

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

**Agenda**

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



**Thursday, April 9, 2015**  
**9:30 a.m. or Upon Adjournment of Session**  
**Hearing Room 112**

**Consultant: Catherine Freeman**

**Items Proposed for Discussion**

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

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## 3600 Department of Fish and Wildlife

The Department of Fish and Wildlife (DFW) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. It protects and maintains habitat and manages about one million acres of ecological reserves, wildlife management areas, and fish hatcheries throughout the state. The department also regulates hunting and fishing in conjunction with the Fish and Game Commission.

**Governor's Budget.** The Governor's 2015–16 budget proposes a total of \$518 million from various funds (mainly special funds) for support of the department. This is a net decrease of \$33 million, or six percent, compared to projected current-year expenditures. This change primarily reflects reduced bond expenditures, as well as one-time drought-related expenditures from the General Fund in 2014-15.

### EXPENDITURES BY PROGRAM (in thousands)

	Program	Actual 2013-14*	Estimated 2014-15*	Proposed 2015-16*
	Biodiversity Conservation Program	\$113,840	\$238,434	\$198,224
	Hunting, Fishing, and Public Use Program	82,077	99,548	102,944
	Management of Department Lands and Facilities	54,084	81,143	85,071
	Enforcement	72,228	80,003	80,201
	Communications, Education and Outreach	3,053	3,725	3,766
	Spill Prevention and Response	31,257	45,524	44,183
	Fish and Game Commission	1,117	1,634	1,712
	Administration	41,998	47,121	47,280
	<b>Total Expenditures (All Programs)</b>	<b>\$357,656</b>	<b>\$550,006</b>	<b>\$516,101</b>

### Items Proposed for Vote-Only

1. **Federally Funded Projects.** The Governor's budget requests eight positions and \$800,000 (federal funds) to: (1) establish a Human Dimensions in Wildlife Program; to conduct the California Recreational Fisheries Survey; and (3) support the data collection, analysis, and science-based decision support tools being developed by the South Coast Region's Resource Assessment Program.

**Staff Recommendation:** Approve Item 1.

**Vote:** 2-1 (Nielsen, no)

*Items Proposed for Discussion***1. Payment in Lieu of Taxes to Counties**

**Background.** The Department of Fish and Wildlife (DFW) operates 111 wildlife management areas covering over 700,000 acres throughout the state. The areas are designed to protect natural ecosystems, such as wetlands, and improve habitat for fish and wildlife. These areas often provide hunting, fishing, wildlife viewing, and outdoor education opportunities to visitors. They are typically located in rural areas.

According to the California Constitution, state lands (including wildlife management areas) are exempt from the property tax. However, state law specifies that DFW shall provide those counties containing wildlife management areas with payments from funds available to the department. These “payments in lieu of taxes” (PILT) are designed to offset lost property tax revenues that counties and other local governments would be able to collect on these properties if they were not state-owned. These PILT payments were made between 1957 and 2002 from the General Fund. Beginning in 2002–03, the state stopped providing PILT payments in the budget in order to achieve cost savings.

**Budget Proposal.** The Governor proposes \$644,000 to DFW from the General Fund to resume PILT payments in 2015–16. Under the Governor’s proposal, the funding would be allocated to 36 counties containing wildlife management areas. Local county assessors would then be responsible for allocating the funds they receive to the relevant local governments in their jurisdiction. The Governor also proposes budget trailer legislation to articulate that the state is not required to make PILT payments to counties and that counties may not spend the payments on school districts. Figure 14 shows the amount each county would receive in PILT under the Governor’s proposal.

The Governor’s estimate of PILT includes funding for counties, cities, and special districts, but not school districts. According to the Administration, state General Fund payments to school districts already take into consideration the amount of local property tax collected by the district. Therefore, providing PILT payments to school districts would be duplicative with existing state General Fund payments.

**LAO Assessment:** The LAO provides this assessment of the proposal:

**Policy Considerations in Providing PILT.** We find that there are policy trade-offs that should be considered carefully by the Legislature in evaluating the Governor’s proposal. On the one hand, providing PILT payments is in line with existing statutory direction and longstanding historical practice before 2002. In addition, some local governments might provide services on state wildlife management areas from which they do not receive property taxes. For example, some counties might incur costs to maintain local facilities on DFW wildlife management areas, and might step in to provide law enforcement services when necessary. However, the Administration has not provided any detail on the extent to which this happens.

On the other hand, no other state department that we are aware of makes PILT payments to local jurisdictions for state-owned land. This includes other state properties for which local governments might provide some services, such as state buildings owned by the Department of General Services (DGS) and state parks. The Administration has also argued that the lost property taxes can be particularly challenging for rural counties. While there is some variation, on average, PILT payments to these counties would be a fraction of a percent of their non-school property tax revenues.

**Staff Comments.** Staff concurs with the request for ongoing funding for county PILT payments as calculated by the Department of Finance and confirmed by the LAO. However, several concerns have been raised about two outstanding issues: (1) trailer bill provisions making payments permissive to counties, and (2) payments not paid during previous years.

**Questions for the Administration.**

- What is the total amount that was unpaid to counties over the past ten years, accounting for the Proposition 98 payments made?
- What is the purpose of the amendments to Fish and Game Code Section 1504 (a), (c), (e) and (f) changing the payments to permissive? Given the DOF position that the payments are already permissive and subject to budget appropriation, why is this necessary?
- How does the department handle applications for PILT funding when there is no budget appropriation? Is payment or debt implied?

**Staff Recommendation:** Approve budget item as proposed (\$644,000 General Fund). Approve trailer bill language as provisional striking language making payments permissive.

**Vote:** 3-0 (Motion to approve staff recommendation and to add \$8 million [General Fund] to fund back-payments.)

**2. Proposition 1: Water Bond Act Implementation**

**Background.** Proposition 1 allocates \$372.5 million to the DFW for watershed restoration projects. Section 79737 of the bond allocates \$285 million for eleven program categories including coastal wetland restoration, reconnecting historical floodplains, restoring river channels, improving ecological functions, removing sediment, and conservation easements, among others. Section 79738 of the bond allocates \$87.5 million to DFW for projects that benefit the Delta, including water quality improvements, habitat restoration, and scientific studies.

**Budget Proposal.** The DFW requests \$36.5 million and 41.5 positions funded from Proposition 1. The proposal also requests an extended encumbrance period through June 30, 2018, and allowing local assistance funding to be expended as either local assistance or capital outlay.

**Staff Comments.** Staff concurs with the need for the proposal but has concerns about the provisional language allowing for shifting between program areas without budget approval, and the extended encumbrance period.

**Questions for the Department.**

1. How does the department plan to allocate the funding across the many program categories? Any one category could use all of the funding. What is the department's priority for funding, what geographic distribution will be used, and what criteria will the department use to identify priorities?
2. Will any funds be used for acquisition of lands for the state? If so, what fund source has been identified for maintenance of these state lands?
3. The proposal requests an extended encumbrance period and the ability to shift funds between major program areas. This proposal is similar to a request under Proposition 1E, the justification of which was an expiring bond. No such justification is proposed. Why has the Administration proposed to circumvent the usual legislative authority to direct appropriations in this case?

**Staff Recommendation:** Approve funding and positions. Reject budget bill language.

**Vote:** 3-0 to approve staff recommendation and to allocate some percentage of funding for fish screens on the Sacramento River. Staff to determine allocation and bring back to the committee.

## 3540 Department of Forestry and Fire Protection (CalFIRE)

The California Department of Forestry and Fire Protection's (CalFIRE) mission is to serve and safeguard the people and protect the property and resources of California. CalFIRE provides all hazard emergency - fire, medical, rescue and disaster - response to the public. The department provides resources management and wild land fire protection services covering over 31 million acres of the state. It operates 228 fire stations and, on average, responds to over 5,600 wildfires annually. The department also performs the functions of a local fire department through reimbursement agreements with local governments. Additionally, the state contracts to provide fire protection and prevention services in six local areas.

**Governor's Budget.** The Governor's budget proposes \$1.8 billion from various funds for support of CalFIRE in 2015-16—about the same level as estimated current-year expenditures. This proposed amount includes \$62 million from the General Fund and State Responsibility Area Fire Prevention Fund for heightened fire conditions resulting from the current drought, which is similar to the drought-related funding provided to CalFIRE in 2014-15. In addition, the Governor proposes \$2 million from the General Fund for deferred maintenance projects in CalFIRE.

### EXPENDITURES BY PROGRAM (in thousands)

Program	Actual 2013-14*	Estimated 2014-15*	Proposed 2015-16*
Office of the State Fire Marshal	\$17,882	\$25,397	\$24,566
Fire Protection	1,176,630	1,564,671	1,575,663
Resource Management	44,193	99,570	102,437
Board of Forestry and Fire Protection	806	1,718	1,518
Department of Justice Legal Services	4,382	6,164	6,164
Administration	72,494	79,471	82,394
<b>Total Expenditures (All Programs)</b>	<b>\$1,244,800</b>	<b>\$1,700,107</b>	<b>\$1,710,349</b>

### POSITIONS BY PROGRAM

Program	Actual 2013-14	Estimated 2014-15	Proposed 2015-16
Office of the State Fire Marshal	110.1	124.3	132.8
Fire Protection	5,200.7	6,224.0	6,421.3
Resource Management	292.8	314.5	317.3
Board of Forestry and Fire Protection	4.0	6.0	6.0
Department of Justice Legal Services	-	-	-
Administration	552.9	565.8	574.2
<b>Total Positions (All Programs)</b>	<b>6,160.5</b>	<b>7,234.6</b>	<b>7,451.6</b>

***Items Proposed for Vote-Only***

1. **Rohnerville Air Attack Base (Humboldt County).** The budget requests \$280,000 (Public Buildings Construction Fund [PBCF]) to demolish and replace two concrete loading pads and upgrade security lighting and fencing to FAA/Homeland Security requirements.
2. **Water System Improvements.** The budget requests \$775,000 (PBCF) to upgrade or repair water systems at various CalFIRE facilities.
3. **Columbia Air Attack Base.** The budget requests \$768,000 (PBCF) to make various improvements related to the support apparatus for the storage of helicopter fuel tender.
4. **San Luis Obispo Unit Headquarters—Facility Replacement.** The budget requests \$36.9 million (PBCF) to replace the existing unit headquarters located in San Luis Obispo.

