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

S. Joseph Simitian, Chair
Jean Fuller
Alan Lowenthal

Agenda--PART A
Thursday, May 5, 2011
9:30 am or upon adjournment of session
Hearing Room 4203

Consultant: Catherine Freeman

Departments Proposed for Vote-Only

Item	Department	Page
3720	Coastal Commission	2
3810	Santa Monica Mountains Conservancy	2
3825	San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	2
3835	Baldwin Hills Conservancy	2
3850	Coachella Valley Mountains Conservancy	3
3875	Sacramento-San Joaquin Delta Conservancy	3

Departments Proposed for Discussion

Item	Department	Page
0540	Secretary for Natural Resources	4
3110	Special Resources Programs (Tahoe Regional Planning Agency)	6
3125	California Tahoe Conservancy	6
3480	Department of Conservation	9
3600	Department of Fish and Game	12
3640	Wildlife Conservation Board	20
3760	State Coastal Conservancy	23
3790	Department of Parks and Recreation	25

Resources—Environmental Protection—Energy—Transportation

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 916-324-9335. Requests should be made one week in advance whenever possible.

DEPARTMENTS PROPOSED FOR VOTE-ONLY

3720 California Coastal Commission

1. FL-1: Coastal Data Management System Upgrade. The Governor requests a one-time augmentation of $1.1 million (special funds and federal funds) to be available over two years for purchase, installation, and implementation of a commercial (off the shelf) integrated database system and related upgraded database software, licensing, and hardware to meet the goals of the Coastal Commission's data base modernization project.

3810 Santa Monica Mountains Conservancy

2. FL-1: Technical Change—Proposition 50. The governor requests to revert $105,297 Proposition 50 funds. Proposition 50 allocated $18 million to the conservancy for projects related to the Los Angeles River watershed. The Governor's budget proposed to re-appropriate the balance of Proposition 50 funds from a 2006 appropriation. However, previous budget acts inadvertently over-appropriated the Proposition 50 bond allocation to the conservancy so the reversion is necessary to provide a corrected appropriation.

3825 San Gabriel and Lower LA Rivers and Mountains Conservancy

3. FL-1: Proposition 50 Capital Outlay and Grants. The Governor requests $705,000 for new acquisition and improvement projects consistent with the adopted work plan and open space plans. These include mainly grant funding for Coyote Creek Regional Trail Improvements, Encanto Park Bioswale, and Legg Lake Fishing Pier.

4. FL-2: Re-appropriation of Proposition 50, Capital Outlay and Grants. Reappropriation of $605,000 for currently authorized and approved improvement projects including Puente Creek Nature Education Center (City of La Puente) and San Gabriel River Enhancement Development Project (City of Seal Beach).

3835 Baldwin Hills Conservancy

5. FL-1: Re-Appropriation of Propositions 40 and 84. The Governor requests budget bill language to re-appropriate Proposition 40 and Proposition 84 bond funds due to delays in state bond sales. The proposed re-appropriation will allow approximately $6.3 million of bond funds to be used to acquire priority acquisition consistent with the Baldwin Hills Park Master Plan.

3850 Coachella Valley Mountains Conservancy

6. FL-1: Proposition 84 Reversion. The Governor requests a correction to revert approximately $40,000 from previous budget acts. This request is a necessary technical adjustment to ensure that the bond funds are not over-subscribed.

3875 Sacramento-San Joaquin Delta Conservancy

7. FL-1: Delta Operational Support. The Governor requests $165,000 from the Environmental License Plate fund for technical consultation to complete the required Delta Conservancy strategic plan and to enable the conservancy to relocate within the legal Delta.

Staff Recommendation: APPROVE ITEMS 1-7.

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 January Budget includes $62.8 million to support the Secretary for Natural Resources. This is an 85 percent decrease under current year estimated expenditures primarily due to reduced bond fund expenditures.

