*Senate Budget and Fiscal Review—Mark Leno, Chair*

# SUBCOMMITTEE NO. 2 Agenda

**Senator Lois Wolk, Chair**
**Senator Jim Nielsen**
**Senator Fran Pavley**

**Thursday, March 17, 2016**
**9:30 a.m. or upon adjournment of session**
**State Capitol - Room 112**

Consultant: Catherine Freeman

**OUTCOMES—ALL ITEMS HELD OPEN**

**Page**

**Managing Forest Health**
Presentations by the Department of Forestry and Fire Protection, Wildlife Conservation Board and California Natural Resources Agency..…… 2

## ISSUES PROPOSED FOR DISCUSSION



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# Beyond Fire Protection: Managing Wildlands for Watershed Protection and Forest Health

## BACKGROUND

**Defining Forest Health.** Forest health is a loosely-defined term for the broad array of services provided by the forest environment, including ecological health, economic value, social benefit and watershed value, among others. California had struggled with the management of the state's forest health over the years, in particular balancing the needs of homeowners in the forested area with the management of the greater forest ecosystem. The Department of Forestry and Fire Protection (CalFIRE), is the state's lead agency managing this balance, in conjunction with the Board of Forestry, Natural Resources Agency, Department of Fish and Wildlife, State Water Resources Control Board, and other state agencies, including state conservancies.

CalFIRE is charged with the management and protection of the forests and wildlands, and in particular the specific management of the State Responsibility Area (SRA) as part of a multi-agency and government program to manage forest and timberlands, including for wildfire protection. Of the 85 million acres classified as wildlands in the state, 33 million acres are forest lands, with 38 percent privately-owned and 62 percent government-owned or tribal. The state's 20 million acres of commercial forest lands grows 8.3 billion board feet yearly. The five-year average timber harvest volume and value is approximately 1.3 billion board feet and $326 million.

**Forest Science Focuses on Ecosystem Services and Watershed Protection**. In order to understand the value of wildlands, and in particular forest health, it is important to identify the benefits of a healthy forest. A healthy forest particularly in California, reduces flooding (by allowing water to infiltrate the ground), improves water quality (in part by reducing sediment from roads, development or wildfire debris), increases groundwater recharge, improves air quality, and adds value of aesthetics and increases property values, including timber values. One of California's primary goals of forest health is watershed protection, as much of the state's water is derived from the mountain and forest environment from snowpack to groundwater that feeds into streams and rivers downstream.

According to the US Environmental Protection Agency (US EPA), in its report 841-N-12-004, "Healthy intact watersheds provide many ecosystem services that are necessary for our social and economic well-being. These services include water filtration and storage, air filtration, carbon storage, nutrient cycling, soil formation, recreation, food and timber. Many of these services have not been monetized and therefore the economic contributions of healthy intact ecosystems are often under-valued when making land use decisions. Ecosystem services provided by healthy watersheds are difficult to replace and most often expensive to engineer. An engineered ecosystem service replacement may only provide a fraction of the services provided by highly functioning natural systems."

The US EPA goes a step further and defines some of the greater economic values of an intact forest ecosystem and protected watershed including: (1) lower drinking water treatment costs; (2) avoidance of expensive restoration activities; (3) sustained revenue-generating recreational and tourism opportunities; (4) reduced vulnerability and damage from natural disasters; and, (5) provision of a long-term economic foundation for future generations.

The US EPA's focus on forest and watershed health is in keeping with the broad array of economic and ecological scientific work on forest health. However, the encroachment of development, previous timber practices, and land management in the forest environment has made the realization of these values challenging. So, too, both the increasing risks from climate change and wildfire suppression tactics over the years have taken a toll on broader forest health. State agencies have, in some cases, become simply reactive to these immediate threats.

**How do Other Entities Pay for Forest Ecosystem Services, Particularly Watershed Protection?** Using the premise that watersheds provide an economic value to downstream water users, several states and local jurisdictions have implemented watershed fees to promote non-wildfire suppression costs. In order to make the case for the costs to downstream users, these states had to focus on watershed health as a priority. The State of New York, in a 2007 agreement for filtration avoidance, committed to promoting natural resources security by funding watershed protection programs rather than construction of water filtration facilities. The state demonstrated the potential for significant cost savings ($5 to $7 billion) between construction of new filtration plants and restoring the integrity of the largest unfiltered water supply system in the U.S.

Closer to home, both the Tualatin River Basin in Oregon State and the San Francisco Public Utilities Commission have instituted broad watershed health programs to avoid downstream costs. In all cases, the approach started with valuing the watershed as an intact system, and then focusing on cost reduction to downstream users.

**How Does California Pay for Broader Forest Health Ecosystem Services?** California has a piecemeal approach to forest ecosystem health. Three state conservancies (Tahoe, Sierra Nevada and Coastal) provide grants and projects for opportunity forest health projects. These are dependent on voter-approved bonds and annual appropriation by the Legislature. Similarly, the Wildlife Conservation Board provides land acquisition and conservation easements, again subject to voter-approved bonds and one-time appropriations. AB 1492 (Blumenfield), Chapter 289, Statutes of 2012, was passed to implement forest restoration components of a timber regulation and forest restoration program reform. A portion of funding derived from the tax on lumber is intended to provide funding for forest health projects. This, too, is subject to one-time appropriation. In the 2015 Budget Act, $5.2 million was appropriated from the AB 1492 funds to CalFIRE for forest restoration grants within the California Forest Improvement Program. Other programs at CalFIRE focus mainly on fire prevention, rather than the broader focus outlined by the US EPA.

**State and Federal Focus on Fire Prevention and Suppression of Wildfires.** Over the past few decades, the state and federal government have focused much of their efforts on suppression of wildfires. In a commentary led by UC Davis scientists published in the Journal Science, the investigators report that annual funding for forest management consists mainly of wildfire suppression funding. This is consistent with the state's approach to forest management. In part, this can be explained by the high economic and social values lost when major wildfires take place. The report states that 98 percent of wildfires are suppressed before reaching 300 acres, yet the two percent that escape containment account for 97 percent of fire-fighting costs and total burned areas. State and federal funding for fuels reduction, prescribed burns and intact forest health are not provided annually and regularly, leading to further imbalance. The cost to individuals and communities goes beyond economic cost, and losses are often not replaceable.

**Shift to Wildfire Suppression Increases Costs to CalFIRE.** Consistent with the national focus on wildfire suppression, CalFIRE has shifted to a more aggressive wildfire suppression method. As evidenced by the number of firefighting activities funded in the budget, the state's main foresters have a primary focus on life and property protection, in part due to public expectations for fire and emergency rescue. The department, as part of its mutual aid approach, responds to numerous life emergencies, including health calls, and manages the growing number of calls for wildland fire suppression. Employees of the department are all required to train in firefighting, even if they are solely focused on forest health. When major incidents occur, it is not uncommon for "all-hands" to be assigned to a fire suppression effort. CalFIRE has a long record of managing major wildfire incidents in a professional and efficient manner, often taking on suppression activities in federal or local jurisdictions (as part of mutual aid) in order to protect the state's economic and social values associated with wildlands. Although most known for large wildfire incidents, CalFIRE is also often directed by the Governor to handle the incident command for man-made or natural disasters such as flood, earthquake, or other events.

## GOVERNOR'S PROPOSAL

**Governor's CalFIRE Forest Health Proposal.** The budget requests $180 million (Greenhouse Gas Reduction Fund [GGRF]), one-time, with position authority and associated funding (approximately $8 million per year) through 2021-22, for a forest health program that is intended to secure forest carbon and reduce greenhouse gas (GHG) emissions. Funds will support the expansion of the Urban and Community Forestry programs, and Forest Legacy Program, and target landscape-scale forest health projects in high-priority forested upper watersheds in coordination with the Department of Fish and Wildlife (DFW), to realize the largest direct benefit for GHG reduction, forest resilience and co-benefits, such as protection of water, wildlife habitat, and rural economic stability. Of the amount proposed in the budget, $140 million is directed to the Forest Legacy Program and landscape-scale forest health projects, which directly funds projects within the forest (other programs are mainly to address urban greening and forestry issues).

The proposed funding is intended primarily to address wildfire risk. In coordination with federal counterparts and research institutions, CalFIRE has collected forest land spatial data showing a significant increase in insect (beetle bark) disease and moisture stress-related tree mortality during the current extended drought. The best available science indicates that these areas are more prone to high severity fire. In addition, the dead, decaying and dying trees emit greenhouse

gases and lose carbon storage. On the other hand, addressing this situation could work against the benefits derived from allowing a certain portion of dead and decaying trees to populate the forest in order to increase water storage and biodiversity.

**Forest Legacy Program.** CalFIRE plans to coordinate efforts to treat forest health at a landscape scale, with both in-house and grant programs that will address reforestation, pest and disease-affected tree removal, fuel reduction and thinning, and vegetation management. The specific activities associated with this proposed program are unclear, but are outlined in broad terms focused on forest health and wildfire prevention.

**Land Conservation and Easements.** Funds will be used to purchase conservation easements to prevent working forests from being converted to non-forest use (vineyards, housing, marijuana cultivation), and placed under more intensive land management to effect net GHG reductions. The department proposes to work with the Wildlife Conservation Board (WCB) on real estate property acquisition processes to facilitate the sale or transfer of real property. The WCB has managed numerous programs to this effect in recent years. The budget requests two positions: a level one forester to support program administration and operational function, and a level two forester to facilitate conservation easement development, provide public outreach and education on the application process, assist in conservation easement monitoring, review and develop program reports, and make recommendations for further development implementation. The budget also requests additional forester and environmental scientist positions to function as biomass research specialists, and to provide supervision of the overall forest health program. Pursuant to internal rules, these positions will be required to attend the firefighting academy, regardless of their role in firefighting.

**Budget Bill and Trailer Bill Language.** Finally, the proposal includes budget bill language to allow the department to use certain funds for either support of the department, provide local assistance or fund capital outlay. Funds are requested to have an encumbrance period of six years. Trailer bill language would allow the department to enter into cooperative agreements with state, federal, Native American, or local agencies for administration of the programs.

**Governor's Tree Mortality Task Force.** In response to the high wildfire risk associated with tree mortality due to drought, the Governor, through CalFIRE, instituted a Tree Mortality Task Force. CalFIRE, as lead agency, created an incident command structure to accomplish the tasks set before the task force. The task force is comprised of state and federal agencies, local governments, utilities, and various stakeholders that will coordinate emergency protective actions, and monitor ongoing conditions to address the vast tree mortality resulting from four years of unprecedented drought and the resulting bark beetle infestations across large regions of the state. The objectives of the task force are separated into two categories—management objectives and working group objectives. The activities of these two efforts are listed below and will serve to inform the department's broader efforts for forest health and landscape-scale projects.

**Task Force Management Objectives:**

- Provide for public health and safety of persons and property in identified high hazard zones.
- Ensure efforts associated with implementation of the directives contained in the Governor's State of Emergency Proclamation remain coordinated.
- Ensure continuous communication among state, federal, and local governments, as well as with other non-governmental organizations assigned to the task force.
- Provide consistent and coordinated messaging between task force member agencies and the public.
- Manage projects and programs in a financially responsible and efficient manner.

**Task Force Working Group Objectives:**

- Identify existing efforts to mitigate tree mortality in high hazard zones.
- Identify an organizational structure and plan of action.
- Establish working groups, as appropriate, to address various aspects identified in the Governor's State of Emergency Proclamation.
- Facilitate the information flow between state, federal, tribal and local government utilities, and other non-governmental organizations on efforts towards meeting the items addressed in the Governor's State of Emergency Proclamation.
- Ensure project activities and resources are coordinated.
- Identify potential funding sources.
- Coordinate with other state-level initiatives, such as the Forest Climate Action Team and California Forest Biomass Working Group.
- Identify and evaluate the availability of wood products markets, and determine whether expanded wood products markets can be developed.
- Develop and maintain a website for the dissemination of information.

**California Conservation Corps (CCC) Fuel Reduction and Forest Health Proposals.** The governor's budget includes two proposals that seek to address forest health improvements using the CCC. The first is a $5 million proposal to receive GGRF funds from CalFIRE to operate a GGRF Forest Health Program. The program targets reductions by using the existing CCC structure to train young adults in forest conservation work. Projects include fuel load reduction, reforestation and fire remediation. A second proposal requests $2.7 million (State Responsibility Area Fire Prevention Fund) to continue the CCC fuel reduction program. This program allows the CCC to create mobile corpsmember camps that are able to address intensive and specific fuel reduction projects, in coordination with other state agencies, including CalFIRE.

## ISSUES FOR CONSIDERATION

**Are We Valuing the Ecosystem Benefits of Intact Forest Ecosystems?** The US EPA makes a compelling case that there are values in forest health, in particular with intact forest ecosystems, that government and society may not be taking into account. As a result, it is hard for the state to clearly define a budget for baseline forest ecosystem health beyond wildfire prevention and suppression. The Legislature may wish to request that the Natural Resources Agency, in conjunction with the California Environmental Protection Agency, dedicate a portion of funding from AB 1492 in order to determine what baseline activities would be appropriate for ongoing funding, and to which departments these activities should be assigned.

**What Should be the Role of the Various State Departments Focused on Forest Health?** Although CalFIRE remains the lead on forest health for the state, the massive role of wildfire prevention and suppression takes up most of CalFIRE's time and management. A great many of the one-time activities of the state's major conservancies, DFW, WCB and Natural Resources Agency, are dedicated to broader forest health. Given that there may be ongoing funding from the cap-and-trade program, as well as a smaller amount from AB 1492, the Legislature should consider which departments provide the greatest value when it comes to ecosystem services and intact forest health.

**What Should be the Role of the Wildlife Conservation Board?** CalFIRE states that it plans to work with WCB staff on a real property acquisition process to facilitate the sale or transfer of development rights and property. This is the expertise of the WCB and having CalFIRE contract or work with WCB seems to add a step of work that is unnecessary. Would it be more efficient to give the WCB funding for this purpose and allow them to run a grant program similar to any number of acquisition and development programs they have successfully managed over time?

**What Lessons Can We Learn From Other State and Local Funding Programs?** As discussed, other state and local agencies have taken time to value the forest ecosystem, including the difficult decision to maintain portions of the watershed, as intact forest systems. This does not preclude other activities within the watershed but restricts the types of activities that would impact downstream users. In order to pay for these services, downstream users are charged a nominal amount to support watershed protection programs. The Legislature should consider whether a charge on water bills would be appropriate for a broader forest landscape program, and if so, who would be the beneficiaries of this program and how much is needed.

**Is There a Long-Term Benefit to Diversifying Forestry Personnel? Should These Activities be Conducted Largely as Grants or by State Personnel?** One benefit of one-time funding is that the state does not need to add significant ongoing personnel to staff programs, including retirement costs. However, the down-side of this is the lack of continuity and expertise associated with program management. At CalFIRE, all personnel are trained to be firefighters and thus their benefits include an earlier retirement plan (due to the challenging physical nature of active firefighting), whether or not they actually perform firefighting duties. The state should consider, as it has with the State Parks Department when it allowed a parallel professional track for non-peace officer status park superintendents, whether or not long-term savings and separate expertise would be appropriate for certain foresters and environmental scientists working on landscape-level forest health programs.

**Should the Legislature Allow CalFIRE to Shift Funding Between Support, Local Assistance and Capital Outlay?** Finally, the CalFIRE budget proposal requests budget and trailer bill language to allow for funding to be shifted between support, local assistance and capital outlay for the forest health program. This type of action reduces the Legislature's control and oversight of funding for specific purposes. It should be clear, prior to appropriation, whether the money will be used for grants, state operations or state capital projects. The Legislature should consider specifying these programs prior to appropriation so that the need for the budget and trailer bill language is eliminated.

**Recommendation:** Hold open for further consideration.

## 3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

CalFIRE, under the policy direction of the Board of Forestry and Fire Protection, provides fire protection services, directly or through contracts, for timberlands, rangelands, and brushlands owned privately or by state or local agencies. These areas of CalFIRE responsibility are referred to as "state responsibility areas" and represent approximately one–third of the acreage of the state. In addition, CalFIRE regulates timber harvesting on forestland owned privately or by the state and provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

The Governor's budget proposes $1.6 billion from various funds for support of CalFIRE in 2016-17. This is an increase of $177 million, or 12 percent, from current–year estimated expenditures. This is primarily due to an increase of $180 million from the Greenhouse Gas Emission Reduction Fund (GGRF) for forest health and urban forestry activities that reduce greenhouse gas emissions.

**EXPENDITURES BY FUND (in thousands)**

| Fund | Actual 2014-15 | Estimated 2015-16 | Proposed 2016-17 |
|---|---|---|---|
| General Fund | $ 944,313 | $ 1,286,760 | $ 1,293,558 |
| State Emergency Telephone Number Account | 4,212 | 4,051 | 3,815 |
| Unified Program Account | 478 | 738 | 707 |
| State Fire Marshal Licensing and Certification Fund | 2,125 | 3,982 | 3,943 |
| California Environmental License Plate Fund | 432 | 592 | 577 |
| California Fire and Arson Training Fund | 2,202 | 3,435 | 3,504 |
| California Hazardous Liquid Pipeline Safety Fund | 2,702 | 3,693 | 3,592 |
| Professional Forester Registration Fund | 205 | 233 | 226 |
| Toxic Substances Control Account | 1,500 | 5,000 | - |
| Federal Trust Fund | 4,161 | 19,834 | 20,364 |
| Forest Resources Improvement Fund | 5,846 | 9,852 | 9,413 |
| Reimbursements | 427,057 | 452,694 | 477,289 |
| State Responsibility Area Fire Prevention Fund | 74,492 | 80,283 | 75,882 |
| State Fire Marshal Fireworks Enforcement and Disposal Fund | 206 | - | - |
| Building Standards Administration Special Revolving Fund | 135 | 164 | 306 |
| Timber Regulation and Forest Restoration Fund | 13,775 | 22,456 | 22,600 |
| Greenhouse Gas Reduction Fund | 39,291 | 2,753 | 182,371 |
| Cost of Implementation Account, Air Pollution Control Fund | 289 | 354 | 433 |
| | **$1,523,421** | **$1,896,874** | **$2,098,580** |

## CAPITAL OUTLAY, IMPLEMENTATION OF LEGISLATION AND MINOR PROPOSALS

The CalFIRE budget includes several budget proposals that continue existing programs, convert limited-term positions to permanent, or implement legislation from previous years. These items are listed below for reference.

1. **Capital Outlay.** The Governor's budget requests funding for the following capital outlay proposals: (1) relocate the Potrero Forest Fire Station ($400,000, General Fund); (2) phase five of the statewide communications system replacement ($1.6 million, General Fund); (3) Ishi Conservation Camp domestic drinking water system replacement ($871,000, General Fund); (4) replacement of water boilers at Fenner Canyon Conservation Camp ($376,000, General Fund); and, reappropriation of funding for twenty major capital outlay projects.

2. **Information Technology and Information Security Staffing Modernization.** The budget requests $3 million ($2.8 million General fund and $228,000 Special Funds), and 14 positions, to address increasing demands of information technology systems.

3. **Public Information and Education (Drought).** The Governor's budget requests $1.6 million ($1.5 million General Fund and $127,000 Special Funds), and five positions, starting in 2016-17 to increase staffing for public information and education. This extends, in part, increased funding for drought-related public information.

4. **Drought.** The budget requests $77 million ($74 million General Fund and $3 million State Responsibility Area Fire Prevention Fund), one-time, and 454.8 temporary help positions, to address heightened fire conditions due to drought.

5. **Fire Safety, Flame Retardants and Building Insulation.** The budgets requests $125,000 (Building Standards Administrative Special Revolving Fund), on a one-time basis, for a contract to review, research test, and implement proposed building standards for fire safety of retardants in building insulation.

6. **Board of Forestry Fire Protection Effectiveness Monitoring Services.** The budget requests $425,000 (Timber Regulation and Forest Restoration Fund), for two years, to improve effectiveness monitoring assistance from academic institutions to support the evaluation of the environmental protection of the Forest Practice Act and Rules.

**Staff Recommendation:** Hold open for further review. The items proposed for discussion will have impacts on the availability of funds, including for capital outlay. Further, the Legislature should consider the necessity of drought-related wildfire staffing after spring rainfall totals have been determined.

## Issue 1: Helicopters and Aviation Contracts

**Background.** When fighting wildland fires, CalFIRE uses helicopters to quickly deliver fire crews and to perform water or retardant drops that slow the fires' spread. Helicopters are also used for other firefighting and fire prevention operations, medical evacuations, cargo transport, mapping, rescues, and other missions. The department currently has 12 helicopters that were acquired in 1990 through the Federal Excess Personal Property Program at no cost to the state. They were originally owned by the U.S. Army from 1963 to 1975 for troop and cargo transport. Once acquired by CalFIRE, these helicopters were modified for wildland firefighting at a cost of about $500,000 per aircraft.

The department maintains both the rotary (helicopter) fleet and a fixed-wing (airplanes) fleet. CalFIRE operates the aircraft fleet in firefighting suppression with a goal of 95 percent of fires suppressed at 10 acres or less. CalFIRE traditionally has contracted with an outside entity over the years to provide both pilots for aircraft and maintenance service.

**Governor's Proposal.** The Governor's budget includes a one-line "miscellaneous adjustment" in the amount of $100 million that the Department of Finance has indicated is a placeholder for the helicopter purchase. The budget also includes a proposal to increase support for fixed-wing aviation contracted services by $3.5 million in the budget year, and increasing to $9 million in four years. This is the result of a new contract signed with DynCorp International, LLC (DynCorp) after a successful request for proposal (RFP) bid to provide fixed-wing and rotary fleet. DynCorp provides pilots to operate fixed-wing aircraft, as well as maintenance technicians for both the department's fixed-wing and rotary fleet.

**LAO 2015 Assessment**. In 2015, the LAO reviewed the Governor's helicopter replacement proposal and offered the following assessment:

> **Very Limited Information Provided.** The Governor's proposal includes very little information on the proposed helicopter replacement. For example, CalFIRE has not provided cost estimates, a procurement schedule, or the desired specifications for the new helicopters. In addition, CalFIRE has not identified what additional support and capital outlay costs might be incurred to support this proposal. Such costs could include increased staffing, training, and modifications to current infrastructure (such as helicopter landing pads and hangars). Depending on the specific details of the procurement, the total procurement, support, and capital outlay costs could be in the range of a couple hundred million dollars. These costs would likely be supported from the General Fund.
>
> **Difficult for Legislature to Weigh Trade–Offs.** The lack of information provided makes it difficult for the Legislature to weigh the relative trade–offs associated with the proposed helicopter replacement. While we agree that eventual replacement of CalFIRE's helicopter fleet is reasonable given its capabilities, maintenance needs, and age of the current fleet; we note that there is a wide range of factors that must be considered prior to replacing the department's fleet. Such factors include (1) the number of helicopters needed, (2) how the helicopters will be used, (3) the desired specifications of each helicopter

(such as the size and speed), (4) the need for new facilities, and (5) the timeline for replacement. The Legislature will want to weigh the benefits and costs associated with each factor. For example, night vision capabilities allow helicopters to operate 24 hours a day, which could enable CalFIRE to respond and contain fires more quickly during nighttime hours. However, without knowing the cost of this capability, it is difficult for the Legislature to determine if helicopter night vision should be funded before other competing programs that it may deem to be of higher priority.

**Staff Comments.** The lack of a full-scope budget request was anticipated after multiple hearings and meetings on the subject of helicopter purchase during the 2015-16 budget process. In the 2015 subcommittee agenda, staff concurred with the LAO that the need for a helicopter replacement plan is supportable, but that the Administration had not provided enough information to the Legislature on the procurement scope and process. Budget bill requiring the department to provide more information on the scope of the purchase and options for various budget-levels for helicopter purchase was ultimately not supported by the Administration and not included in the budget.

The department continued with its procurement schedule as planned, and released an Information for Bid in early 2016. The results of the bid process were made public by the Department of General Services on March 8, 2016. Four bid were received and are being reviewed by the Administration. The companies bidding have various rights to protest the final selection, including review by an Administrative Law Judge and appeal to the Superior Court.

Staff has concerns about the long-term cost of the helicopters, beyond the purchase of individual units, and the Legislature's ability to provide oversight over the costs of the aviation unit at CalFIRE. The budget includes a service contract anticipated to increase by nearly $10 million per year at the end of four years, while at the same time not providing information on what will drive a good portion of the costs of the new helicopter fleet.

The Subcommittee may wish to ask:

- Why did the Department of General Services and CalFIRE select the Information for Bid process? How did the Request for Information inform the bid process?
- How is the Legislature supposed to weigh the out-year costs of capital outlay, maintenance and operations of the model selected by CalFIRE? Why were these costs, potentially increasing the total purchase price by tens, if not hundreds, of millions of dollars, not included in the bid process?
- What are the cost estimates for helicopters, staff training, personnel, and capital outlay; and the planned procurement schedule?
- How can the Legislature evaluate the proposal to increase support and maintenance in the aviation unit, without answers to the above questions?

**Staff Recommendation**. Hold open for anticipated May Revision proposal.

**Issue 2: Emergency Command Center Staffing and Situational Command Awareness Data Acquisition (SCADA)**

**Background.** CalFIRE manages a total of 24 command centers, with each of the department's 21 units supported by a center. The local command centers are supported by two regional operation centers and the Sacramento headquarters. Staffing for the centers was established in 1982, when the department was primarily a wildfire activity department. Since that time, CalFIRE dispatches have increased by nearly 400 percent, including all emergency incidents. The State Responsibility Area (SRA), for which CalFIRE manages emergency response, has remained at around 31 million acres, while the population within the SRA has increased by about 64 percent. At the same time, there have been significant increases in population in the wildland-urban interface. As a full-service fire department, CalFIRE responds to wildland fires, structure fires, floods, hazardous material spills, swift water rescues, civil disturbances, earthquakes, and medical emergencies of all kinds.

**Governor's Proposal.** The Governor's budget includes two proposals related to command centers as follows:

- **Emergency Command Center Staffing.** The budget requests $17 million ($16.9 million General fund and $28,000 various special funds), and 61.6 permanent positions, along with 34.3 two-year, limited-duration temporary help positions, to increase Emergency Command Center (ECC) staffing. The positions are requested to improve intake of emergency calls and allocate and manage resources for emergencies.

- **Situational Command Awareness Data Acquisition.** The Governor's budget requests $7.6 million ($7 million General Fund and $600,000 Special Funds) and 12.8 positions beginning in the budget year, growing to $13.2 million in two years, then leveling off to $7.6 million, ongoing. The proposal includes a request for eight vehicles, including one for a battalion chief, for ongoing field level support. Additionally, the request will require the department to lease new office space in order to accommodate the additional Sacramento-based positions.

**Staff Comments.** As California's population within the Wildland-Urban Interface (WUI) and State Responsibility Area increase, staffing for state-level firefighting increases. So, too, as the department takes on more responsibility within its mutual-aid for federal and local emergencies, demand for emergency services increases. Add to this the public expectation, whether within a local jurisdiction (such as a city), or in the wildlands, that emergency calls are answered and dispatched in less than a minute, costs to CalFIRE will only increase. The department's submitted information includes workload and funding justifications, all of which support the notion that firefighting costs will continue to increase, regardless of efforts to reduce wildfire risk.

The Subcommittee may wish to ask the department:

- Why isn't there a corresponding reduction in the overall CalFIRE budget for the SCADA proposal given that this proposal is intended to provide significant efficiencies within the department? What is the overall reduction in budget anticipated by implementing this proposal?

- As part of mutual-aid, how have the federal firefighting units kept up with CalFIRE? Do they take as many emergency calls and maintain the same standards of response as the state—or do they remain mainly a wildfire service?

**Staff Recommendation**. Hold open for further review.

## Issue 3: Professional Standards Program

**Background.** State law has various mechanisms in place intended to minimize employee misconduct and to respond to such misconduct when it occurs. The department conducts administrative investigations in response to concerns regarding employee behavior. The department also is required to conduct internal administrative investigations under specific circumstances, such as whenever a formal complaint is filed against a peace officer or when a complaint or suspicion of employee misconduct is filed via the California Whistleblower's Protection Act. In addition, CalFIRE, in compliance with statute, requires background investigations on all public safety dispatchers, peace officers, public officers, and emergency medical technicians.

Currently, CalFIRE does not have a unit dedicated specifically to these responsibilities and reports that some of these functions are performed in the field with minimal oversight and redirected staff. When investigations become too complex to pursue with existing resources, CalFIRE contracts with another department to perform the investigation. In contrast, some other departments have designated units that perform these activities. For example, within CNRA, DPR and DFW have units that conduct internal investigations.

**Governor's Proposal.** The Governor's budget proposes $4.4 million ($3.7 million ongoing) primarily from the General Fund, and 14 permanent positions to establish a professional standards program in headquarters, which would include a unit to provide additional oversight for internal investigations and adverse actions, as well as expand manager and supervisor training. The proposed positions would conduct administrative and background investigations, provide more training to managers and supervisors, and develop guidelines to promote consistent application of penalties.

Under the proposal, much of the workload in 2016–17 would focus on developing new disciplinary policies and processes, as well as training all department managers and supervisors on implementing these procedures. After 2016–17, the nature of the workload would shift to focusing on ongoing training, document review, routine investigations, and oversight. The program is, in part, a response to recent concerns regarding the department's hiring and promotion practices and other allegations of employee misconduct.

**Legislative Analyst's Office (LAO) Assessment.** The LAO assessment finds that it is reasonable for the department to standardize its policies and procedures, increase its oversight of activities in the field, and make its training program more robust. However, their assessment finds that the ongoing workload for the new program is unclear for several reasons, as outlined below.

**Estimate of Future Workload Uncertain.** First, the proposed program is new, and its estimated ongoing workload is a projection based on recent workload. While this serves as a reasonable starting point for estimating future workload, actual ongoing workload might change. For example, the number of investigations in recent years might be above average due to increased concerns that arose from a high–profile case and related events over the past couple of years. Basing the ongoing workload on the number of investigations in recent years could overestimate the program's needs. In addition, the number of background investigations could fluctuate based on future position authority and vacancy rates.

**Impact of New Professional Standards Unit on Ongoing Workload Unclear.** Second, it is unclear how the creation of a new professional standards unit will affect the ongoing workload because some of the unit's activities could influence the number of required investigations or adverse actions undertaken. For example, if the improved education and training successfully prevent misconduct in the future, the new unit might have fewer cases of employee misconduct to process in the long run.

**Specific Staff Needed in Long Run Unclear.** Third, because the make–up of activities is proposed to shift, the number and classifications of staff might not be appropriate for the ongoing workload. For example, it is not clear that the same classifications needed to undertake policy development and training are best suited for the ongoing investigations workload.

**LAO Recommendation.** Given the uncertainty about the department's ongoing workload related to the new professional standards program, we recommend that the Legislature approve the additional ongoing resources proposed on a three–year limited–term basis. This timeframe would allow the department to fully implement the program over a period of time before evaluating the program's ongoing workload needs. This would also provide an opportunity for the Legislature and administration to evaluate the effectiveness of the proposed program before committing ongoing resources.

**Staff Comments.** Staff concurs with the LAO suggestion for a limited-term trial program, in order to provide evaluation and ongoing oversight of the proposal. Concerns have been raised about the training aspect of the proposal, and whether or not it is sufficient within the overall department mission. The department should address this concern in its presentation.

**Staff Recommendation**. Hold open for discussion with the department.

## 3340 CALIFORNIA CONSERVATION CORPS

The CCC provides young adults between the ages of 18 and 25 (and veterans to age 29) work experience and educational opportunities. Program participants, referred to as corpsmembers, work on projects that conserve and improve the environment. They also provide assistance during natural disasters. Work projects are sponsored by various governmental and nongovernmental agencies that reimburse CCC for the work performed by corpsmembers. Corpsmembers often live in residential facilities that serve as a hub of CCC service delivery. Typical activities include academic and technical training, as corpsmembers pursue educational and career development goals. After successfully completing a year, corpsmembers are eligible to receive a scholarship toward continuing education or training.

The Governor's 2016-17 budget proposes a total of $131 million for support of CCC. Almost half of these funds are from the General Fund with the remaining coming from a few special funds. The proposed amount reflects a net increase of $34 million, or 35 percent, compared to projected current–year expenditures. This change primarily reflects (1) a $20 million augmentation from the General Fund to renovate the kitchen, dormitory, and multipurpose room at the Auburn residential center; and (2) an increase of $15 million from the Greenhouse Gas Emission Reduction Fund (GGRF) to operate a new Energy Corps Program that would focus on reducing greenhouse gas emissions for public buildings. In addition, Control Section 6.10 includes $700,000 from the General Fund for deferred maintenance at CCC facilities.

**EXPENDITURES BY FUND (in thousands)**

| Fund | Actual 2014-15* | Estimated 2015-16* | Proposed 2016-17* |
|---|---|---|---|
| General Fund | $ 43,852 | $ 45,342 | $ 44,375 |
| California Environmental License Plate Fund | 320 | 322 | 318 |
| Collins-Dugan Calif Conservation Corps Reimbursement Acct | 35,827 | 36,499 | 41,803 |
| Reimbursements | - | 1 | - |
| State Responsibility Area Fire Prevention Fund | 1,769 | 7,038 | 4,522 |
| Greenhouse Gas Reduction Fund | - | - | 15,000 |
| California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund | 4,392 | 275 | - |
| Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 | 178 | - | - |
| Clean Energy Job Creation Fund | 4,374 | 5,403 | 5,400 |
| **Total Expenditures (All Funds)** | **$90,712** | **$94,880** | **$111,418** |

## Issue 1: Residential Facilities Expansion

**Background.** The CCC operates 25 facilities in urban and rural areas statewide—seven residential centers and 18 nonresidential facilities known as satellite facilities. The typical residential center includes a dormitory, dining room and kitchen, administrative offices, recreational facilities, classroom space, and warehouse space. The residential centers normally house between 80 and 100 corpsmembers. The typical satellite facility includes classroom space and administrative offices. The satellite facilities normally serve between 30 and 60 corpsmembers.

**Governor's Proposal.** The Governor's budget includes a five–year plan for major expansion of residential centers. The Administration's recent Five-Year Infrastructure Plan, which proposes state spending on infrastructure projects in all areas of state government through 2020-21, includes a major expansion of the CCC residential center program. Specifically, the plan proposes a combined total of $171 million over the next five years from the General Fund and lease-revenue bond funds to design and construct new CCC residential centers. There would be added costs to complete design and construction of two new residential centers that would still be in the preliminary plan phase in 2020-21. The figure on the next page summarizes the five-year plan to (1) complete construction of six new residential centers by the end of 2020-21 and (2) begin the acquisition and preliminary planning phases for two additional residential centers that would begin construction after 2020-21. Some of the proposed centers would replace current satellite facilities, while others would add capacity in new locations.

The budget also requests $2.6 million (General Fund), 12.5 positions, and 47 corpsmembers, to convert the former CalFIRE Magalia facility into a residential corpsmember facility serving Butte County.

Under the Governor's plan, the total number of corpsmembers would increase, and a greater share would reside in residential centers. By 2020-21, the number of residential corpsmembers would increase from 623 to 1,172 (88 percent), and the total number of corpsmembers would increase from 1,537 to 1,757 (14 percent). This would result in the share of corpsmembers in residential centers increasing from 41 percent to 67 percent.

Once a residential center is built, its annual average operating cost is $3.4 million. Roughly 50 percent of operating costs are paid for with General Fund, 45 percent are paid for with reimbursements from work projects, and the remaining five percent is from state special funds.

# California Conservation Corps Five–Year Expansion Plan

*(In Thousands)*

| | 2016–17 | 2017–18 | 2018–19 | 2019–20 | 2020–21 | Total Project Cost |
|---|---|---|---|---|---|---|
| Napa—new residential center | $200 A | $1,000 P | $2,000 W | $24,800 C | — | $28,000 |
| Pomona—new residential center | 100 A | 1,000 P | 2,000 W | 24,920 C | — | 28,020 |
| Ukiah—replace existing residential center | 100 A | 200 A | 1,000 P | 2,000 W | $24,720 C | 28,020 |
| San Diego—new residential center | — | 280 A | 1,000 P | 2,000 W | 24,720 C | 28,000 |
| Santa Clara—new residential center | — | 280 A | 1,000 P | 2,000 W | 24,720 C | 28,000 |
| Kern—new residential center | — | — | — | 3,200 A,P,W | 24,720 C | 27,920 |
| Del Norte—new residential center | — | — | — | 280 A | 1,000 P | 1,280 |
| Inyo/Mono—new residential center | — | — | — | 280 A | 1,000 P | 1,280 |
| **Totals** | **$400** | **$2,760** | **$7,000** | **$59,480** | **$100,880** | **$170,520**[a] |

[a]Does not include costs for working drawings and construction of new residential centers at Del Norte and Inyo/Mono that will be incurred after 2020–21.

Phases: A = acquisition; P = preliminary plans; W = working drawings; and C = construction

Source: Legislative Analyst's Office, 2016

**Expansion Designed to Achieve Multiple Goals.** The Administration believes that the proposed expansion will achieve multiple goals. First, residential centers allow access to the CCC program for young people from all parts of the state, not just those that live within commuting distance of a satellite facility. Corpsmembers must find affordable housing within commuting distance of the satellite facility. This can present a barrier in regions where the cost of living is relatively high (such as Napa). By removing the obstacle of finding affordable housing within commuting distance of a satellite facility, CCC believes it will have more participation in certain regions.

Second, the CCC states that residential centers offer a better option than some of its satellite locations by (1) providing a structured environment offering full immersion in work projects and educational programs, (2) offering stability and security, and (3) providing many opportunities for community engagement and personal development. According to CCC, residential facilities promote academic success because the residential setting provides more time for corpsmembers to dedicate to academics. They can attend class, participate in study groups, and participate in academic projects onsite. Data shows CCC corpsmembers in school at residential centers achieved greater gains in math and reading levels than their counterparts in satellite facilities. Furthermore, a higher percentage of corpsmembers from residential centers (27 percent) go on to post-corps education and training than satellite facilities (17 percent), as evidenced by the greater number of CCC graduates from residential centers who claim the scholarship earned by successfully completing a year of service. Residential center corpsmembers are also more likely to participate in community service projects than satellite facility corpsmembers.

Third, the CCC states that the proposed expansion would allow it to better meet the needs of the communities by having more corpsmembers there and offer a residential center program in additional areas of the state. The number of corpsmembers at some of CCC's satellite operations

matches the needs of the communities they serve. In deciding which satellite facilities to convert to residential centers, the CCC reviewed several factors such as recruitment trends, demand for work, and existing field staffing. The CCC also considered its geographic reach and its ability to offer residential center programs throughout the state. For example, there is currently no residential center south of Camarillo, so the Governor's proposal includes two new residential centers, in Pomona and San Diego.

**Governor's Budget Proposal.** The Governor's budget for 2016-17, proposes $400,000 from the General Fund to begin implementation of the above expansion plan. This amount consists of funding for the acquisition phase of residential centers in Napa ($200,000), Pomona ($100,000), and Ukiah ($100,000). Acquisition phase costs can include an investigation of the condition of a property, surveys, title costs, appraisal fees, and staff time. For Napa and Pomona the administration plans to use lease-revenue bonds (generally repaid from the General Fund) for construction, which increases the total costs of the project due to the interest paid on the bonds. Ukiah is proposed to be funded entirely from the General Fund. (The Governor's budget also proposes $2.7 million from the General Fund for one–time and ongoing operational costs of a new residential center in Butte County [Magalia].)

**Expansion at Initial Three Sites Would Mostly Leverage Existing State Properties.** The Administration plans to build new residential centers on existing state property whenever possible. According to the Administration, utilizing existing state property is preferred and expedites site selection and acquisition. For the Pomona residential center, the former Lanterman Developmental Center (now Cal Poly Pomona) is an option. For the Napa residential center, the Napa State Hospital and the Yountville Veterans Home are both options. In Ukiah, continuing in the current leased facility is no longer feasible. This is because the Department of General Services will not renew the lease as the buildings are in disrepair and do not meet today's building standards.

**LAO Assessment.** The LAO provides the following assessment:

> The decision about whether to take the initial steps towards a major expansion of CCC residential centers is ultimately a policy decision for the Legislature. In large part, this determination will be based on how the Legislature weighs the potential benefits of expanding the CCC residential program against other General Fund priorities. In this section we assess (1) the costs and potential benefits of the Governor's proposed expansion, and (2) the data available on corpsmember outcomes.
>
> **Major Cost to Shift Towards Residential Center Model With Modest Increase in Corpsmembers.** The Governor's 2016-17 budget proposes funding ($400,000 General Fund) for the acquisition phase of three residential centers that will cost a total of $84 million to complete. The Governor's 2016-17 proposal is just the first step in a plan to spend a combined total of $171 million over the next five years (with additional construction costs estimated at roughly $50 million in subsequent years) to design and construct new CCC residential centers. Over the same time period, the total number of corpsmembers would increase only modestly—by 220 corpsmembers. In our view, the Governor's proposal presents the Legislature with a policy decision about whether to spend a significant amount of General Fund over the next several years to shift the CCC program from a primarily satellite facility–based program to a primarily residential

center–based program—with about two–thirds of corpsmembers living in residential centers in five years. By approving the Governor's 2016-17 proposal, the Legislature would be signaling its agreement with the Governor's long-term policy goal of shifting to greater use of residential centers.

**Measureable Outcomes for Corpsmembers Currently Limited.** The CCC states that it is beginning to implement a database to collect information on where corpsmembers go after they leave CCC in order to identify trends that could help them to manage the program more effectively. For example, CCC would like to have more information about the number of corpsmembers who leave CCC to begin jobs, attend college, or for other reasons. This information would help CCC administrators to more efficiently and effectively manage the program. However, CCC does not believe it will be able to identify meaningful trends in the data it is collecting for another two or three years.

Without robust data on outcomes after corpsmembers leave CCC, it is more difficult to assess whether a major expansion of residential centers is a wise investment. For example, data suggests that residential centers contribute to corpsmembers performing better than their satellite facility colleagues on some educational and community service measures. However, we do not know whether there are meaningful differences between residential center corpsmembers and their satellite facility colleagues after they leave CCC on such measurements as educational outcomes or employment status.

**Ukiah Project Appears Warranted.** The new Ukiah residential center will replace an existing leased residential center. The Department of General Services will not renew the lease on the existing facility due to the fire, life, safety, and building code compliance issues. We view this as a reasonable request that will allow for continued CCC services in a region where a residential center is already established.

**LAO Recommendation:** The LAO offers the following recommendation:

**Defer Decision on Napa and Pomona Projects.** We recommend the Legislature wait until there is more information on corpsmember outcomes before approving the acquisition phase for new residential centers in Napa and Pomona. We believe the proposal to construct new residential centers in Napa and Pomona is worth exploring. There may be benefits, in addition to the ones discussed earlier in this analysis, from shifting from a primarily satellite facility to a primarily residential–center model. However, we do not know for certain such a shift will better achieve program goals because there is limited data on how residential center corpsmember post–service outcomes compare to outcomes for their satellite facility colleagues. Furthermore, any such benefits would have to be weighed against the significant additional costs of providing corpsmember slots in a residential setting. Accordingly, we believe the Legislature should not signal its intent to go forward with new residential center construction in Napa and Pomona—at an estimated total cost of $28 million per new residential center—by funding the acquisition phase until more information is available regarding corpsmember outcomes.

**Require CCC to Report on Outcomes to Inform Longer–Term Policy Choices.** We believe the Legislature should take steps to ensure that it will have sufficient information in the future to make informed decisions about whether to go forward with the residential center expansion. We recommend the Legislature require the CCC to report at budget hearings on its progress towards developing a database to track corpsmember outcomes. This data should be complete enough to inform CCC management decisions about how to improve the efficiency and effectiveness of the CCC program. It should also be broad enough to inform legislative decisions about the benefits of expanding CCC. According to CCC, it will not be able to identify trends for another two or three years. We acknowledge that collecting this data may have a cost. We further recommend CCC report at budget hearings on whether it can develop a robust database within existing resources, or whether additional resources are necessary to create this database.

**Approve Request for Ukiah Acquisition Phase.** We recommend the Legislature approve the request for $100,000 General Fund to begin the acquisition phase of a project to replace the current residential center in Ukiah.

**Staff Comments.** The LAO assessment of the proposal is thorough and accurately portrays the expansion of the residential facilities as a major change in direction for the corps. However, the corps discussion of the benefits of residential facilities to the corpsmember should not be discounted as the Legislature considers this proposal. Staff have concerns that the size and nature of the proposal may be setting the CCC up for future budget challenges. The addition of the residential facilities will increase the CCC baseline General Fund budget, not all of which can be recouped by either contracts with local entities, or with other state funds. In past years, budget cuts left the CCC baseline budget so reduced that it was challenged to be able to meet its core mission.

The Subcommittee may wish to ask:

- What will be the cost to the General Fund for the additional staffing and corpsmembers at the residential facilities?

- How did the CCC determine where to locate various residential facilities? Was the decision based on mission (increasing energy and forest corpsmember employment pathways), or the availability of surplus property?

- How has the corpsmembers career pathways changed in the past decade—where are corpsmembers finding long term employment after their service to the state?

- Has the Administration considered fundamental changes to the corpsmember career pathway within the state? For example, should there be a longer residential residency at fire camps in order to move corpsmembers into CalFIRE positions? Are there other ways to increase the path to state employment?

**Staff Recommendation**. Hold Open.