**Staff Recommendation:** Approve Items 1-4.

**Vote:** 3-0

**Item Proposed for Discussion****1. Drought 2015**

**Background.** The state is in its fourth year of a historic drought. The condition of vegetation in California's wild lands is dependent upon annual rainfall. Dry conditions have exacerbated fire conditions and have increased fire risk throughout the year. In 2014, the Legislature included \$33 million (\$30.8 General Fund and \$2.2 million State Responsibility Area [SRA] Fire Prevention Fund), 259 temporary help positions, and two government program analysts, to address heightened fire conditions brought on by drought, on a one-time basis.

**Budget Proposals.** The Governor's budget requests a one-time appropriation of \$59.4 million (General Fund) and \$2.4 million (SRA Fire Prevention Fund), and 373 temporary help positions, through December 31, 2015, to continue to address fire conditions brought on by the drought.

**Staff Comments.** Staff concurs with the nature of the request.

**Questions to the department.**

- Are there any permanent policy changes being made with the addition of these resources?
- Has there been a corresponding reduction in overtime associated with the current-year proposal?

**Staff Recommendation:** Approve proposal.

**Vote:** 2-1 (Nielsen, no) to approve SRA funding.  
3-0 to approve positions and General Fund.

**Senator Requests:**

- (1) Pavley—specific plans needed for expenditure from greenhouse gas emission fund
- (2) Nielsen—Nielsen—Report, in writing, on the new policies and procedures that the department has implemented to address employee misconduct that was identified at the Lone Academy.
- (3) Nielsen—Documentation of SRA fund allocations



## 2. Hiring and Training Augmentation

**Background.** Funding for personnel who are responsible for hiring and training CalFIRE's firefighting workforce is based on the traditional "fire season" length. According to the Administration, climate change has, and will continue to, lengthen the fire season in California, requiring more firefighters be hired and trained, and creating the need for staff that can perform these functions. CalFIRE maintains it has been encountering adverse consequences, that are becoming increasingly worse, due to a lack of staff that can hire and train firefighters at the rate and in the time required by the change in fire season.

CalFIRE has requested and received authority over the last several years to augment its firefighting force to deal with the longer and more active fire season, based on what appeared, at the time, to have been temporary conditions. These requests will continue into the foreseeable future given the long-term climate impact on weather and fuel conditions. However, CalFIRE has not received any additional funding or authority for positions responsible for hiring these firefighters. Instead, CalFIRE was provided one-time funding in the 2014 budget to train the additional firefighting resources brought on by the drought.

CalFIRE has addressed the shortfall issue by implementing "forced overtime" at fire stations, mandating existing personnel to stay on duty to cover shifts that would be covered with other personnel. CalFIRE has deferred work, redirected staff, and sacrificed incident command, forest and fire law enforcement, and employee development courses to accommodate the basic fire control training. However, according to CalFIRE, the operational adjustments have created adverse consequences that cannot continue.

**Budget Proposals.** The Governor's budget proposes \$9.2 million (\$7.3 million General Fund, \$332,720 special funds, and \$1.6 million reimbursements), and position authority for 28 limited-term positions and 21 limited-term temporary help positions through June 30, 2017, to address the hiring and training needs resulting from the increased length of fire season.

**Staff Comments.** Staff concurs with the nature of the request. However, at the same time this request is being made, the department is also requesting \$62.8 million (previous proposal) for additional positions. While it is clear that there is a demonstrated increase in wildfire activities, the department's mission has departed significantly from wildland firefighting. The need for the department to be the state's emergency medical response for rural areas challenges the state's budget. This is because the department has adopted an integrated approach to emergency response—with local and federal participants. While there are clearly demonstrated benefits to this model, there are also drawbacks when local and federal partners fail to manage emergency response needs in their jurisdiction, consistent with past practice. the state's CalFIRE steps in—and sometimes permanently. Just last year, due to a reduction in federal funding, the state was forced to increase its budget by \$14 million and 62 positions to expand fire protection in areas where federal responsibility was being reduced. In other areas of the state, where local emergency response has been eliminated, CalFIRE has backfilled these reductions in order to maintain both a wildland firefighting and emergency response presence.

**Questions for the Department.**

- The department has acknowledged that the integrated approach to firefighting and emergency response is only as good as its partners. With the federal government reducing its presence in the state, what cost controls does the department propose that would refocus the department on its primary mission of wildland firefighting?
- The department's training model, the academy in Ione, may be outdated. What other models is the department considering for the long-term?
- The proposal states that the department has been incurring "forced overtime" due to a lack of new, trained, firefighters. What cost savings are proposed from the reduction in overtime that would result from the approval of this proposal?

**Staff Recommendation:** Approve as proposed. Require the department to submit the total amount of overtime reduced by January 10, 2016, as a negative budget proposal in 2016.

**Vote:** 3-0 to approve proposal and report-back language on overtime.

**3. Office of State Fire Marshall—Safe Burning Cigarette Certification**

**Background.** The OSFM is responsible for the California Cigarette Fire Safety and Firefighter Protection Act. This act requires cigarette manufacturers to certify with the OSFM that their cigarettes have been tested and meet the national fire safety standard as having reduced ignition propensity. Under this act, cigarettes sold in California must meet the following criteria:

- The cigarettes must satisfy the American Society of Testing and Materials (ASTM) Standard “Standard Test Method for Measuring the Ignition Strength of Cigarettes.”
- A certification must be submitted by the manufacturer to the OSFM certifying that each cigarette variety listed was tested and satisfies the performance requirements of the Standard Test Method for Measuring the Ignition Strength of Cigarettes.
- The cigarettes must be sold in packaging marked with the letters “FSC,” which stands for “Fire Standards Compliant.”

The OSFM has insufficient staff to keep up with the workload demands of the California Cigarette Fire Safety and Firefighter Protection Act. According to the Administration, this has created a significant negative impact for the Attorney General’s (AG’s) Office, who has requested the OSFM take measures to increase its efforts to meet the workload demands of the program.

**Budget Proposals.** The Governor's budget requests an ongoing \$249,653 increase to the spending authority for the Cigarette Fire Safety and Firefighter Protection Fund, and two permanent positions. This proposal would provide the staffing necessary to address the Office of the State Fire Marshal (OSFM) Fire Safe Cigarette Certification Program workload. This proposal includes trailer bill language that establishes the Cigarette Fire Safety and Firefighter Protection Fund and authorizes the State Fire Marshal to adopt emergency regulations to establish an annual certification fee to be paid by manufacturers in an amount sufficient to cover all reasonable costs of administer the program. The current number of styles of cigarettes would require approximately 2,020 cigarette style (e.g., regular, menthol, light, etc.) certifications, and the OSFM is proposing a \$150 fee per style certification (new and renewal) to cover the cost involved. Therefore, the projected new revenue stream of \$303,000 annually will meet the needs of the funding requested.

**Staff Comments.** According to the OSFM, there is no federal standard for reduced ignition propensity for cigarettes. However, nearly every state independently establishes criteria and does testing for this purpose. It would be more cost-effective for the OSFM to contract or collaborate with other states develop or adopt criteria for a product that does not change from state to state, and does not require two additional personnel to duplicate activities of other states.

**Staff Recommendation:** Reject proposal. Require the OSFM to return in 2016 with a proposal that is collaborative with other states to accomplish this goal.

**Vote: 3-0 to reject without prejudice.**

#### 4. Helicopter Replacement

**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.

**Budget Proposals.** The proposed budget includes budget bill language stating that CalFire and the DGS shall work collaboratively on a procurement and contract process for the replacement of CalFIRE's existing helicopter fleet. CalFIRE indicates that newer helicopters are available that have increased capabilities and are able to travel faster, operate at night, carry heavier payloads, and transport more people. Newer helicopters might also be more fuel-efficient and could require less maintenance. Additionally, current generation helicopters are compliant with the Federal Aviation Administration standards that have been updated since the current fleet was manufactured in the 1960s. The Administration anticipates submitting a budget request for these costs in May 2016 as part of the 2016-17 budget.

**LAO Assessment.** The LAO has reviewed the proposal and raised the following concerns.

**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.

Our office has requested the above information, but the department has not provided it, citing legal concerns. We find no compelling rationale for why CalFIRE should not provide the Legislature with the above information. Other departments have included this type of information when submitting budget requests related to large-scale procurements. For example, the California Highway Patrol (CHP) requested helicopters in 2013-14 and 2014-15, and was able to provide such information to the Legislature as part of the budget process.

**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 the 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.

It is important for the Legislature to identify its priorities for the new fleet prior to CalFire and DGS moving forward on this procurement. However, the proposed budget bill language would allow DGS and CalFire to enter a contract prior to legislative approval and without legislative oversight. While the Legislature would still be able to determine whether to appropriate or not appropriate money for helicopters in future budget processes, the price and specifications would already be set in the contract. Therefore, the department should provide sufficient information for the Legislature to make decisions regarding the procurement before adopting language allowing it to move forward.

**LAO Recommendation.** We recommend the Legislature withhold action on the proposed request and require CalFire to provide additional information at budget hearings regarding the proposed helicopter replacement, including desired specifications and possible alternatives; cost estimates for helicopters, staff training, personnel, and capital outlay; and the planned procurement schedule. If the department does not provide this information to the Legislature, we would recommend rejecting the proposed budget bill language. If, however, CalFire provides this information, our office will analyze it and make specific recommendations based on our analysis.

**Staff Comments.** Staff find that the need for a helicopter replacement plan is supportable. However, the Administration has not provided enough information to allow for an informed decision on the proposal. For example, it is unclear what additional costs will be incurred should the department choose night-flying helicopters; or if there will be capital outlay costs associated with one model over another. Without these details, the Legislature would essentially be giving the department a blank check to choose any model without appropriate oversight. Similar to recent years' negotiations with the California Highway Patrol, staff recommends only funding the amount necessary to provide a full set of cost alternatives and a procurement schedule.

**Staff Recommendation:** Reject budget bill language. Request the department provide the amount necessary to fund the cost analysis and procurement schedule by May 10, 2015.

**Vote: 3-0 to approve staff recommendation.**

**4. Legislative Proposals**

**Background.** The Legislature may wish to consider the following proposals not included in the Governor's budget.

- 1. State Responsibility Area (SRA) Local Assistance.** In the 2014-15 budget, the Legislature added \$10 million (SRA Fire Prevention Fund) for local assistance pursuant to Public Resources Code 4214 (d), which specifies that the allowable fire prevention activities from the SRA Fund includes grants to fire safe councils, local conservation corps, grants to nonprofit organizations that can complete a fire prevention project applicable to the SRA, public education to reduce the fire risk in the SRA, and other fire prevention activities. The Governor's budget did not continue this funding and no explanation has been given as to why this is not an ongoing baseline expenditure for the SRA Fire Prevention Fund.
- 2. Contract County Capital Outlay.** In previous years, contract counties (those counties providing wildland fire services in their respective jurisdictions while not duplicating services), have received minor capital outlay funding as a part of their contracts. According to the Attorney General, the contracts are based on "like" funding, which includes minor capital outlay. This amount totals about \$975,000 per year, which were eliminated in 2013. The Department of Finance considers this part of the reductions made to during the fiscal downturn. However, a policy decision was made to eliminate these funds from the contracts that was not related to the fiscal outlook of the state. This cut was not enumerated for the Legislature in budget reduction proposals in previous years, and therefore should be considered as part of the baseline for contract counties.

**Staff Recommendation.** Staff recommends approving the following:

- 1. \$10 million SRA Fire Prevention Fund (baseline) for local grants as a baseline expenditure.
- 2. \$975,000 additional funding (General Fund and other funds, as appropriate) to allow baseline capital outlay for contract counties.

**Vote.**

**Item 1: 2-1 (Nielsen, no)**

**Item 2: 3-0**

## 3970 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 \$570 million for state operations and bond expenditures, a decrease of about \$100 million from the 2014-15 budget. The decreases are mainly related to a reduction in bond expenditures.

### EXPENDITURES BY PROGRAM (in thousands)

Program	Actual 2013-14*	Estimated 2014-15*	Proposed 2015-16*
Support of the Department of Parks and Recreation	\$423,651	\$501,958	\$434,838
Division of Boating and Waterways	20,240	23,871	31,473
Local Assistance Grants	119,815	144,316	104,239
<b>Total Expenditures (All Programs)</b>	<b>\$563,706</b>	<b>\$670,145</b>	<b>\$570,550</b>

### POSITIONS BY PROGRAM

Program	Actual 2013-14	Estimated 2014-15	Proposed 2015-16
Support of the Department of Parks and Recreation	3,479.0	3,599.8	3,589.9
Division of Boating and Waterways	46.8	46.8	60.8
Local Assistance Grants	-	-	-
<b>Total Positions (All Programs)</b>	<b>3,525.8</b>	<b>3,646.6</b>	<b>3,650.7</b>

**Items Proposed for Vote-Only**

1. **Empire Mine State Historic Park.** The budget requests \$220,000 (General Fund, baseline), to support the anticipated long-term operation and maintenance costs of the Magenta Drain and Treatment System at the park. This request is in conjunction with a settlement with Newmont Entities, who will be responsible for reimbursing the department for past environmental costs at the mine.
2. **Vessel Operator Education and Certification.** SB 941 (Monning), Chapter 433, Statutes of 2014, requires the department to establish the Vessel Operator Card Program and Harbors and Navigation Code (HNC) Section 678.4 (a) authorizes a transfer totaling \$4 million from the Harbors and Watercraft Revolving Fund as a loan to fund the program establishment. The budget requests the transfer of an initial \$1 million and an appropriation of \$503,000 to establish the program. Future funds will be transferred upon need, within the budget.
3. **Proposition 40 Urban Parks and Recreation Grants.** The budget requests \$200,000 (Proposition 40 bond funds) to establish a new grant program to provide active recreation facilities throughout the state, consistent with the bond law. Total funding for the program will be \$26.4 million, distributed competitively. Funds are available due to lifetime savings from statewide bond costs.
4. **Local Assistance Program—Grant Funding.** Consistent with past years, the department requests to appropriate special and federal funds to local assistance programs. Programs include: (1) Off-Highway Motor Vehicle Recreation Act of 1988 (\$26 million Off-Highway Vehicle Trust Fund); (2) Recreational Trails Program (\$5.7 million Recreational Trails Fund); and, (3) Land and Water Conservation Fund Program (\$24.5 million Federal Trust Fund).
5. **Capital Outlay Proposals.** The budget requests the following capital outlay proposals:
  - a. **El Capitan State Beach.** The budget requests \$619,000 (Proposition 84 bond funds) to demolish the existing lifeguard tower located in the El Capitan State Beach campground and construct a new lifeguard operations facility adjacent to the existing El Capitan State Beach maintenance facility. Funding is for the working drawing phase of the project.
  - b. **Big River Watershed Restoration Project.** The budget requests \$1.7 million reimbursement authority for the design and construction phases of this project to remove two failing culvert crossings and an approximate total of 5,000 cubic yards of fill material at mileposts 0.6 and 0.7 on the Big River haul road, Mendocino Headlands State Park.



- c. **Irvine Finch Ramp Repair and Extension (Bidwell-Sacramento River).** The budget requests \$53,000 for the working drawings phase of this continuing project from the Harbors and Watercraft Revolving Fund (HWRF). This project will improve the launching and retrieval of recreational boats by repairing a deep hole at the end of the existing boat ramp, extending the boat ramp, and repairing and armoring eroded embankment around the boat ramp.
- d. **Angel Island Immigration Station Hospital Rehabilitation Phase 4.** The budget requests \$2.9 million reimbursement authority for construction only; plans and specs will be gifted to the department. This project will provide interior building improvements to complete the rehabilitation of the United States Immigration Station Hospital at Angel Island State Park. This project will also include design and build out of state of the art exhibits and conversation space for symposia and educational outreach on the topics of immigration and public health. These dollars are secured by the fundraising efforts of the Angel Island Immigration Station Foundation, a private 501c(3) non-profit agency working in cooperation with the department for the restoration and interpretation of the immigration station site.
- e. **Angel Island East Garrison Mooring Field.** The budget requests \$38,000 (HWRF) for the working drawings phase of this continuing project. This existing project will improve safety and convenience of recreational boaters by restoring the abandoned mooring field consisting of 32 buoys at the East Garrison location of the park and will clean up the site by removing old concrete block anchors, chains and debris from the bay floor.
- f. **MacKerricher State Park Replacement Water Treatment Plant.** The budget requests \$2.5 million (Proposition 84 bond funds) for both the working drawings phase and the construction phase of this continuing project. This project will upgrade the drinking water collection and treatment equipment at MacKerricher State Park to allow safe and reliable year-round production of potable water for the park. Due to eutrophication of Lake Cleone and coastal erosion, the park is in jeopardy of losing its existing supply of fresh water. A new source of water will be located and the water treatment plant upgraded to provide the park with an adequate and reliable supply of potable water.
- g. **Leo Carrillo Steelhead Trout Barrier Removal.** The budget requests \$751,000 (Federal Funds) for the construction phase of this continuing project to cover increased project costs, based on actual bids received. This project will provide two free span bridges to replace two existing in-stream crossings located on Arroyo Sequit Creek within Leo Carrillo State Park. This project will enhance habitat and increase spawning opportunity for a federally-listed endangered fish species and improve impairments to water quality caused by two failing in-stream concrete crossings by removing these crossings and replacing each one with a free span bridge.

- h. McArthur-Burney Falls Memorial State Park—Ramp and Boarding Float Replacement.** The budget requests \$53,000 (HWRF) for the working drawings phase of this continuing project. This project will improve safety and convenience for users by completely reconstructing the dilapidated boat launching ramp and boarding float at this location, both of which have exceeded their intended design lives.
- i. Pismo State Beach Sediment Track-Out Prevention Measures.** The budget requests \$95,000 (Off-Highway Vehicle Trust Fund [OHVTF]) for the working drawings phase of this continuing project. The project will construct several dirt track-out prevention measures at park exits to help ensure that dirt from vehicles does not track-out from Pismo State Beach on to public roads.
- j. Gaviota State Beach Main Water Supply Upgrades.** The budget requests \$215,000 (Proposition 84 bond funds) to develop water supply facilities for the southern portion of the Gaviota State Park to provide a consistent water supply for the public, staff, and fire suppression, to ensure the health and safety of park occupants and avoid significant annual repair costs and intermittent water supply outages. The project includes a new well and water treatment facility or upgrading the existing water supply line, as appropriate.
- k. Malibu Creek—New Stokes Creek Bridge.** The budget requests \$232,000 (Proposition 84 bond funds) to replace an existing, undersized arch culvert with a bridge to restore a secondary escape route for park visitors in the event of fire or other emergencies and provide a dedicated service entrance for park staff to access the district office, thereby eliminating the need to travel through the campground.
- l. Heber Dunes State Vehicle Recreation Area Water System Upgrades.** The budget requests \$180,000 (OHVTF) to develop a new water treatment and distribution system to: (1) meet current demand for potable water; (2) meet health department standards; (3) provide secure storage to comply with the California Department of Health Services - Drinking Water Field Operations Branch (DHS-DWFOB) water security guidelines; and (4) protect the new water treatment system from the harsh desert climate.
- m. Old Sacramento State Historic Park—Boiler Shop Renovations.** The budget requests \$726,000 (Proposition 84 bond funds) for the preliminary plans phase of this project. This project covers critical improvements to the historic boiler shop in the downtown Sacramento Railyards. This project will address hazardous material abatement, structural seismic stabilization, improvements to the building exterior shell, interior core improvements, and related utilities, as needed to bring the boiler shop to a level considered clean and safe.

- n. **South Yuba River Historic Bridgeport Covered Bridge.** The budget requests a technical fund swap to shift existing federal funding from design to construction, and move an offsetting amount of state funding from construction to design. The new funding, along with the reversion of existing funding, is needed to utilize the federal funds available for this project, as it was recently discovered that the federal funds can only be used for construction costs. This request does not change the total project funding or scope, but does result in a small reduction in overall state funding.
- o. **Torrey Pines State Natural Reserve—Utility Modernization.** The budget requests \$287,000 (Proposition 84 bond funds) for preliminary plans and working drawings of this project to connect the park to the local sewer system to address significant public health and safety concerns, to avoid sensitive habitat degradation, and to reduce deferred maintenance and ongoing repair costs. The project also includes associated upgrades to the aging water and utility infrastructure.
- p. **Carnegie State Vehicular Recreation Area—Road Construction.** The budget requests \$1.2 million (OHVTF) for the construction phase of this project to address increased costs, mainly attributed to additional environmental mitigation efforts required by regulatory agencies, as well as a reappropriation of existing construction funding to ensure timely project completion. These improvements will allow year-round emergency vehicle access and ensure that the park does not exceed its Total Maximum Daily Load of park-generated sediment, as allowed under the Clean Water Act.

**Staff Recommendation:** Approve Items 1-5 (including listed capital outlay proposals [a-p]).

**Vote:**

**Item #2: 2-1 (Nielsen, no)**

**Items #1, 3, 4, 5: 3-0**

**Items Proposed for Discussion****1. Baseline Funding—Maintain Operations and Looking to the Future**

**Background.** The Department of Parks and Recreation has, in recent years, undergone multiple reviews of its funding, including audits stemming from inappropriate accounting and human resources practices. In 2012-13, the department's baseline General Fund was reduced by a net \$11 million. At the same time, the department continued to propose and add major state park projects to the system, while building a substantial backlog of deferred maintenance. The Legislature, realizing that the problem was not one of insufficient funds but rather mismanagement of the system, forbade the department from closing parks in 2012-13 and 2013-14 and required the department to develop a new management model, including establishing operating agreements with local entities to help run the parks. At the same time, the Legislature ordered a number of audits and reviews of the department, and passed legislation calling for the formation of a multidisciplinary advisory council to conduct an independent assessment of the current state parks system, and to make recommendations on future management, planning and funding proposals to ensure the long-term sustainability of the system. The Parks Forward Commission was created to fulfill this directive and has reported back to the Governor and Legislature on its findings.

**State Parks and Recreation Funding 2010-11 to 2015-16**  
*(dollars in thousands)*

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
General Fund	\$117,458	\$121,219	\$110,591	\$117,579	\$121,432	\$115,892**
State Parks and Recreation Fund	114,339	136,014	148,146	136,478	173,171	176,465
Other Funds	130,313	148,023	245,505*	338,803	337,964	273,779
<b>Subtotal (Operations)</b>	<b>\$362,110</b>	<b>\$405,256</b>	<b>\$504,242</b>	<b>\$592,860</b>	<b>\$632,567</b>	<b>\$566,136</b>
Bond Funds (One-Time)	116,243	255,309	275,452	84,746	37,578	4,414
<b>Total (including bond funds)</b>	<b>\$478,353</b>	<b>\$660,565</b>	<b>\$779,694</b>	<b>\$563,706</b>	<b>\$670,145</b>	<b>\$570,550</b>

\*Reflects the merger of the Department of Boating and Waterways into the Department of Parks and Recreation.

\*\*Reflects the settlement of the Empire Mine State Park with Newmont Enterprises. The state was paying between \$2 million and \$5 million (General Fund), per year, to clean up toxic materials from the mine site.

As can be seen in the figure above, the baseline support budget for the department has remained relatively stable in recent years. The department has also seen a general increase in the State Parks and Recreation Fund over the past three years, due in part to legislative requirements to be more entrepreneurial where possible in the system. For example, the fund condition was improved through

taking credit cards at state parks, adding “smart” meters at state beaches, and refocusing the state parks pass to allow for less expensive and more practical regional passes.

**Parks Forward Commission Report Released.** On February 24, 2014, the Senate Natural Resources and Water Committee held an oversight hearing on the release of the Parks Forward Commission report. As discussed, the report set a somber tone for its recommendations noting the many difficulties facing the department:

“(a) department that is debilitated by an outdated organizational structure, underinvestment in technology and business tools, and a culture that doesn’t inspire or reward collaboration or innovation... The department must transform both how it works internally and how it relates to partners and visitors. The Department must seek and implement creative approaches to increase efficiency, vest greater authority at the field level, improve revenue generation, build a well-trained staff that reflects the state’s demographics, provide equitable opportunities for training and promotion, broaden its constituency, and ensure effective management of finances, information and administration.”

The final report added several new recommendations to its previous reports. Among those was the recommendation to enable all parks employees, rather than only peace officers, to be eligible for a pathway to park superintendent.

**Transition Team Established.** The department responded to the report by adding a transition team to implement some of the Parks Forward recommendations. The team intends to focus on internal management, results-oriented budget and finance systems, maintaining high quality operations and public service, improving park access and relevancy, and protecting and enhancing cultural resources.

**Budget Proposals.** The budget requests a one-time appropriation of \$19.7 million from the State Parks and Recreation Fund (SPRF) to sustain its operations and maintain its baseline support budget. At the same time, the Administration has reduced funding to the department by cutting its Environmental License Plate Funds entirely, a total of about \$3 million, backfilled in part by the SPRF appropriation. The budget also requests \$20 million (General Fund) for deferred maintenance.

**Staff Comments.** The department continues to describe a reduction of \$22 million in the 2012-13 budget cycle as a transformative moment in the department’s budget history, and one from which it has not fully recovered. However, the results of numerous audits and reviews of the department paint a wholly different picture—a department that is in dire need of a management restructuring, budget and fiscal management changes, and review of its core mission. After the establishment of legislative mandates for revenue generation, the department’s revenues have increased—allowing the department to increase its SPRF expenditures by nearly \$40 million since 2013-14.

**Questions for the Department:**

1. The department continues to operate on a year-by-year funding request model. For the second year in a row, the department is requesting one-time funding to “shore up” its baseline budget. The department has had multiple audits, overall management and structure reviews, and has undergone a park-by-park review of costs. When will the Legislature see a long-term, stable, funding proposal from the department?
2. The budget eliminates the department’s Environmental License Plate Fund (ELPF), a total of over \$3 million. The Administration suggests the State Parks and Recreation Fund is able to “backfill” this reduction. However, given the long-term needs of the department, including hundreds of millions of dollars of deferred maintenance, how can this be a prudent budget measure?
3. The Transition Team will take multiple years to implement the recommendations of the Parks Forward Commission. What can the Legislature expect to see in the forthcoming year, and the immediate future budgets, that will give it some confidence that the department is seriously shifting to a new management and budgeting model?
4. The budget proposes \$20 million for deferred maintenance. In a preliminary list released by the department, it is unclear what the highest priorities are for this funding. Does the department have a list of what will be funded by the \$20 million?

**Staff Recommendation:** Approve one-time baseline increase. Hold open deferred maintenance funding and Environmental License Plate reductions for future budget hearings.

**Vote: 3-0**

**2. Local Assistance—Division of Boating and Waterways**

**Background.** Harbors and Navigation Code Section 85.2 (a) states that all moneys in the Harbors and Watercraft Revolving Fund (HWRF) are available, upon appropriation by the Legislature, for expenditure by the department for boating facilities development, boating safety, and boating regulations programs, and for the purposes of Section 656.4, including refunds, and for expenditure for construction of small craft harbor and boating facilities planned, designed and constructed by the department, as specified in subdivision (c) of Section 50, at sites owned or under the control of the state.” The department is also allowed to cooperate with local, state, or federal public agencies to study, prepare plans, and to construct projects for stabilization of coastal shoreline and restoration of public beaches.

**Budget Proposal.** The budget requests \$41.6 million (HWRF) for the local assistance program. Portions of this amount are transfers from the HWRF to the Public Beach Restoration Fund and to the Abandoned Watercraft Abatement Fund. Funds are proposed as follows:

1. \$34.9 million (HWRF) for launch facility grants, local boat launch facilities grants, statewide boating facilities, invasive species management, boating safety and private loans.
2. \$1.7 million for abandoned water craft abatement.
3. \$4.8 million for beach replenishment projects

**Staff Comments.** A consistent argument has been made that the use of the HWRF for public beach replenishment projects is against the nature of the fund. These funds are derived from boaters paying fees—fees that are purported to support the boating community through boating facilities, education, enforcement and other direct boating activities. To date, the department has not established a clear nexus between the HWRF and public beach restoration projects. In addition, it is unclear what the long-term viability of these projects is given the substantiated sea level rise.

**Staff Recommendation.** Approve \$34.9 million for boating facilities and \$1.7 million for abandoned watercraft abatement. Reject \$4.8 million for beach replenishment projects and require the department to return with a more appropriate funding source that includes state, local and federal funds, and includes a long-term plan for management of state beaches that are subject to sea level rise.

**Vote:** 3-0 to approve \$34.9 million and to hold open \$4.8 million for public beach restoration for further discussion.