Items Proposed for Vote-Only

1. FL-1: Statewide Bond Oversight, Re-Appropriations, Extensions and Reversions. The Governor requests minor increases for statewide oversight of bond expenditures at the Secretary level; an extension of liquidation for the River Parkway project due mainly to the 2008 bond freeze; and a reversion of $7.4 million (unused funds) from Proposition 84 from the San Joaquin River Restoration program.

2. FL-2: Coastal Impact Assistance Program. The Governor requests federal funding authority for $3.5 million to enable the Agency to receive federal funds for the Coastal Impact Assistance Program (CIAP). The federally approved state CIAP plan includes 25 projects totaling $26 million. The balance of California's CIAP allocation, $9 million, will be allocated through the remainder of 2010-11 and 2011-12.

Staff Recommendation: Approve Items 1-2.

Vote:

Items Proposed for Discussion

3. Budget Bill Language—Capital Outlay for State Conservancies

Background. Included within the budget bill for state conservancies and the Wildlife Conservation Board under the Secretary for Natural Resources is provisional language to change the manner in which state conservancies report to control agencies (Department of Finance and others) their expenditures for Capital Outlay and state operations. Generally the language is thus:

> Provisions:
> *The ___ Conservancy may encumber funds for either capital outlay or local assistance grants until June 30, 2014. The term capital outlay as used in conjunction with this appropriation means the acquisition, design, or construction of improvements on land owned, or leased, by the state.*

According to the administration, the purpose of this clarification is "truth in budgeting" and to provide guidelines for the conservancies to separate local assistance expenditure from capital outlay funding consistent with the state administrative manual (SAM Manual). The language is intended in part to separate local assistance (mainly grants) from direct expenditures by the state.

A pilot project with the Wildlife Conservation Board was implemented and the board has been able to comply with the new language though this agency's mission is more narrow than most conservancies. All conservancies were contacted in September 2010 to alert them to the new language. According to the Department of Finance, there have been no issues raised by state conservancies about the language.

Staff Comments. A number of issues have been raised about the intent and practical application of the language. The language would seem to over-ride provisions of Proposition 84, a voter-approved initiative. While due diligence and truth in budgeting are necessary, the administration should be able to accomplish these tasks without restricting unnecessarily the use of bond funds (as the budget bill language does).

The committee may wish to ask:

1. What is the intent of the language?
2. How will conservancies handle educational, interpretive, and support activities that are allowed by voter-approved bonds but restricted by this language?
3. Have any state conservancies raised issues with the language?

Recommendation. REMOVE BBL PROVISIONS from appropriations at all affected agencies and conservancies.

VOTE:

3110 Tahoe Regional Planning Agency
3125 California Tahoe Conservancy

Joint Issue—Lake Tahoe Environmental Improvement Program and Land Use Planning in the Tahoe Basin

Background. The Tahoe Environmental Improvement Program (EIP), a collaboration of over 50 state, federal, academic, local, and private interests, is a capital improvement program designed to achieve environmental standards in the Lake Tahoe basin. Program implementation began in 1997. Over a 20-year period, the program is estimated to cost approximately $1.5 billion.

The Lake Tahoe region has experienced environmental degradation for the past 100 years, most notably in the lake's water clarity and the health of the basin's forest lands. The lake's water clarity—which reflects water quality—has become the primary measure of the basin's environmental health.

To counter this degradation, the Tahoe Environmental Improvement Program (EIP) was established in 1997. The Tahoe EIP is a 20-year capital improvement program involving multiple state, federal, local, academic, and private entities. In 1997, the state signed memoranda of agreement with the federal government, Nevada, the Washoe Tribe, and the Tahoe Regional Planning Agency (TRPA) committing to implement and fund the Tahoe EIP. Over 50 entities are involved in implementing the program including the primary state agencies—the California Tahoe Conservancy and the Tahoe Regional Planning Agency (TRPA), a joint regional planning agency co-funded by the State of Nevada.

Staff Comments. Both the Conservancy and TRPA have met with staff to discuss their accomplishments regarding their efforts to meet environmental thresholds defined in the regional plan. They also discussed current efforts to increase water quality and anticipated work required to meet the forthcoming Total Maximum Daily Load. Staff had questions about their efforts to coordinate with other state agencies, adopt a regional plan update that meets environmental thresholds, and their efforts to approve developments that meet threshold criteria.

The committee may wish to ask both state agencies to:

- Update the subcommittee on bi-state issues including Nevada state legislation regarding TRPA and the recently approved total maximum daily load requirements.
- Summarize what the conservancy and TRPA are doing to meet environmental thresholds and water quality objectives in the basin.
- Provide an anticipated timeline for adoption of the next version of the regional plan.

Recommendation. (Individual budget proposals follow in a separate item.)
Adopt Supplemental Reporting Language and Budget Bill Language as follows to ensure the highest level of cooperation among state agencies in the Tahoe Basin, to ensure adequate reporting on planning efforts to meet environmental thresholds, and to report on progress made with the Environmental Improvement Program.

Adopt Supplemental Reporting Language and Budget Bill Language

Adopt Budget Bill Language—3110 Tahoe Regional Planning Agency

a. TRPA shall, by September 1, 2011, adopt a strategy for a Regional Plan Update that, to the maximum extent practicable, provides for attainment of the environmental thresholds. The strategy shall be submitted to the California Joint Legislative Budget Committee.

Adopt Supplemental Reporting Language—3110 Tahoe Regional Planning Agency

b. TRPA shall, by December 31, 2011, in coordination with the California Natural Resources Agency and the Nevada Department of Conservation and Natural Resources, report on its progress in developing and adopting a five-year evaluation report, including peer review coordinated by the Tahoe Science Consortium, on the status of TRPA's environmental threshold carrying capacities. To broaden scientific involvement, the peer review, shall include a majority of scientists from institutions or agencies who are not participating as signatories to the memorandum of agreement that established the consortium.

Adopt Supplemental Reporting Language—3125 California Tahoe Conservancy

c. To maximize the effectiveness of state resources and to better implement the Environmental Improvement Program (EIP), by December 1, 2011, the Conservancy, in coordination with the Department of Parks and Recreation, the Lahontan Regional Water Quality Control Board, the Department of Transportation, the State Lands Commission, CalFire, the Department of Fish and Game, and other appropriate state, local, and federal agencies, shall develop a report on its progress in coordinating, integrating, and recommending efficiencies in state agency planning and project implementation in the Tahoe basin, including but not limited to: joint use of staff, crews, equipment, office space, and facilities; land exchanges that would increase management efficiencies; and coordinated funding and implementation of EIP projects and programs, Caltrans' complete streets implementation action plan, climate change mitigation and adaptation strategies, and an interagency watershed-based approach to the Lake Tahoe TMDL. This report shall also identify programmatic or policy-based improvements that public agencies could make to improve the effort described in this subdivision.

d. The Conservancy, in coordination with TRPA and other state and local agencies, shall:

   i. Provide a summary of state agency expenditures, accomplishments, priority projects and programs, and other activities and resources needed to help achieve TRPA's environmental thresholds and to fulfill California's responsibilities under the Lake Tahoe Environmental Improvement Program (EIP).

   ii. Provide a summary of the agencies' progress in developing a Sustainable Communities Strategy for the Lake Tahoe basin, as required under SB 375 and AB 32, and any changes in state agency policies or practices needed to further develop and accomplish the goals of the plan.

Vote:

Items Proposed for Vote Only

3110 Special Resources Programs

1. **Base Budget—Tahoe Regional Planning Agency.** The Governor requests $4.1 million for baseline ongoing activities at the Tahoe Regional Planning Agency (a program within the Special Resources Programs budget).

3125 California Tahoe Conservancy

2. **BCP-1: Implementation of the Environmental Improvement Program for the Lake Tahoe Basin.** The Governor requests $15.8 million (multiple funding sources, no General Fund) to continue capital outlay and local assistance funding for the implementation of the Environmental Improvement Program for the Lake Tahoe Basin.

3. **BCP-2: Reappropriations.** The Governor requests various re-appropriations, reversions and an extension of liquidation for local assistance projects previously approved for the Lake Tahoe Basin. This request is mainly due to the bond freeze.

Technical Finance Letters:

Fund/Program	Technical Adjustment	Amount
4. Tahoe Conservancy	Habitat Conservation Fund extension of liquidation for Truckee River.	$72,000

Staff Recommendation: APPROVE Items 1-4

Vote:

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.

FINANCE LETTERS PROPOSED FOR VOTE-ONLY

Fund/Program	Technical Adjustment
1. Plan of Financial Adjustment	Request for trailer bill language to enable DOC to use the Oil, Gas, and Geothermal Administrative Fund as its main appropriation, or clearing account. This adjustment is necessary due to a shift of the Beverage Container Recycling Fund (previous clearing house fund) to the newly formed Department of Recycling Recovery and Renewal.
2. Bond Funding Technical Corrections	Request to align Proposition 50 and Proposition 84 appropriations with expected expenditures, and to re-appropriate Proposition 84 funds for the conservation of agricultural and open space land resources programs.

Recommendation: APPROVE Technical Finance Letters 1-2

ITEMS PROPOSED FOR DISCUSSION

1. BCP-6: Watershed Implementation Re-appropriation.

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.

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.

Previous Budget Actions. The subcommittee previously heard this issue on February 3 and denied the proposal. The budget bill (SB 69) denied the proposal without prejudice.

Recommendation: HOLD OPEN

Vote:

2. 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 needs.

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.

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.

Previous Budget Actions. The subcommittee previously heard this issue on February 3 and denied the proposal without prejudice. The committee requested the department return in the 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.

Staff Comments. The administration has indicated that the department has been successful in its efforts to waive the hiring freeze for these positions.

The department should be prepared to discuss:

- Where the department is in the process of filling the 17 positions;
- The impact these positions have had on permitting levels and compliance with state and federal law.
- Status of the program overall.

Recommendation. APPROVE 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.

FINANCE LETTERS PROPOSED FOR VOTE-ONLY

Fund/Program	Technical Adjustment	Amount
1. Office of Oil Spill Prevention and Response	Technical request to correct the exclusion of a prior year cash flow loan. The result will resort in $2.6 million in Oil Spill Prevention and Administration Fund expenditure authority that was reduced as a result of the incorrect fund balance.	$2.6 million (correction of special fund)
2. Big Game Management Account	Request to increase the Big Game Management Account per Chapter 408, Statutes of 2010 (SB 1058) in an effort to consolidate three existing subaccounts: Deer, Bighorn Sheep, and Wild Pig.	$1.5 million (consolidation of special funds)

Recommendation: APPROVE Technical Finance Letters 1-2

ITEM PROPOSED FOR DISCUSSION

1. 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 a 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.

Previous Budget Actions. The subcommittee previously heard this issue on February 3 and denied this proposal without prejudice in order to give the department more time to address the impacts of surface water on the local groundwater. The department should provide an update on its efforts to determine what the impact of the proposal will be on local groundwater and surface water.

Staff Recommendation: HOLD OPEN

Vote:

2. Finance Letter—Proposition 84 Technical Adjustments (Salton Sea Restoration)

Background. The Governor requests a reduction of $17 million Proposition 84 expenditure authority to avoid an over-allocation of available funds for coastal fishery restoration projects, and a reappropriation of the unencumbered balances of prior-year appropriations for the Salton Sea Restoration Program (SSRP).

LAO Analysis:

Proposal. In an April 12, 2011 letter, the Department of Finance requests reappropriation to DFG of $13 million from the SSRF (including Proposition 84 bond funds) for expenditure on Species Conservation Habitat work to enhance fish and bird habitat in the Salton Sea. An April 13, 2011 letter from DOF also requests $4.2 million in reimbursements from DFG to the Department of Water Resources for the same purpose (these funds have already been appropriated to DFG and are separate from the reappropriation DFG is requesting).

No Legislatively Approved Plan Exists. We have previously recommended that the Legislature formally adopt a restoration plan (see our 2008 report "Restoring the Salton Sea"). To that end, the Legislature passed SB 51, Ducheny (Chapter 303, Statutes of 2010), which requires the creation of a Salton Sea Restoration Council as a state agency within the Natural Resources Agency to recommend a restoration alternative by June 30, 2013 and then oversee implementation of that alternative. The Council has not been created yet, and the Natural Resources Agency has indicated that the Council's establishment will be addressed in the 2012-13 Governor's Budget. We therefore recommend that the Legislature deny funding for Salton Sea Restoration projects until the Council has been formed and has developed a restoration plan for the Salton Sea as required by statute. This will ensure that restoration projects will be consistent with the adopted plan.

QSA Future Is Uncertain. Additionally, the future of the QSA that created the state's funding obligation to restore the Salton Sea is currently in doubt. In December 2009, a Sacramento County Superior Court judge invalidated the QSA because it was predicated on the Legislature's statutory promise to fund all but $133 million of the restoration efforts--a promise that the court said could not be made constitutionally by the Legislature. Although enforcement of the ruling has been stayed, the outcome is uncertain at this time. If the invalidation of the QSA is upheld through the appeals process, it is unclear what the state's role in restoration will be.

Uncertain Level of Urgency of Restoration Efforts. The DWR describes the proposed actions that would be funded from the requested reappropriations and reimbursements as "no-regrets" projects that would be consistent with any plan to restore the Salton Sea, including the no-action alternative. However, it is unclear what the need is for immediate action on these projects. The majority of benefits of any restoration plan are likely to be realized only after the completion of the restoration many years from now, and as such, a temporary delay is unlikely to have significant negative consequences on fish and bird species.

Limited Funding Currently Available for Restoration Efforts. Currently, the sole source of funding for Salton Sea restoration efforts is the SSRF, which consists of a $30 million payment by several participants in the QSA and $47 million from Proposition 84

bond funds. Of that, $9 million remains un-appropriated. Because the SSRF is the sole source of funds at this time, prioritization of restoration efforts is of paramount importance. Denial of these requests will ensure the immediate availability of funds for the activities required by SB 51 and implementation of the plan ultimately recommended by the Council.

Recommendation. Given the lack of a recommendation for a restoration alternative from the as-yet-to-be-established Council, the uncertainty around the QSA, the lack of urgency of the actions requested to be funded, and the limited funding currently available for Salton Sea restoration efforts, we recommend denial of the reappropriation and reimbursement funding requests.

Staff Comments. Staff concurs with the LAO Analysis.

Staff Recommendation. (1) APPROVE $17 million reduction for coastal fishery restoration projects. (2) Deny re-appropriations related to the Salton Sea Authority.

Vote:

3. 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.

In addition, previous administrations have reduced budgets for activities that support healthy fisheries, including Timber Harvest Plan review and state forest nurseries. These state activities provide both large and small scale forestry activities with appropriate environmental review staff as well as seedlings available to the general public and conservation groups for reforestation, erosion control, watershed protection.

There is current legislation (SB 505, LaMalfa) moving through the policy process that would set long-term goals for the use of HIFF funding starting in 2012-13 and beyond.

Previous Budget Actions. The subcommittee previously heard this issue on February 3 and denied this proposal as well as several conforming capital outlay projects without prejudice. The committee requested the department return in the spring for an oversight hearing on AB 7 fish hatchery implementation and the Hatcheries and Inland Fisheries Fund.

Staff Recommendation: Approve the following (related to this budget proposal):

- $1.8 million on-going to maximize fish production at the department's trout fisheries with budget bill language prioritizing natural and heritage fish production as first priority.

- $1.5 million for Timber Harvest Planning activities that impact fisheries for 2011-12 and 2012-13 including the following budget bill language:

  > "Notwithstanding Section 13007 of the Fish and Game Code (AB 7), one million five hundred thousand dollars ($1,500,000) shall be allocated by the department for Timber Harvest Plan (THP) review required under the California Environmental Quality Act (CEQA) functional equivalent certification to evaluate and mitigate the potential adverse impacts of timber operations on the public trust fish and wildlife resources of the state, including, but not limited to, salmonid fisheries."

- $500,000 for State forestry nurseries that support healthy forests and reduce runoff into state fisheries for 2011-12 and 2012-13 including the following budget bill language:

  > "Notwithstanding Section 13007 of the Fish and Game Code (AB 7), five hundred thousand dollars ($500,000) shall be allocated by the department for state forest nurseries, including but not limited to the operation of the Magalia Reforestation Center, to ensure ongoing mitigation of the potential adverse impacts of small-scale forest operations on the public trust fish and wildlife resources of the state, including, but not limited to, salmonid fisheries."

- $3.0 million one-time per year in 2011-12 and 2012-13 to maximize fish production at the department's trout hatcheries pursuant to AB 7. Adopt budget bill language (in concept) prioritizing natural and heritage fish production for this item.

Vote:

Conforming Action—AB 7 Capital Projects

In order to conform to the above recommendation on fish hatcheries, staff recommends a conforming action to approve the following specific AB 7 projects.

4. COBCP-1: Darrah Springs Hatchery Low Head Oxygen System. The Governor requests $525,000 from the 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").

5. 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.

6. 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.

7. 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.

Staff Recommendation: Approve Items 4-7.

Vote:

8. Subcommittee Issue—Silver King Creek

Background. Silver King Creek in Alpine County is host to a federally threatened species, the Paiute Cutthroat Trout. Years of non-native fish stocking (by both state and federal agencies beginning in 1917) contributed to the decline of the species and an increase in non-native fish within the creek. These fish are crowding out the native species. Multiple restoration projects have been attempted for this species; however, the underlying threat to the species still exists. Non-native species continue to be stocked in this river, though not in close proximity to the reach where Paiute Cutthroat Trout are native.

The Governor's budget includes a state allocation within the baseline funding fund appropriation for pre-treatment and Rotenone chemical treatment of the creek. The total project budget is about $400,000, mainly federal funds with a 25 percent state match

Staff Comments. Concerns have been raised about the proposed plan to use the chemical Rotenone to remove all fish and aquatic species from a reach of the creek. In addition, because this project is on Forest Service land, permits are required for the state to conduct the pre-treatment and treatment plans. The status of these permits is uncertain due to lawsuits regarding the federal Environmental Impact Statement.

The subcommittee may wish to ask the department for an update on the project, including:

- Status of the lawsuits and implications for delays in permitting.
- Alternatives to the use of Rotenone to remove non-native species.
- Realistic timeframe required for the use of the state funds.
- Impacts should the state choose not to support the project with state funding.

Staff Recommendation. NO ACTION—INFORMATION ITEM

3640 Wildlife Conservation Board

The Wildlife Conservation Board (WCB) acquires property in order to protect and preserve wildlife and provide fishing, hunting, and recreational access facilities. The WCB's support funding comes from a number of fund sources, including the General Fund, the Wildlife Restoration Fund, the Habitat Conservation Fund (HCF), the Environmental License Plate Fund, and bond funds.

FINANCE LETTERS PROPOSED FOR VOTE-ONLY

Fund/Program	Technical Adjustment	Amount
1. Extension of Liquidation Period – Proposition 12	Request to extend the liquidation period for two projects due to the 2008 bond freeze for the San Joaquin River Conservancy. The original appropriation was $14.6 million. $145,000 of this has not been liquidated.	$145,000
2. Habitat Conservation Fund	Request to extend the liquidation periods of the Habitat Conservation Fund and associated Proposition 50 transfer to implement the Wildlife Conservation Act. These extensions are necessary because of delays caused by permitting requirements that only allow restoration work to be completed in the summer.	various

Recommendation: APPROVE Technical Finance Letters 1-2

Items Proposed for Discussion

1. Reappropriations of Propositions 40 and 84 Bond Funds (Various)

Background. The Governor's budget proposes a total of $39 million in reappropriations for three budget proposals in the Wildlife Conservation Board:

- San Joaquin River Conservancy Acquisitions and Public Access, Recreation and Environmental Restoration—$10 million Proposition 84 and $1 million reimbursements. To date, no funding has been encumbered.
- San Joaquin River Conservancy—$3 million of the original $10.5 million appropriation in 2003.
- Proposition 84 Natural Communities Conservation Planning (NCCP) Reappropriation—$24.9 million of the original $25 million appropriation.

LAO Recommendation (Updated)

In the Governor's January budget proposal, the Wildlife Conservation Board (WCB) requested reappropriation of $39 million in unexpended bond funds for San Joaquin River Restoration (SJRR) activities and Natural Communities Conservation Planning (NCCP). We had initially recommended that the Legislature withhold its approval of these reappropriations pending demonstration by the board that the re-appropriated funding would result in physical projects. The Legislature subsequently took action to deny the request without prejudice.

The WCB has since informally withdrawn its request for the SJRR reappropriation ($11 million from Proposition 84 and $3 million from Proposition 40), and we accordingly recommend that the Legislature deny the reappropriation of those funds.

In response to the Legislature's denial without prejudice of the remaining $25 million reappropriation request for NCCP activities, WCB has completed an action plan that indicates WCB's intention to spend $27.5 million on NCCP in 2011-12, including the number of acres to be acquired in specific counties, and the number of NCCPs that these expenditures will support. In light of this action plan and WCB's success at expending reappropriations requested in 2010-11, we now recommend approval of the request to re-appropriate $25 million from Proposition 84 for NCCP.

> Finally, we note that postponing the expenditure of some portion or all of the re-appropriation request that we recommend be approved could serve as a one-time budget solution. The postponement serves this purpose by restraining the growth of the associated debt service costs (which are funded from the General Fund). As with all budget requests for bond expenditures, the Legislature may wish to evaluate whether these bond expenditures, while justified, are of sufficiently high priority to warrant incurring the associated debt service costs at this time.

Previous Budget Actions. The subcommittee previously heard this item and denied the reappropriations without prejudice. The board was required to return with an action plan for expenditure of funds by April 1, 2011.

Staff Update. The board has fully complied with the subcommittee's direction to return with an action plan for expenditures of the funds. The plan outlines the department's progress in two areas: the San Joaquin River and the NCCP program. In both cases, the department's slow progress was in part due to the 2008 bond freeze among other issues.

The board's plan for the San Joaquin River Conservancy funding includes using an authorized position to catch up on previous backlogged projects. The Conservancy has approximately $31 million (including the proposed $14 million in the budget year) in prior year expenditure authority, and a separate proposed extension of liquidation, to fund project development, acquisition, and restoration efforts and approximately a $6.2 million backlog. In light of previous year difficulties implementing the projects and current sufficient funding to address the backlog, the board now supports the LAO recommendation to not re-appropriate the proposed San Joaquin River funds.

The board described an action plan to allocate funding for the NCCP program that includes estimated project costs for various California regions including the Delta, Inland Empire, and Southern California. These projects are anticipated to match both federal and state funding. Withholding funding now would jeopardize the ability to leverage these non-state funds.

Recommendation.

(1) APPROVE Natural Communities Conservation Planning program funding.

(2) DENY San Joaquin River Conservancy and San Joaquin River parkway funding.

Vote:

3720 State Coastal Conservancy

The State Coastal Conservancy develops and implements programs to protect, restore, and enhance natural, recreational and economic resources along California's coast, coastal watersheds, the ocean, and within the San Francisco Bay Area. The Coastal Conservancy also serves as staff and fiscal agent for the California Ocean Protection Council.

ITEM PROPOSED FOR VOTE-ONLY

1. FL-1: Public Access Program. The Governor requests $300,000 (Violations Remediation Account) for the Conservancy's public access program according to existing adopted criteria. The request will provide additional assistance to local partners to manage several public access ways along the coast. Such access ways include paths and stairways that provide access to the beach and other coastal locations, as well as portions of the California Coastal Trail.

Staff Recommendation: APPROVE Item 1

Vote:

ITEMS PROPOSED FOR DISCUSSION

2. FL-2: Shift Support Funding to Bond Funds.

Background. The Governor requests to decrease funding from the State Coastal Conservancy Fund of 1976 (Fund 0565) by $2.4 million and provide an equivalent increase from Proposition 84 bond funds (split between two accounts) for support funding. According to the administration, Fund 0565 has existed since 1976, however with fewer deposits in recent years, declining balances require less annual appropriations out of the account. The Governor proposes this shift as to the ongoing, base budget at the Conservancy for support and state operations activities.

Staff Comments. The department has been judicious with the use of the proportion of bond funds available for administrative functions. As such, this proposal should not violate the bond rules set forth for administrative and support functions. However, the use of bond funds to supplant support costs raises concerns about the long-term viability of the State Coastal Conservancy when bond funds inevitably run out. Without a long-term funding source, the Coastal Conservancy may not be able to support its current staffing levels and activities, including those related to the Ocean Protection Council.

Recommendation. (1) APPROVE PROPOSAL with the following SRL:

> On or before January 10, 2013, the State Coastal Conservancy shall submit a long-term plan for the State Coastal Conservancy spanning a 10-year period starting in 2013-14. The plans shall include funding needs should no new bond funds be made available, staffing reduction plans, and options for continued support for core functions (including the Ocean Protection Council).

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.

FINANCE LETTERS AND JANUARY PROPOSALS PROPOSED FOR VOTE-ONLY

Fund/Program	Technical Adjustment	Amount
1. Office of Historic Preservation Database	Extension of liquidation for database re-host project. Due to delays caused by the contractor, it is necessary to extend the liquidation period to complete the upgrade.	$163,000 (General Fund)
2. Local Assistance Funding (Proposition 40)	Proposition 40 provides funding for a specified list of grant programs and provides a total of eight years (until June 30, 2011) for grantees to complete their projects. Due to the 2008 bond freeze, the grantees have not completed their projects. This adjustment reflects an adjusted timeline.	$108 million (bond funds)
3. California State Railroad Museum Re-appropriation	Re-appropriation of $11.6 million ($6.6 million Proposition 40 bond funds and $5 million reimbursements) to acquire former industrial buildings to comply with Chapter 689, Statutes of 2008 (AB 2945). This extension request will ensure the funds are available to complete the acquisition.	(reduction of expenditure authority for bond funds; re-appropriations)

Recommendation: APPROVE ITEMS 1-3

ITEMS PROPOSED FOR DISCUSSION

1. 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.

Previous Budget Action. The budget reduced the overall Parks budget by $11 million GF and $22 million ongoing starting in 2012-13. The budget approved trailer bill language specifying criteria for reducing the state park system including selecting parks for closure, partial closure, or reduced service and language limiting liability for closed or partially closed parks.

- The department should update the subcommittee on its plan for park closures, and what the public should expect to see on July 1, 2011.

Staff Comments. The reductions in state parks have led to a number of questions about how the department budgets for park units, tracks revenues and visitor data, and uses employee assets. There are a number of legislative efforts underway to consider changes to the way the department manages the parks system, including proposals to allow more public-private partnerships.

In order for the Legislature to fully consider these proposals, the department should report on several issues, many of which the department will have considered as it created the current parks reduction plan.

Recommendation. Approve supplemental reporting language (below, in concept). No action is required on the state parks reduction plan.

(1) The department shall, on January 10, 2012, report its budget to the Legislature on a park-unit basis. This includes an estimate of distributed shared costs on a pro-rata basis (personnel, materials, services) shared by sectors or across districts.
(2) The department shall, on March 1, 2012, prepare a report on revenues by park unit and visitor data (by park unit, aggregated on a district basis) and compare to National Parks, other State Parks systems.
(3) The department shall report, on March 1, 2012, statistics on peace officer's use of weapons in state parks to deter crime, or to respond to crimes in process; report on enforcement of non-Parks related crimes and for mutual aid as well as the number of park rangers not assigned to any park unit.

Vote: