Senate Budget and Fiscal Review—Mark Leno, Chair

SUBCOMMITTEE NO. 2 Agenda

S. Joseph Simitian, Chair
Jean Fuller
Alan Lowenthal

PART A
May 25, 2011
9:30 am or On Call of the Chair
Room 112

Consultant: Catherine Freeman

Departments Proposed for Vote Only

3340 California Conservation Corps 2
3500 Department of Resources Recycling and Recovery 3
3540 Department of Forestry and Fire Protection 3
3940 State Water Resources Control Board 3
3960 Department of Toxic Substances Control 4
8570 California Department of Food and Agriculture 4

Departments Proposed for Discussion

Cal-EPA
0555 Secretary for Cal-EPA 5
3360 Energy Resource Conservation and Development Commission 7
8660 California Public Utilities Commission 11

Resources
Various Boards and Departments Proposed for Elimination 14
3480 Department of Conservation 16
3860 Department of Water Resources 17
3790 Department of Parks and Recreation 22

Resources—Environmental Protection—Energy—Transportation

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DEPARTMENTS PROPOSED FOR VOTE-ONLY

3340 California Conservation Corps

1. Delta Service Center Construction. The Governor requests re-appropriation of two items for the Delta Service District Center consistent with previous budget actions. Project delays have been due to the recent Pooled Money Investment Board suspension of interim financing loans. Project re-appropriations will be used for all phases of the capital project.

2. Tahoe Base Center Relocation. The Governor requests reappropriation of funds for a portion of the Tahoe Base Center Relocation. The requested funds would be used to comply with required permit compliance for design work through the construction phases of the capital project.

3. EnergySmart Jobs Program—ARRA Funded. The Governor requests a one-time $812,000 augmentation (reimbursements to the Collins Dugan Reimbursement Account) to fund the last year of services for energy-efficiency auditors through the EnergySmart Jobs Program.

4. California Energy Service Corps. The Governor requests a three-year augmentation to the Collins Dugan Reimbursement Account ($1.6 million per year) to fund resources necessary to accommodate an AmeriCorps grant recently awarded to the CCC by the federal Corporation for National and Community Service through California Volunteers to fulfill requests from partnering sponsor agencies. The AmeriCorps grant, and the partnering sponsor agencies, will reimburse the CCC for all costs to implement energy savings weatherization project work to be completed during the grant period.

5. Caltrans Transportation Enhancement Project Work. The Governor requests $881,000 in 2011-12 and $533,000 in 2012-13 (Collins Dugan Reimbursement Account) to fund the last two years of project work requested by Caltrans. Caltrans will reimburse CCC for all project expenses including for site preparation, installation (plants, seeds, mulch, irrigation), and plant establishment activities.

6. Statewide Trails Program. The Governor requests $105,000 (Collins Dugan Reimbursement Account) to fund related expenses of a partnership between CCC and the Department of Parks and Recreation to develop a pilot Statewide Trails Program. The program will be reimbursed by the Department of Parks and Recreation and will extend the project by two years.

3500 Department of Resources Recycling and Recovery

7. **Delay of General Fund Loan Repayments to the PET (Polyethylene Terephthalate) and Glass Processing Fee Accounts.** The Governor requests budget bill language to delay two loan repayments from the General Fund to the Glass ($39 million) and PET ($27 million) Processing Fee Accounts until fiscal year 2013-14. These are not impacted by a separate May Revision proposal to accelerate repayment of two loans to the Beverage Container Recycling Fund for about $173 million.

3540 Department of Forestry and Fire Protection

8. 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 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.

9. 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.

3940 State Water Resources Control Board

10. Open Issue: One-Time Augmentation for Underground Storage Tank Cleanup Fund. The Governor requests a one-time augmentation of $90 million in state operations, $13.2 million in local assistance authority from the School District Account, and $15.8 million from the Orphan Site Cleanup Fund. The Subcommittee denied this item without prejudice in order to review the proposal and recent program audit further.

