 40 bond funds to provide local assistance grants to permanently protect strategically important farmland.

**3. BCP-8: Statewide Watershed Coordinator Grant Program.** The Governor requests a one-time appropriation of \$3.6 million in local assistance from Proposition 84 to continue the implementation of the statewide Watershed Coordinator Grant Program.

**Staff Recommendation:** APPROVE Items 1-3.

**Vote:**

**ITEMS PROPOSED FOR DISCUSSION****4. BCP-6: Watershed Implementation Reappropriation.**

**Background.** The Governor requests re-appropriation of \$1.2 million in unencumbered Proposition 50 bond funds to continue implementation of the former watershed element of the CALFED Bay-Delta Program through DOC's Statewide Watershed Program.

**Staff Comments.** In the 2010-11 Budget, the Legislature transferred most CALFED Bay-Delta Program activities, including certain oversight objectives, to the Delta Stewardship Council. At the same time, the Council was required to submit a zero-based budget in FY 2011-12 for all entities receiving former CALFED resources. This was, in part, to help the Legislature prioritize funding for Bay-Delta activities pending the adoption of a Delta Plan by the Council. This issue will be heard at the February 10 hearing.

The Council has requested to postpone the submission of the zero-based budget to coordinate with the completion of the Delta Plan. It would be appropriate to hold non-essential bond-funded activities off until a clear plan for the Delta is in place, and priorities for funding are made clear to the Legislature.

**Recommendation:** DENY PROPOSAL

**Vote:**

**5. BCP-9: Implementation of AB 2453.**

**Background.** The Governor requests a baseline appropriation of \$145,000 (special funds) for the Division of Oil, Gas, and Geothermal Resources (DOGGR). Funding is requested to increase legal workload as a result of Chapter 264, Statutes of 2010 (AB 2453, Tran) described below. The department plans to redirect a vacant position to support DOGGR's legal need.

AB 2453 substantially strengthens procedural safeguards following an Appellate Court ruling regarding deficiencies in the existing appeals provisions in statute. AB 2453 provisions revise DOGGR enforcement actions and provides for use of formal administrative hearings for certain appeals. Changes to the appeal process will increase workload for Department attorneys.

**Staff Comments.** The division (DOGGR) is currently undergoing restructuring following direction of the legislature during budget hearings last year. In the 2010-11 budget, the Legislature approved \$3.2 million and 17 permanent positions to augment the Underground Injection Control and Enhanced Oil Recovery Program.

The department should be prepared to discuss:

- Whether or not the department has successfully filled the 17 positions;
- The impact these positions have had on permitting levels and compliance with state and federal law.

**Recommendation:** DENY WITHOUT PREJUDICE. Request the department return in spring with an update on enforcement and permitting actions, as well as a report on its efforts to fill the existing 17 Division of Oil, Gas, and Geothermal Resources positions.

**Vote:**

## 3500 Department of Resources Recycling and Recovery

As previously noted, the DRRR was created pursuant to Chapter 21, Statutes of 2009 (SB 63; Strickland) and is largely the merger of the Waste Board (minus the board members and associated support staff) and the Department of Conservation Division of Recycling. As such, the DRRR protects public health and safety and the environment through the regulation of solid waste facilities, including landfills, and promotes recycling of a variety of materials, including beverage containers, electronic waste, waste tires, used oil, and other materials. The DRRR also promotes the following waste diversion practices: (1) source reduction, (2) recycling and composting, and (3) reuse. Additional departmental activities include research, permitting, inspection, enforcement, public awareness, market development to promote recycling industries, and technical assistance to local agencies.

**Governor's Budget.** The Governor's Budget includes \$1.4 billion (no GF) for the DRRR, including \$1.2 billion for the Beverage Container Recycling and Litter Reduction Program, and \$200 million for the Waste Reduction and Management Program (the old Waste Board).

### *ITEMS FOR VOTE-ONLY*

**1. BCP-3: Distributed Funding of Health and Safety Program.** The Governor requests to reallocate expenditures for health and safety activities serving all DRRR employees from the Integrated Waste Management Account (IWMA) to five special funds and shift the associated activities from a specified program to Program 30—Distributed Administration.

**2. BCP-4: Fund Shift from the Integrated Waste Management Account to the Tire Recycling Management Fund.** The Governor requests to shift 5.5 positions and \$627,000 between the two accounts to align the funding source with workload activities. The department is proposing to absorb these costs within existing Tire Fund expenditure authority.

**Recommendation:** APPROVE Items 1-2

**Vote:**

**ITEMS FOR DISCUSSION****3. BCP-5: Improve Audit Coverage and Internal Controls.**

**Background.** The Governor's budget requests to redirect \$1.1 million Beverage Container Recycling Fund from the Consulting and Professional line item to fund 11.0 permanent positions to address the findings and recommendations in the State Auditor's report from June 2010.

In June 2010, the Bureau of State Audits released its findings from an audit of the Beverage Container Recycling Fund (BCRF). The audit found the department failed to complete a three year audit plan and made findings regarding insufficient management controls. Internal fund audits are important to reduce fraud following reporting by the department of greater than 100 percent recycling rates (among other issues).

**LAO Reorganization Analysis.** The LAO has raised issues with the level of savings from the overall creation of DRRR as well as the best proposed reorganization model. The LAO recommends holding hearings to discuss the reorganization plan particularly as it impacts department programs (including the Beverage Container Recycling Fund). The LAO also recommends reporting language to require the department to report on the savings from the reorganization.

**LAO Analysis of the Beverage Container Recycling Fund.** The LAO has prepared a short handout and presentation on the status of the Beverage Container Recycling Fund. The committee may wish to hear a brief presentation by the LAO to put into context the budget proposals before the committee.

**Staff Comments.** Staff have been unable to get a clear picture regarding the state of the Beverage Container Recycling Fund. The department continues to implement a reorganization plan, however it is unclear what the entirety of the final outcome will be. This issue is sufficiently complex that a joint policy and budget hearing on the department is needed before the department should move ahead with any further budget changes regarding the BCRF.

The LAO analyses of both the reorganization and the BCRF have merit. Staff further believes the department should be ready to report on savings from the department reorganization as well as a solid analysis of the BCRF this spring.

**Staff Recommendation:** DENY WITHOUT PREJUDICE. Require the department to return in spring for an oversight hearing on the department's reorganization and status of the Beverage Contain Recycling Fund.

**Vote:**

**4. BCP-6: Fraud Prevention Program, Strategic Priority Initiative—Beverage Container Recycling Program.**

**Background.** The Governor's budget requests 7 permanent positions funded by redirecting \$681,000 Beverage Container Recycling Fund from Consulting and Professional Services to Personal Services. These positions are requested to prevent and investigate fraud in the Beverage Container Recycling Program.

As with the previous item, in June 2010, the Bureau of State Audits released its findings from an audit of the Beverage Container Recycling Fund (BCRF). The audit found the department failed to complete a three year audit plan and made findings regarding insufficient management controls. Internal fund audits are important to reduce fraud following reporting by the department of greater than 100 percent recycling rates (among other issues).

**Staff Comments.** As with the previous item, staff have been unable to get a clear picture regarding the state of the Beverage Container Recycling Fund. The department continues to implement a reorganization plan, however it is unclear what the entirety of the final outcome will be. This issue is sufficiently complex that a joint policy and budget hearing on the department is needed before the department should move ahead with any further budget changes regarding the Beverage Container Recycling Fund.

**Staff Recommendation:** DENY WITHOUT PREJUDICE. Require the department to return in spring for an oversight hearing on the department's reorganization and status of the Beverage Container Recycling Fund.

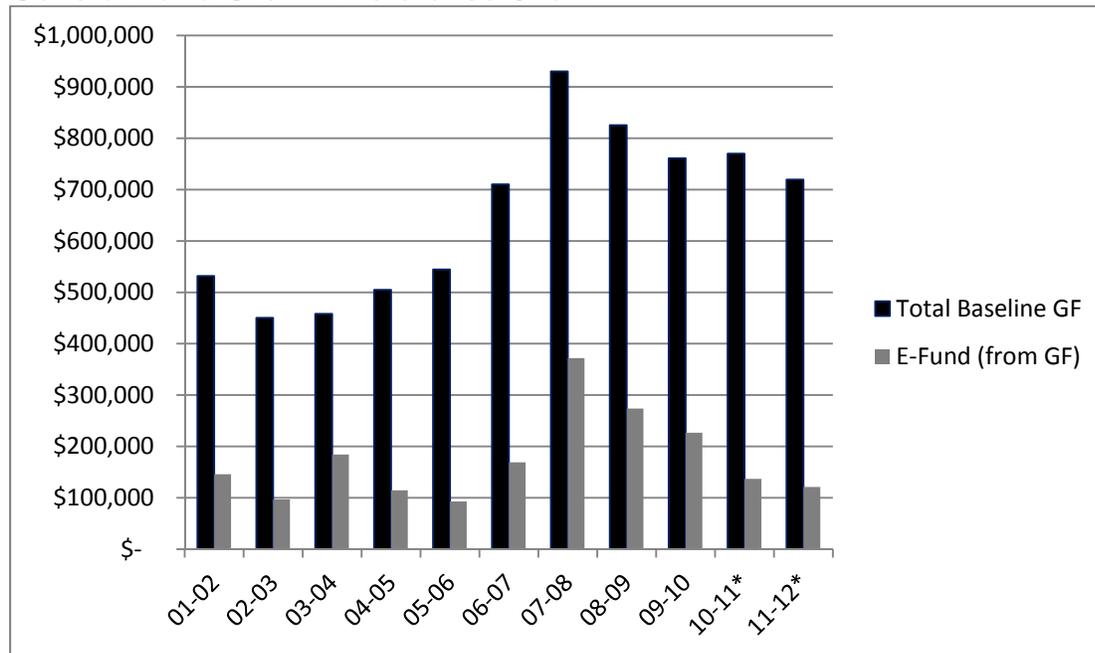
**Vote:**

## 3540 Department of Forestry and Fire Protection

The California Department of Forestry and Fire Protection (DFFP) or “CalFIRE,” under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, DFFP: (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

**Governor’s Budget.** Excluding capital outlay, where the amount of carryover makes year-to-year comparisons less meaningful, the Governor’s Budget includes \$1.05 billion for support of the DFFP in 2011-12. This is a \$39 million (3.7 percent) decrease under current year expenditures. This is mainly due to the proposal to reduce engine firefighter staffing.

**General Fund Growth Reference Chart\*\***



\* Estimated

\*\* Capital outlay excluded (as well as certain related local assistance). Year-to-year carryover makes this figure meaningless for comparison.

**ITEM PROPOSED FOR VOTE-ONLY**

**1. BCP-7: Additional Battalion Chief Staffing.** The Governor requests General Fund and permanent position authority to maintain the minimum level of staffing coverage for the Battalion Chief (BC) classification which existed prior to the workweek change implemented with the recent Bargaining Unit 8 contract. This is the close of a multi-year adjustment that started in 2006.

**2. BCP-8: Underground Storage Tank Cleanup.** The Governor requests three-year funding to perform mandated site investigations, monitoring, clean-up and/or closing underground storage tanks to comply with the Clean Water Act. Funding is requested at \$1.7 million in 2011-12, \$1.1 million in 2012-13, and \$499,000 in 2013-14.

**3. BCP-16: Unemployment Insurance Funding.** The Governor requests \$10.6 million General Fund in the current year, \$10.6 million in the budget year, and \$5.3 million ongoing for increased costs due to federal changes in eligibility requirements for unemployment insurance.

**4. COBCP: CalFIRE Reappropriations.** The Governor requests reappropriation of various phases of Major Capital Outlay projects. These projects were funded between 2005 and 2010 and are on hold mainly due to the freeze on Pooled Money Investment Account Funds.

**Staff Comment (Item 4):** Previous year's discussions regarding these capital outlay projects projected the cost of capital improvements versus maintenance with capital costs amounting to a less-costly option for the various buildings and camps.

**Staff Recommendation:** APPROVE Items 1-4

**Vote:**

**ITEMS PROPOSED FOR DISCUSSION****5. Realignment Proposal.**

**Governor's Proposal.** The Governor proposes to realign fire protection services in the most highly populated state responsibility areas to local governments. The Department of Forestry and Fire Protection (CalFIRE) provides wildland fire protection services in over 31 million acres of State Responsibility Areas (SRAs). Although the number of acres in SRAs has been relatively constant since the 1950's the composition of SRAs has changed greatly. Currently, SRAs lands encompass roughly one-third of the state's acreage. These SRAs are primarily *privately owned* timberlands, rangelands, and watersheds that, in recent decades, have become increasingly populated and developed.

Under the proposed realignment plan, responsibility for fire protection and medical emergency response in the relatively more populated wildland areas would be assumed by local governments. Under the Governor's plan, there would be a statutory change in the criteria for designating lands as a SRA, and the Board of Forestry (BOF) would redraw SRA boundaries based on the new criteria for SRAs.

The Governor estimates that the proposal will result in the realignment of up to \$250 million of CalFIRE's protection program to local government. The department would continue to provide fire protection services in the SRAs until the Board of Forestry's reclassification is completed. Under the proposal, the ultimate composition of the SRA would be determined by the Board of Forestry's final determination of the SRA classification based on revised criteria. The state would continue to pay *both* the state and local costs.

**Staff Comments:** The basis for the Governor's recommendation has merit. The continued approval by local governments of housing developments in SRA has significantly contributed both to the cost of fire protection in these areas as well as the number of and amount of personnel and staff resources required to maintain fire protection in these areas. The department's current practice is to participate in the "mutual aid" program where the closest emergency responder will respond to any emergency incident. This results in numerous structural protection, vehicle accident, and even water rescue operations by the department.

The proposal to re-examine the role of the department and the responsibility of local governments is a good one. However, staff have significant concerns with the lack of details both in the substance of the proposal and in the financial shift proposed by the administration.

**Staff Recommendation:** HOLD OPEN. Recommend Department of Finance be required to engage key legislative staff to work on a revised realignment proposal that addresses Legislative and staff concerns.

**Vote:**

**ITEMS PROPOSED FOR DEFERRAL (Pending Realignment Proposal)**

**6. BCP-1: Fire Protection Permanent Funding.** The Governor requests permanent General Fund and position authority following a legislative direction to shift permanent emergency-fund expenditures to the base budget, and to submit at a zero-based budget. The request includes authority related to the Aviation Management Unit, Very Large Air Tanker and Victorville Air Attack Base, San Diego Helitack, Aviation Asset Coordinator, Lake Tahoe Basin Fire Engine Station and Staffing, and Defensible Space, and CAL Card Support.

**7. BCP-5: Hemet-Ryan Lease/Build to Suit with Purchase Option.** The Governor requests Budget Bill Language to authorize a lease for an Air Attack Base at Hemet-Ryan Airport.

**Staff Comments:** Each of these items may be impacted by the Legislature and the Governor's negotiations on the realignment process. Therefore it may be premature to approve or deny these proposals. It is fully anticipated that these issues will be brought before the committee again in a spring hearing to determine which CalFIRE proposals should move forward.

**Staff Recommendation:** (1) HOLD OPEN Item 6; (2) Deny without Prejudice Item 7.

**Vote:**

**8. Civil Cost-Recovery Program.**

**Background.** The Governor requests \$1.7 million and 10 two-year limited term positions to augment its current Statewide Fire Suppression Civil Cost-Recovery Program. The California Health and Safety Code authorizes fire agencies to recover suppression, investigation, and related administrative costs from anyone who starts a fire negligently or in violation of certain laws.

In 2008, the Legislature approved a 14-person, two-year pilot program to determine the cost-effectiveness of full time cost-recovery staff. The program cost \$2.4 million and recovered \$13.7 million the first year and \$14.6 million the second year. This proposal was made permanent in the 2010-11 budget including the conversion of 14 limited-term positions to permanent status and carryover of the operating budget.

**Staff Comments.** Staff agrees that the pilot program to increase civil cost recovery was successful in its first few years. Staff recommends continuation of the program. However staff have serious concerns with adding funding for (1) \$112,000 of leased office space and (2) \$96,000 for new emergency response vehicles.

First, in an era of austerity measures, the department should evaluate whether or not there is space in any of the current headquarters, or any of the 500 facilities statewide including 228 forest fire stations, 112 telecommunication sites, 39 conservation camps, 21 ranger unit headquarters or 16 administrative headquarters.

Second, it would not seem prudent to purchase permanent vehicles for temporary staff. The two-year limited term nature of the positions would leave the department at the end of the two years with \$96,000 of emergency vehicles that no longer have a purpose. The department should justify the long-term use of these vehicles before the Legislature agrees to the purchase.

**Recommendation:** (1) APPROVE \$1.5 million for 10 two-year limited term positions. (2) REJECT \$208,000 for lease space and vehicles.

**Vote:**

**9. Eliminate Funding for CalFIRE's Fourth Firefighter.**

**Background.** The Governor's budget proposes to eliminate funding for CalFIRE's 4<sup>th</sup> firefighter. The budget includes a reduction of \$3.6 million GF in 2010-11 and \$30.7 million GF in 2011-12 as a result of restoring CalFIRE's staffing levels to three firefighters per engine. Beginning in 2003, CalFIRE increased staffing levels from three to four firefighters per engine during peak fire season in the summer and early fall per Executive Order.

However, according to the administration, these additional staffing levels have not improved CalFIRE's initial attack effectiveness at containing wildfires to less than ten acres. Therefore, four person staffing levels are not cost-effective. This proposal will restore CalFIRE firefighter staffing back to its pre-2003 historic levels.

**Staff Comments.** Staff concurs with the administration's analysis of firefighter staffing.

**Recommendation:** APPROVE the proposal.

**Vote:**

## 3600 Department of Fish and Game

The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

**Governor's Budget.** The Governor's Budget includes \$401 million for support of the DFG, a reduction of \$86 million, or 21 percent, under current year expenditures. This reduction is primarily due to reduction in bond funded expenditures.

### *ITEMS PROPOSED FOR VOTE-ONLY*

- 1. BCP-4: Critical Radio Infrastructure and Equipment.** The Governor requests \$4.1 million (Fish and Game Preservation Fund) and conversion of one position to overhaul the department's radio communications to comply with federal regulations.
- 2. BCP-5: San Joaquin River Restoration.** The Governor requests \$3.8 million in reimbursements from the Resources Agency (Proposition 84 bond funds) to continue work on the San Joaquin River Settlement Agreement.
- 3. BCP-13: Hot Creek Hatchery.** The Governor requests \$158,000 from the Hatcheries and Inland Fisheries Fund (HIFF) to replace a supply pond cover at Hot Creek Hatchery in order to protect against invasive species.

### **Various Minor Capital Outlay Projects**

- 4. COBCP-6: Black Rock Hatchery—Feed Bins and Catwalk.** The Governor requests \$386,000 from HIFF to replace metal feed bins with higher capacity feed bins, a common staircase, and walkway.
- 5. COBCP-8: Grizzly Island Wildlife Area—Pond 11 Reservoir.** The Governor requests \$32,000 from the Proposition 99 funds (Tobacco Tax and Health Initiative) to make certain levee and pumping improvements.
- 6. COBCP-9: North Grasslands—Salt Slough Wildlife Area—Field 50 Wetland Enhancement.** The Governor requests \$15,000 from Proposition 99 funds to replace certain water control and pipeline features.

**7. COBCP-11: Mendota Wildlife Area—Water Conveyance Enhancement Pump #2.** The Governor requests \$76,000 from Proposition 99 funds to replace certain water control and pipeline features.

**8. COBCP-12: Shasta Valley Wildlife Area—Ten Field Water Conveyance Systems.** The Governor requests \$179,000 from Proposition 99 funds to construct certain pipeline and seasonal wetland features.

**9. COBCP-13: Los Banos Wildlife Area—Field 70/71 Pipe Line/Water Conversion.** The Governor requests \$118,000 from Proposition 99 funds to install certain water control features on a seasonal wetland.

**Staff Recommendation:** APPROVE Items 1-9.

**Vote:**

**ITEMS PROPOSED FOR DISCUSSION****10.BCP-11: Hatchery and Inland Fisheries Fund.**

**Background.** The Governor requests \$6.8 million (\$1.8 million on-going and \$5 million one-time per year in 2011-12 and 2012-13) from the Hatcheries and Inland Fisheries Fund (HIFF) ongoing to maximize fish production at the department's trout hatcheries pursuant to Chapter 689, Statutes of 2005 (AB 7, Cogdill). The one-time funding will be used to increase fish production, or to repair and replace equipment required for the production of hatchery fish. The ongoing funds will be used to produce and distribute fish for recreational angling.

The department has also requested funding under the normal capital outlay process for several specific projects referencing AB 7 as the statutory basis for the request.

**Staff Comments.** A number of issues have come up related to hatchery fish in the past year including the impact of hatchery fish on native fish, impacts of endangered species on fish stocking areas, and the impacts of hatcheries on water quality. While the committee may wish to continue to approve individual capital projects (such as those listed in vote-only), this proposal gives greater authority to the department to conduct multiple minor capital projects to increase hatchery production.

Staff recommends the subcommittee deny the proposal without prejudice in order for policy and budget staff to discuss the ongoing impacts of increased hatchery fish production. In addition, staff would prefer to review individual capital projects for the one-time funding that specify the locations and types of fish hatcheries that will be modified prior to a recommendation to approve the funding. Staff will also work to determine appropriate long-term uses of HIFF.

**Staff Recommendation:** DENY WITHOUT PREJUDICE. Request the department return in spring for an oversight hearing on AB 7 fish hatchery implementation and the Hatcheries and Inland Fisheries Fund.

**Vote:**

**Conforming Action—AB 7 Capital Projects**

In order to conform to the above recommendation on fish hatcheries, staff recommends a conforming action to deny these projects without prejudice pending a spring oversight hearing.

**11.COBCP-1: Darrah Springs Hatchery Low Head Oxygen System.** The Governor requests \$525,000 from Hatchery and Inland Fisheries Fund (HIFF) to increase hatchery water quality by increasing the level of dissolved oxygen in the fish-rearing areas in order to comply with Chapter 689, Statutes of 2009 (AB 7, Cogdill “AB 7”).

**12.COBCP-2: American River Hatchery—New Hatchery Building.** The Governor requests \$739,000 from HIFF to replace an incubation hatchery building in order to comply with trout production goals of AB 7.

**Staff Recommendation:** DENY WITHOUT PREJUDICE (Items 11-12). Request the department return in spring for an oversight hearing on AB 7 fish hatchery implementation.

**Vote:**

**13.COBCP-10: Ash Creek Wildlife Area—Elkins Well.**

**Background.** The Governor’s budget requests \$300,000 in Proposition 99 funding for the construction of the Elkins Well on the Ash Creek Wildlife Area. According to the department, the only source of water for these wetlands is surface water diverted from Ash Creek between April 1 and October 20, in accordance with adjudicated water rights. Diversion of surface water can be labor intensive and subject to water rights limitations. This project would install one deep well at the start of the water system. This would provide water supply for approximately 140 acres of managed wetlands, enhance an additional 100 acres of natural wetland and provide water for wetland management after October 20.

**Staff Comments.** According to the description of the Ash Creek Wildlife Area from the department’s website: “The 3,000 acres of natural wetlands are created by the seasonal flow of six streams. Ash Creek is one of the most remote, least improved, and most pristine of all of DFG's wildlife areas.”

Following a series of hearings as well as report by the Legislative Analyst’s Office, the Legislature passed legislation to require local monitoring of groundwater basins. This was in part to recognize the direct relationship between surface water and groundwater.

The department has not been able to determine if this groundwater basin is being managed consistent with current law, or if a plan is in place for groundwater management plans that are required starting January 2012.

The department also has determined that the pumping costs are equivalent to the cost of staff time currently required to manage the wetlands under current conditions. While the proposal is designed to better manage riparian and wetland habitat, it is silent on the impacts reducing groundwater resources will have on the connected surface water supplies. The subcommittee may wish to ask the department:

- (1) Whether it has considered the impacts on surface water from a groundwater well?
- (2) What local plans are to comply with groundwater monitoring legislation?
- (3) Why the department wishes to artificially increase wetlands in this remote area if this is considered a “pristine and least improved” wildlife area.

**Staff Recommendation:** DENY the proposal

**Vote:**

## 3790 Department of Parks and Recreation

The Department of Parks and Recreation (Parks) acquires, develops, and manages the natural, cultural, and recreational resources in the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state.

The state park system consists of 277 units, including 31 units administered by local and regional agencies. The system contains approximately 1.4 million acres, which includes 3,800 miles of trails, 300 miles of coastline, 800 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

**Governor's Budget.** The Governor's Budget includes \$682 million for Parks. This is a decrease of nearly 29 percent from current year due primarily to a decrease in bond fund expenditures. Of this amount, \$119 million is from the General Fund, a 2 percent decrease from current year estimates.

### *ITEM PROPOSED FOR VOTE-ONLY*

- 1. BCP-3: Cultural Stewardship Program: Proposition 12.** The Governor requests \$617,000 (Proposition 12) for projects to restore and protect cultural resources in State Parks including archaeology, planning surveys, and restoration. This represents the balance of funding allocated to this program from Proposition 12.
- 2. BCP-4: Natural Stewardship Program: Proposition 12.** The Governor requests \$21,000 (Proposition 12) for forest planting, exotic plant removal, and restoration within the State Park System. This represents the balance of funding allocated to this program from Proposition 12.
- 3. BCP-5: Reappropriation of Prop 84 Bond Funding for Deferred Maintenance.** The Governor requests reappropriation of two items from Proposition 84 for continued deferred maintenance projects. Items 3790-002-6051 (2007) and 3790-002-6051 (2008).
- 4. BCP-6: Off-Highway Motor Vehicle Recreation (OHMRV) Storm Water Compliance.** The Governor requests \$2.0 million (\$1.8 million one-time and \$200,000 ongoing) from the OHV Trust Fund to fund compliance efforts for storm water pollution management, planning, and compliance.
- 5. BCP-7: OHMVR—General Plans.** The Governor requests \$7.4 million (OHV Trust Fund) in 2011-12 and \$1.75 in 2012-13 for consulting contracts to initiate and/or update general plans and Environmental Impact Reports for State Vehicular Recreation Areas and OHV park areas.
- 6. BCP-8: OHMVR—Land Surveys and Acquisition Feasibility Studies.** The Governor requests \$1.2 million (OHV Trust Fund) to initiate and complete land surveys for State Vehicular Recreation Areas.

**Capital Outlay**

7. **COBCP S-101: Statewide Budget Development.** The Governor requests \$150,000 (Proposition 84) to fund initial capital outlay project development phases.
8. **COBCP D-112: Donner Memorial State Park—Enhance Museum Exhibits.** The Governor requests \$169,000 (Proposition 84) to build an enhanced interpretive exhibit at Donner Memorial State Park.
9. **COBCP OHV-3: Statewide Opportunity to Purchase Pre-Budget Schematics.** The Governor requests \$250,000 (OHV Trust Fund) for purchase of property, appraisals, and capital outlay project development costs near current State Vehicular Areas.
10. **COBCP OHV-2: Heber Dunes SVRA Initial Development.** The Governor requests \$5.3 million (OHV Trust Fund) for initial phase for administration, maintenance and recreational facilities.
11. **COBCP OHV-7: Carnegie State Vehicular Recreation Area Road Construction.** The Governor requests \$6.6 million (OHV Trust Fund) to reconstruct and rehabilitate unpaved roads to meet current law requirements.
12. **COBCP OHV-8: Hollister Hills Vehicular Recreation Area Infrastructure and Rehabilitation.** The Governor requests \$416,000 (OHV Trust Fund) to rehabilitate campgrounds including installation of water and electrical system upgrades.
13. **MSP-1: State Park System Minor Capital Outlay Program.** The Governor requests \$508,000 (Proposition 12) for minor rehabilitation of parks including rehabilitation of the Emerald Bay State Park Eagle Point campground.
14. **MRT-1: Statewide Recreation Trails (Minor).** The Governor requests \$380,000 (Proposition 84) to improve trails within various units of the State Park System.
15. **VEP-1: Volunteer Enhancement Program—Minor Projects.** The Governor requests \$638,000 (Proposition 84) for rehabilitation and construction of various volunteer facilities including for volunteer host sites within the State Park System.
16. **MOH-1: OHV Minor Capital Outlay Program.** The Governor requests \$9 million (OHV Trust Fund) to fund sixteen minor capital outlay projects at various State Vehicular Recreation Areas for enhancements and improvements and include park operations, public access, energy efficiency, and restoration (among others).

**Staff Recommendation:** APPROVE Items 1-16

**Vote:**

**DISCUSSION ITEMS****1. BCP-1: Empire Mine State Historic Park Erosion and Stormwater Measures.**

**Governor's 2011-12 Budget.** The Governor requests \$11.6 million (\$7.351 million State Park Recreation Fund; \$2.7 million Proposition 84; and \$1.5 million General Fund) to fund ongoing evaluation, analysis, and implementation of remedial alternatives at Empire Mine SHP.

**Background.** Empire Mine SHP is the site of one of the oldest, largest, deepest, longest, and richest gold mines in California. Closed in 1956, the mining operations left the land contaminated with various dangerous chemicals, including arsenic, cyanide, mercury, thallium, manganese, and iron. In order to create a park, the state purchased the mine property from Newmont Mining Corporation in 1974 and assumed all rights and responsibility to the title and interest and responsibility for the free flowing of water from the Magenta Drain tunnel running beneath. The park consists of 856 acres containing many of the mine's buildings and the entrance to 367 miles of abandoned and flooded mine shafts.

As the owner of the Empire Mine lands, Parks was sued for alleged violations of the Federal Clean Water Act. The lawsuit was settled on January 13, 2006, through a consent decree in federal court. The consent decree requires Parks to immediately implement corrective measures to mitigate the impacts from toxic soils and contaminated surface water discharges to the local watershed. The project is also under order by the Department of Toxic Substances Control (DTSC) and the Central Valley Regional Water Quality Board.

Beginning in FY 2005-06, the state began providing funding to determine the presence of contaminants at the mine, and each year since has funded corrective measures.

**Staff Comments.** The proposed request for funding, the sixth year in a multi-year plan, would respond to various regulatory orders issued both in court proceedings and by state regulatory agencies. The funding will also aid the department in its efforts to determine an appropriate mediated settlement amount with the original owner. Staff concurs that the work needs to continue to reach a settlement with the original owner, and that the state must comply with the cleanup and remediation orders.

The committee may wish to ask the department for an update on the remediation, the need to continue to use General Fund for this ongoing project, and an update on negotiations with the Responsible Parties for repayment of expenses.

**Recommendation:** APPROVE

**VOTE:**

**2. BCP-2: Vehicle Fleet Emissions Retrofit.**

**Governor's 2011-12 Budget.** The Governor requests a one-time \$1.8 million augmentation (State Park Recreation Fund) to continue addressing the air quality standards on older vehicles per Air Resources Board regulation.

**Background.** The Governor requests a one-time increase of \$1.8 million in funding from the State Park and Recreation Fund (SPRF) to continue addressing the air quality standards on older diesel vehicles as set forth by California Code of Regulations (CCR) Section 2022. These standards, developed by the California Air Resources Board, require the department to retrofit all of its on-road, heavy-duty, diesel-fueled vehicles that have engines which were manufactured between 1960 and 2006 by December 31, 2011.

**Staff Comments.** This request is consistent with previous actions in resources budgets of the same nature (Fish and Game, California Conservation Corps). The state is in the process of complying with regulations similar to the private sector. The State Park and Recreation Fund has a sufficient fund balance to support the funding on a one-time basis.

The committee may wish to ask the department if further funds will be needed over the coming years and if so, at what level.

**Recommendation:** APPROVE

**Vote:**

### 3. BCP-10: Budget Reduction Plan Fiscal year 2011-12 Through 2012-13.

**Governor's 2011-12 Budget.** The budget proposes to reduce Park's budget by \$11 million in 2011-12 and growing to \$22 million General Fund ongoing beginning in 2012-13. These reductions will be proportionately distributed between field units of the state park system and the State Parks headquarters' functions including administrative and managerial support functions.

**Background.** According to the department, a plan is being developed that would use a series of criteria to identify parks that would be subject to (1) partial closure, (2) full closure, or (3) operational changes. Certain parks may be proposed for caretaker status or shuttering completely.

In 2010-11, the department's General Fund budget was reduced by \$7 million (or 5 percent) on a one-time basis. The basis for this reduction was deferred maintenance rather than permanent layoffs and closures. This funding was restored in the Governor's proposed 2011-12 budget. Therefore, the *net decrease* in the budget year is \$4 million, or less than 3 percent in the budget year.

The department plans to develop a *single plan* that would reduce the General Fund by \$22 million ongoing. The reason the budget only shows a reduction of \$11 million in 2011-12 is acknowledgement that implementation of the plan will take more than one year, and that the savings of \$22 million is not achievable in a single year (due to layoff processes, shuttering activities and shifts in staffing and personnel).

While the proposed budget reduction targets \$22 million, the nature of the reductions (park closures) is such that revenues to the park system will likely also be reduced. This is because partial and full closures may reduce attendance at affected parks. However, there may also be offsetting revenues at other parks that gain in attendance.

**Staff Comments.** The Parks department has been the subject of numerous plans for reductions, funding shifts and other plans over recent years designed to match funding levels to the size of a parks system that is manageable by the state. In most cases, one-time cuts and deferred maintenance were approved rather than long-term reductions to the department's core operations (a down-sizing of the parks system).

The proposed reduction would constitute a total of just under a 20 percent decrease to General Fund expenditure authority for the system from Current Year expenditures. In perspective, the reduction to Program 10 (Support of the Department of Parks and Recreation), less any bond expenditures, is approximately 2 percent in the budget year. This takes into account all federal funding, reimbursements, and fees.

At the time this agenda was drafted, the department had not completed its final reduction plan; therefore, the subcommittee may not be able to take action on the specifics of the plan. The subcommittee may wish to ask the department how it plans to create the budget reduction plan, any offsetting activities that would increase other funding sources, and any specific proposals that the department can release.

The plan to permanently reduce the State Parks system, while difficult, is a reasonable alternative to annual one-time reductions. Due to the current budget crisis, staff recommends approving the General Fund reduction and requiring the department to submit its plan for reduction to the Legislature by February 15.

**Recommendation.** (1) APPROVE FUNDING PROPOSAL. (2) Require Department of Parks and Recreation to submit a closure plan to the legislature for approval by February 15. Defer discussion of details of the closure plan to spring.

**Vote:**