3960 Department of Toxic Substances Control

11. Expedited Remedial Action—Payment for Cleanup of Orphan Share. The Governor requests $731,000 (Expedited Site Remediation Trust Fund) to reimburse Santa Cruz Metro for the orphan share associated with its remediation activities at the Greyhound Site in the City of Santa Cruz.

12. General Fund Reduction—Fund Shift to Illegal Drug Lab Cleanup Account. The Governor proposes a one-time reduction of $802,000 from the General Fund by shifting the illegal drug lab removals contract funding from the General Fund to the Illegal Drug Lab Cleanup Account. This is a one-time proposal. The administration proposes, in the budget year, to explore alternative revenue/funding sources that could provide stable funding for the removal of hazardous materials at clandestine drug labs in California.

8560 California Department of Food and Agriculture

13. California Animal Health and Food Safety Laboratory. The Governor requests authority to re-appropriate funds for the Tulare/Fresno lab consolidation and replacement which was delayed due to the need to develop a comprehensive operating and development agreement with partner agencies. The project is in the working drawings capital outlay phase.

14. Yermo Agriculture Inspection Station. The Governor requests authority to re-appropriate funds for acquisition, preliminary plans, working drawings and construction. The project was delayed by efforts to secure additional property rights from the federal Bureau of Land Management to support lease-revenue bond financing. Construction is expected to begin in 2011-12.

Staff Recommendation:

APPROVE ITEMS 1-14 as budgeted.

VOTE:

0555 Secretary for Cal-EPA

The Secretary for Cal-EPA is the cabinet level agency for the protection of human health and the environment. The Secretary coordinates the state's environmental regulatory programs and oversees programs to restore, protect, and enhance environmental quality. The Secretary directly oversees the Certified Unified Program Agencies, the California–Mexico border environmental efforts, and the Education and the Environment Initiative.

Items for Discussion

Positions at Cal-EPA

Background. The Secretary for Cal-EPA has 88 authorized positions funded from a number of special funds and the General Fund. Many of these positions were authorized by legislation, or are dedicated to specific programs that were shifted to the Secretary level. These include:

- 14 positions for the Certified Unified Program Agency coordination. The Unified Program consolidates, coordinates, and makes consistent the administrative requirements, permits, inspections, and enforcement activities of six environmental and emergency response programs.
- 13 positions for the Education and the Environment Initiative which was transferred to the Secretary in 2009 as part of the Integrated Waste Board and Department of Conservation recycling program consolidations.
- Six positions for the California-Mexico Border program.
- Eight positions for Climate Change and AB 32-related activities.
- 22 positions for a centralized unit within Cal-EPA to streamline mail, reproduction, shipping and receiving, and transportation for all Boards and Departments within Cal-EPA.
- 25 positions for the Secretary's office.

Staff Comments. It is unclear how many Deputy and Assistant Secretary level positions are authorized and filled at the Secretary's office. According to the Governor's budget, there are three authorized Assistant Secretaries and one Deputy Secretary. However, according to the Secretary's website, there are six Deputy Secretaries and five Assistant Secretaries. Some of these positions directly oversee statutory programs while others are related to energy, climate policy, or green business partnerships.

Recommendation. Staff recommends reducing the number of high-level executive staff at the agency that are not directly related to statutory programs. Staff recommends the following changes:

(1) Eliminate the positions of Deputy Secretary for Energy (this is duplicative of activities at the California Energy Commission and California Public Utilities Commission); Deputy Secretary Special Counsel for Green Business

Development and International Partnerships. Shift savings to Department of Toxic Substances Control for direct Green Chemistry activities.

(2) Eliminate six Climate Change positions. The Secretary for Cal-EPA does not have a statutory role in climate change coordination. Savings should be returned to fee payers in the form of rate reductions.

(3) Eliminate six positions for the California-Mexico Border Program. The program accomplished many of its goals before statutory authority was conferred to the program in 2006, and has been less active in recent years. The elimination of these positions will require the Secretary to absorb future border discussions into daily activities. Savings should be returned directly to enforcement activities at Cal-EPA agencies and to the General Fund ($375,000).

(4) The Secretary shall, in coordination with the Department of Finance, identify positions that can be distributed to the boards and departments at Cal-EPA in the 2012-13 budgets to reduce the program scope of the Secretary's office (budget bill language).

Summary Recommendation. Adopt Staff Recommendation to reduce 14 positions at the Secretary's office. Savings would be mostly returned to fee payers or to direct enforcement and program activities at Cal-EPA departments.

Vote:

3360 California Energy Commission (Energy Resources Conservation and Development Commission)

The Energy Resources Conservation and Development Commission (commonly referred to as the California Energy Commission or CEC) is responsible for forecasting energy supply and demand; developing and implementing energy conservation measures; conducting energy-related research and development programs; and siting major power plants.

Governor's Budget. The Governor's Budget includes $386.2 million (no GF) for support of the CEC, a decrease of approximately $196 million, due primarily to decreases in special funds that have a two-year encumbrance period.

Vote-Only Item

1. Continuing Implementation of the Solar Homes Initiative. The Governor requests to continue two expiring limited-term positions to June 30, 2013, to continue implementation of the California Solar Initiative program mandated by Chapter 132, Statutes of 2006 (SB 1, Murray). SB 1 mandated the development and implementation of this program to dramatically expand the number of energy efficient, solar powered buildings in California.

Recommendation. APPROVE Item 1

Vote:

Energy Resources Program Account

Background: The Legislature, in SB 69, denied $8.4 million in Energy Resources Program Account (ERPA) funds due to a dispute over why the underlying surcharge was raised after previous year discussions regarding funding for pending legislation. The subcommittee required the CEC to return in spring hearings with an explanation and discussion of the fund condition of ERPA, programs funded by the surcharge, and impacts of the surcharge increase on ratepayers.

Staff Comments: CEC was able to describe program activities related to the ERPA; however it is unclear how the commission prioritizes this fund as well as the Renewable Resources Trust Fund given the pending sunset of the Public Goods Charge. When consulted for legislation, the commission has said it is able to absorb workload; however, it is not clear when, and if, rate increases will be needed, nor if the Commission has a plan for the potential elimination of public goods charge funding.

Recommendation. Staff recommends allocating $400,000 to a Joint Legislative Audit Committee programmatic audit to determine how the Commission sets funding priorities based on statute, if duplication exists between programs, and how the commission adjusts revenue streams to statutory requirements (staff will work with the Auditor for precise language). Staff recommends holding open the remaining $8 million for further review.

Summary Recommendation. Allocate $400,000 for a programmatic audit. Hold Open $8.0 million Energy Resources Program Account expenditure authority.

Vote:

Conversion of Four Existing Positions from ERPA to AB 32 Fee

Background. The Governor requests 4.0 existing permanent positions with responsibilities mandated by Assembly Bill 32 to be converted to the AB 32 Fee funding source. The Energy Commission received these positions in 2007 for work directly related to reduction of greenhouse gas emissions.

Staff Comments. The Energy Commission's role in AB 32 is not authorized in Statute as it does not regulate greenhouse gas emissions. According to the Zero-Based AB 32 budget, CEC uses these positions to:

(1) Develop and implement the low carbon fuel standard regulation (1 position)
(2) Develop and implement a Renewable Energy Standard (1 position)
(3) Support energy sector measures (1 position)
(4) Support SB 375 measures (1 position)

The California Public Utilities Commission (CPUC) also has similar positions for work related to the Investor Owned Utilities. However, because they too do not have a role authorized in statute, any work they conduct is justified with other statutory requirements and absorbed into their current ratepayer structure.

The AB 32 fee is likely to be collected from similar entities as are currently funding both the CPUC and the CEC. Therefore, shifting the fee from one entity to another makes no material change to the fee payer, but may add a layer of bureaucracy as the fee is collected by the ARB and then transferred to the CEC. The Legislature and Governor are currently reviewing the AB 32 Zero-Based Budget report and may have further recommendations in the coming year, across multiple boards and departments.

Recommendation. DENY funding shift. Shift positions to Renewable Portfolio Standard activity (next item).

Implementation of California's Renewables Portfolio Standard

Background: Chapter 1, Statutes of 2011 (SBx1 2, Simitian) requires California energy providers to buy 33 percent of their energy from clean, renewable energy sources by 2020. The statute provides a clear directive for private and public utilities to reach 33 percent renewable energy use, and provides the flexibility necessary to acquire that energy in the coming decade.

Previous law required that investor-owned utilities procure 20 percent of their renewable resources by December 31st of 2010. Previous law also, however, "capped" the amount of renewable energy that the Public Utilities Commission could order a utility to buy or build at 20 percent. The new law requires utilities to acquire at least 33 percent of their energy resources from renewable resources by 2020 and extends this to publicly owned utilities.

Governor's Proposal. The Governor requests five permanent positions and $100,000 in one-time contract funds to conduct the work mandated by the new RPS standard to be funded by the Renewable Resources Trust Fund (RRTF). The RRTF receives funds both from surplus investments as well as a public goods charge on utility ratepayers. This public goods charge sunsets in January 2012. The Governor's budget also proposes to repay the RRTF about $64 million from the General Fund for previous year loans.

Staff Comments: Staff concurs with the need for positions related to this new statutory mandate. However, it is not clear whether new positions are needed, nor if the proposed funding sources will continue beyond the budget year. In addition, it is clear that the CEC has positions that are being utilized for activities for which it does not have statutory requirements (previous item), that could be shifted to these new mandates.

Recommendation.

(1) SHIFT 4 positions from AB 32 activities to this request from the Renewable Resources Trust Fund.
(2) APPROVE 1 additional new position and one-time contract funds.
(3) Require the CEC to return in January 2012 with a proposal for long-term funding for these positions in supplemental reporting language.

Vote:

8660 California Public Utilities Commission

The California Public Utilities Commission (PUC) is responsible for the regulation of privately owned "public utilities," such as gas, electric, telephone, and railroad corporations, as well as certain video providers and passenger and household goods carriers. The PUC's primary objective is to ensure adequate facilities and services for the public at equitable and reasonable rates. The PUC also promotes energy conservation through its various regulatory decisions.

Governor's Budget. The Governor's Budget proposes $1.4 billion to support the PUC in the budget year. This is approximately $170 million more than estimated expenditures in the current year. This is due to a large increase in the Universal Lifeline Telephone Service Trust Administrative Committee Fund, a special fund. The commission does not receive any General Fund support.

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Previous law required that investor-owned utilities procure 20 percent of their renewable resources by December 31st of 2010. Previous law also, however, "capped" the amount of renewable energy that the Public Utilities Commission could order a utility to buy or build at 20 percent. The new law requires utilities to acquire at least 33 percent of their energy resources from renewable resources by 2020 and extends this to publicly owned utilities.

Governor's Proposal. The Governor requests 10 positions and $2.1 million (Public Utilities Reimbursement Account), including $1 million in consulting services for the Renewable Portfolio Standard (RPS) program evaluation and technical assistance to fulfill mandates created by the new law. This includes a new Governor's initiative for a Clean Energy Jobs Plan which includes a commitment to increase the quantity of renewable distributed generation in California by 12,000 Mw of localized renewable energy.

Staff Comments. It is not clear that the PUC direction is consistent with the Legislature's intent for how the PUC should implement the 33 percent RPS statute. Further, the request includes a new initiative that has not been vetted in the policy committees for 12,000 Mw of distributed generation. The commission should pursue this new initiative through the policy arena.

The commission agreed in the prehearing to meet with Legislative staff prior to initiating any new program activities to ensure their actions mirror legislative intent.

Recommendation: Approve 9 positions. Deny one position for 12,000 Mw distributed generation work.

Vote:

Public Safety Risk Assessment and Analysis Unit

Background: The Legislature, in SB 69, approved 4 positions to improve the safety of natural gas distribution systems in California. This was in response to the September 9, 2010 pipeline failure in San Bruno as well as new regulations enacted by the Federal Department of Transportation, Pipeline, and Hazardous Material Safety Administration.

Governor's May Revision Proposal. The 4 positions and $1.0 million (PUC Utilities Reimbursement Account) are requested to develop, implement, and maintain a risk analysis-based public safety program to review and identify public safety risks posed by investor-owned gas and electric utilities, to reduce the likelihood of high consequence failures by utilities, and to proactively impose remedies to optimize the safety functions at the PUC. The proposal includes $500,000 in consulting services to jumpstart the public safety program and address immediate safety concerns.

Staff Comments. Both the policy and budget committees have been concerned about staffing levels in the Consumer Product and Safety Division (CPSD). In multiple hearings, the PUC has been asked what the adequate level of staffing for that division should be. In workload analysis submitted with budget proposals, staffing is considered unsatisfactory in many cases.

In a letter from the Senate Energy, Utilities and Communications committee to the PUC dated May 19, 2011, the commission was asked to report to this subcommittee with their assessment of personnel and funding needed for this critical division including, but not limited to, the auditors and investigators necessary to fulfill consumer protection responsibilities at a much more adequate level.

The current May Revision request does not increase auditors nor inspectors in CPSD. While the proposal for a risk-assessment unit has merit, the PUC should be prepared to respond to the letter from the Senate with its workload assessment.

Recommendation:

Vote:

Elimination of Boards, Commissions, Task Forces, and Offices

Background. The Governor's May Revision proposes to eliminate and/or consolidate several boards, commissions, task forces and offices across state government. These include the Colorado River Board, Salton Sea Council, State Mining and Geology Board, and nine advisory committees and review panels at the Department of Fish and Game. These include: (1) the Commercial Salmon Fishing Review Board, (2) the Commercial Sea Urchin Advisory Committee, (3) the Dungeness Crab Review Panel, (4) the Recreational Abalone Advisory Committee, (5) the California Advisory Committee on Salmon and Steelhead Trout, (6) the State Interagency Oil Spill Committee Review Subcommittee, (7) the State Interagency Oil Spill Committee, (8) the Striped Bass Advisory Committee, and (9) the Abalone Advisory Committee.

Staff Comments. For the most part, staff concurs with the elimination and consolidation of defunct, duplicative, or unnecessary boards and advisory committees. However, questions have been raised about two eliminations as follows.

- **Salton Sea Council.** Chapter 303, Statutes of 20110 created the Salton Sea Restoration Council as a separate department under the Natural Resources Agency. Though this statute was recently passed, the administration now believes that it is inefficient to create a new department for a limited time with only one employee. Furthermore, the administration believes it would be premature to develop preferred alternatives until a viable funding plan is created (given that proposals for restoring the Salton Sea range from hundreds of millions to over $9 billion).

- **Colorado River Board.** The Colorado River Board is responsible for developing a plan for using Colorado River Water. The board is comprised of a board of Southern California water users that receive water under California's Colorado River water rights. The board is fully funded by reimbursements from these water users.

Staff concurs with the elimination of the Salton Sea Council; however, the subcommittee may wish to ask the administration how they plan to prioritize funding, provide needed public input to the restoration, and provide the public and Legislature with a single point of contact for Salton Sea Restoration decisions.

Staff does have concerns with the elimination of the Colorado River Board (CRB) as a state agency. The Colorado River Board not only develops a plan for using Colorado River water, it also represents the state on numerous multi-state working groups and is the state's point of contact for allocation of the state's 4.4 million acre feet of water rights on the Colorado River. According to the board in its representation to the federal

Department of Interior, the CRB is "the State agency charged with safeguarding and protecting the rights and interests of the State, its agencies and citizens, in the water and power resources of the seven-state Colorado River System."

Staff has concerns that without the Board in place, the state may be forced to utilize a separate state agency to represent the state before the Department of Interior and in negotiations with the other seven states in the Colorado River System. The likeliest state agency would be the State Water Resources Control Board since it is charged with administering water rights in the state. This would put additional burdens on the board and the existing water rights fee payers.

The LAO has recommendations on both the Salton Sea Council and the Colorado River Board elimination proposals.

Recommendation. No action is necessary, however, the subcommittee may recommend action to the Full Budget Committee or Subcommittee #4 as it deliberates the many entities proposed for elimination.

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.

Item for Discussion

Oil and Gas Permitting and Enforcement Staff Augmentation

May Revision Proposal. The Governor requests 36 position and $4.7 million (Oil, Gas, and Geothermal Administrative Fund) to enhance the onshore and offshore regulatory programs of the Division of Oil, Gas and Geothermal Resources (DOGGR) to improve environmental compliance, underground injection control, and construction site review.

Previous Budget Actions. The subcommittee previously heard this department on February 3 and denied a related proposal without prejudice in SB 69 to get a better understanding of the division's needs. The subcommittee then heard testimony from the department on May 5 regarding their restructuring effort following an augmentation of $3.2 million and 17 permanent positions within the Underground Injection Control and Enhanced Oil Recovery Program.

Staff Comments. This is the second year in a row that the department has come forward with a major proposal for positions, restructuring, permitting, and new regulatory activities during May Revision. In appearances before the subcommittee, the department did not discuss a need for further positions beyond the original 17 allocated to the division in 2011. The department also reported on May 5 to this subcommittee that they had just recently completed the process to fill the 17 positions and could begin to address the backlog of permits associated with those positions.

Staff has concerns with the manner in which the department has submitted these proposals and the lack of adequate time for legislative review of these major proposals. There are numerous potential implications of this expansion, including the impact on permitted entities, local governments, environmental compliance, and any further requirements this division may need in the budget and policy context.

The LAO has recommended denying the proposal.

Recommendation. Deny Proposal

Vote:

3860 Department of Water Resources

The Department of Water Resources (DWR) protects and manages California's water resources. In this capacity, the department maintains the State Water Resources Development System, including the State Water Project (SWP). The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and water projects. Historically, the department was also a major implementing agency for the CALFED Bay-Delta Program, tasked with putting in place a long-term solution to water supply reliability, water quality, flood control, and fish and wildlife problems in the San Francisco Bay Delta. As noted above, that program was abolished with SBx7 1, and CALFED responsibilities were transferred to new entities, including the Delta Stewardship Council.

Items Proposed for Vote-Only

1. General Fund Reduction—Proposition 1E Fund Shift. The Governor requests to shift $16 million from the General Fund to Proposition 1E bond funds for levee maintenance, Delta levees, and floodplain mapping activities in order to address the remaining budget shortfall.

2. Conforming Action—Davis-Dolwig Reporting. The subcommittee on May 12 heard the issue of the Davis-Dolwig Cost Allocation Study. The subcommittee held open the LAO recommended reporting language to better conform the timing of the due dates. The recommended language shifts the completion of the alternative LAO proposed study to December 31, 2011, and requires the working group to meet both before, to set the parameters of the study, and after, to move forward under a common understanding of available reform options as developed by the study's authors. The working group would be required to develop recommendations by April 1, 2012. The following language is proposed:

> "The Secretary of Natural Resources shall convene a working group consisting of the Department of Water Resources, key legislative staff, Department of Finance, the Secretary for Natural Resources staff, LAO, and the State Water Contractors to determine a long-term viable solution that addresses concerns laid out in the LAO's March 19, 2009 report on Funding Recreation in the State Water Project. In its review, the working group may seek an independent third-party legal review of the Davis-Dolwig cost-allocation issues relating to the State Water Project within appropriate Department of Water Resources funding sources, if necessary, to determine, at a minimum: (1) what legal constraints, if any, exist to proscribe the California Legislature's ability to revise the Davis-Dolwig statute, with specific attention to the contracts signed by the department with the SWP contractors and to the SWP bond covenants; (2) whether such legal constraints conflict with the Legislature's authority to make laws and to set its expenditure priorities through its constitutionally granted authority to make appropriations; (3) how any such legal conflicts can be reconciled; and (4) what options exist to resolve the issues. For any contract entered into for this purpose, the Department of Water Resources shall submit the task order for the contract to the working group for its review and concurrence in the tasks and the working group shall meet with the independent third-party before its review begins, to set the parameters of the study, and after, to move forward under a common understanding of available reform options as developed

by study's authors.. The contractor shall work in periodic consultation with the working group when performing its analysis. The department shall submit this analysis to the budget committees, and relevant policy committees of both houses of the Legislature, no later than December 31, 2012.

The group shall meet a minimum of three times between July 1, 2011 and April 1, 2012. The department shall provide a report, in person, to the subcommittee in 2012 budget hearings on the working group's proposals for long-term solutions for funding recreation in the State Water Project."

Recommendation. APPROVE Items 1-2

Vote:

Fund Shift—Watermaster Fees

Background. The department provides Watermaster services in both Northern and Southern California. The Northern Region Office provides Watermaster service on certain streams that have court adjudication and agreements. The Southern Region Office provides Watermaster service to several major groundwater basins. In areas where DWR is not the Watermaster, fees pay 100 percent of the Watermaster services from the water rights holders and adjudicated parties.

In 2004, statute was created to eliminate General Fund support and require water right holders to pay all costs associated with the program. Program billing rates have not reflected this statutory requirement and remained nearly constant for between 12 and 20 years prior to the law change. After 2004, General Fund was appropriated to cover increases in fees even though the water code states that 100 percent of the cost of the program should be paid by the water rights holders.

Governor's May Revision Proposal. The Governor proposes to shift $1.2 million from the General Fund to reimbursements to address the General Fund shortfall. This would allow the department to fully comply with existing law (Chapter 230, Statutes of 2004) which requires water right holders to pay all costs associated with the program. This is consistent with other Watermaster programs in the state.

Staff Comments. Staff recommends approval of the project. There is a clear nexus between the work of the water master and the fee payer. This would bring DWR's Watermaster program into compliance with the law and make it comparable to other Watermaster programs in the state.

Recommendation. APPROVE as budgeted.

Vote:

General Fund Reduction—Control Section

Governor's May Revision Proposal. The Governor's May Revision proposes a decrease of $1.8 million in 2011-12 for water data collection, support for the Central Valley Flood Board, and flood control activities. The department's overall General Fund would remain at $64 million.

The reduction is proposed to be taken as follows:

- $443,000 – California Water Plan
- $557,000 – North Delta Program
- $350,000 – Flood Management
- $420,000 – Central Valley Flood Protection Board

Staff Comments. The department proposes to spread out the reductions over various program areas. In most cases, the General Fund reduction is much less than the overall program budget. For example, the California Water Plan has about $10 million of bond funds available for use.

The department may wish to comment on how it came up with its prioritization of activities proposed for reduction.

Recommendation. No Action—this item will be taken up in Subcommittee #4.

Mercury and Methylmercury Monitoring and Control Studies

Governor's Proposal. The Governor's budget requests four full-time positions at an estimated cost of $900,000 (State Water Project off-budget funds) for collaborative studies and laboratory and statistical analysis for implementation of the newly adopted regulations from the Central Valley Regional Water Quality Control Board ("regional board"). These positions will allow for dedicated staff to plan and implement the required studies, to participate in a required adaptive management approach, and will provide funds to enable internal department coordination as well as collaboration with other mercury researchers and land and water managers.

Background. In April 2010, the regional board adopted a Total Maximum Daily Load (TMDL) and Basin Plan Amendment for mercury and methylmercury in the Sacramento-San Joaquin Delta Estuary (including the Yolo bypass and Cache Creek Settling Basin). These regulations will become effective after US EPA approval in 2011. The regulations address both point (specific location) and nonpoint (unspecified location) sources. The regional water board held the State Water Project solely liable and responsible for implementation of this aspect of the regulation.

Staff Comments. This subcommittee heard this issue and denied the proposal without prejudice based on concerns that the appropriate entities were not sharing the cost of the regulatory compliance. The regional water board and the administration had made the argument that the State Water Contractors were fully funding the compliance because they had funds available.

Staff agrees that the State Water Project should pay a portion of this monitoring and control as it is a primary user of Delta water. This is consistent with several environmental restoration efforts the State Water Project is undertaking that would impact how much mercury and methylmercury is released into delta waters. However, it would be appropriate for the State to also fund a portion of the compliance effort. At this time, one option would be a 2-year appropriation of Environmental License Plate Fund in the amount of $300,000 per year to offset the State Water Project funded proposal.

Recommendation: APPROVE proposal for positions. Approve $300,000 per year for two years from the Environmental License Plate Fund for the state-share of this regulatory compliance.

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. Proposition 99 Funding. The Governor proposes an increase of $98,000 from the Proposition 99 fund to provide additional support to the state park system. There are sufficient funds to support this requested augmentation because of an increase in projected revenue.

Recommendation: APPROVE Item 1

Vote:

Public Safety Technology Modernization Project Reappropriation

Governor's Proposal. The Governor's budget requests $4.5 million (State Parks and Recreation Fund), a re-appropriation of $1.6 million (Off-Highway Motor Vehicle Recreation Funds), and a reversion of $4.5 million General Fund for a Computer Aided Dispatch (CAD) system. This proposal supports a new phased Special Project Request. The dispatch system supports both the State Parks Rangers and Fish and Game Wardens.

Background. In March 2007, a Feasibility Study Report was approved which identified technology needs and a business case to modernize the dispatching system, Records Management System, and provide mobile access to data systems for Peace Officers in the Field. The selected vendor was not able to meet the terms of the contract delaying the project.

A Special Project Request was submitted to the California Technology Agency in January 2011 supporting a new phased approach to this project, to focus on the dispatch system first, thereby decreasing the significant business risk associated with potential failure of the current system.

Staff Comments. Staff have a number of concerns with the proposal. First, the proposal is based on a Special Project Request that has not been submitted to the Legislature for review. Based on commentary in the budget proposal, it seems likely that the project scope and approach has changed; therefore, funding priorities and needs may have changed as well.

Second, it is unclear why State Parks is paying for 100 percent of the capital cost of the dispatch program. Department of Fish and Game (DFG) also benefits from the dispatch system and pays ongoing reimbursements to the Department of Parks and Recreation (DPR) for ongoing costs. Though DFG funds have a structural imbalance, the same could be said for the department given the recent park reduction proposals.

The LAO has a recommendation to deny the proposal but approve the proposed General Fund reversion.

Recommendation: DENY Proposal. Approve proposed General Fund reversion.

Vote:

Parks Reduction List—Proposals for New Revenue

Background. The Governor released the list of parks that are proposed to be closed in compliance with SB 69 and AB 95, the budget bill and resources trailer bill passed earlier this year. The list includes 70 parks ranging from the North State to the Salton Sea. The department also submitted to the subcommittee a detailed spreadsheet enumerating the costs of each park on the list, revenue streams, capital outlay issues, maintenance costs and closure complexities.

Staff Comments. The Legislature is considering various statutory efforts to provide alternatives to full closure of the parks on the elimination list. Some proposals include increasing the number of nonprofits, local agencies, or other partners who might manage and run a state park in lieu of the state itself. Others include allowing more creative fee collections at the park.

The department has broad authority to adjust its fee schedules to meet budget requirements. Until recently, the department was not receptive to options to changing how fees are collected within the parks system, particularly where there are no entrance fees to a park (there may be parking fees, but most people just park outside the park and walk in without paying).

According to the department, it is too hard to collect entrance fees in most locations. However, those who have visited parks on the list (including Castle Rock and Austin Creek) have found that simple signage noticing the public that an entrance fee is due, with an appropriate "iron ranger" collection facility, would allow the department to collect fees from people even if they park on the roadside and walk into the park (through the paid parking lot). In most cases, a collection facility already exists for the parking lot, with appropriate receipt collection facilities as well. The department also has the civil authority to fine individuals who do not pay.

Staff recommends the department institute a change to its fee structure, to allow park entrance fees as well as phased in civil penalties to correspond with failure to pay parking fees.

The department may wish to comment on other proposals it is now working on to mitigate park closures.

Recommendation. APPROVE $750,000 (State Parks and Recreation Fund) to institute park entrance fees (including "iron rangers" and appropriate signage).

Vote: