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

S. Joseph Simitian, Chair
Jean Fuller
Alan Lowenthal

Wednesday, March 7, 2012
2:30 pm
Hearing Room 4203

Consultant: Catherine Freeman

Departments Proposed for Discussion

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Resources—Environmental Protection—Energy—Transportation

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DEPARTMENTS PROPOSED FOR DISCUSSION

0540 Secretary for Natural Resources

The Secretary for Natural Resources heads the Natural Resources Agency. The Secretary is responsible for overseeing and coordinating the activities of the boards, departments, and conservancies under the jurisdiction of the Natural Resources Agency. The mission of the Resources Agency is to restore, protect and manage the State's natural, historical and cultural resources for current and future generations using creative approaches and solutions based on science, collaboration and respect for all involved communities. The Secretary for Resources, a member of the Governor's cabinet, sets the policies and coordinates the environmental preservation and restoration activities of 27 various departments, boards, commissions and conservancies.

Governor's Budget. The Governor's January Budget includes $47.7 million to support the Secretary for Natural Resources. This is a $125 million decrease under current year estimated expenditures primarily due to reduced bond fund expenditures.

Presentation by Secretary John Laird

Items Proposed for Discussion

1. Program Shifts and Eliminations. The Budget proposes to eliminate or shift the following agencies under the Secretary for Natural Resources:

- **Eliminate Department of Boating and Waterways.** Proposal to eliminate the department and commission, and to recreate the department as a separate division of the Department of Parks and Recreation similar to the Off-Highway Vehicle Division.
- **Transfer CalRecycle to the California Environmental Protection Agency (Cal-EPA).** The Department of Resources Recycling and Recovery would be shifted in order to place it with boards and departments with similar missions.
- **Eliminate Colorado River Board.** The board functions would be transferred to the Natural Resources Agency.
- **Eliminate the State Geology and Mining Board.** The Governor proposes to eliminate the Board and move the appeals process to the Office of Administrative Hearings, and the balance of the Board's responsibilities to the Office of Mine Reclamation within the Department of Conservation.

Staff Comments. Staff have reviewed the proposals and generally concurs with most of the administration's proposals to consolidate activities. The Secretary should outline his vision for the agency and how these eliminations fit into the overall Resources Agency structure and functions. In particular, the Secretary should address the shift of the Colorado River Board functions to the Secretary's office. In this case, the members of the Colorado River Board have some concerns about their water rights and how this shift will impact their ability to negotiate with other water rights holders on the Colorado River.

Recommendation: HOLD OPEN

Vote:

3540 Department of Forestry and Fire Protection

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

Governor's Budget. Excluding capital outlay, where the amount of carryover makes year-to-year comparisons less meaningful, the Governor's Budget includes $1.1 billion, which represents an overall decrease of $11.3 million and 41 positions from the 2011-12 budget. Decreases in funding are largely the result of re-benching the department's Emergency Fund (E-Fund).

ITEM PROPOSED FOR VOTE-ONLY

1. Emergency Medical Services. Requests redirection of $230,000 (General Fund) in 2012-13 and $472,000 thereafter, and a total of 11.5 permanent positions. The positions will provide oversight of the CalFIRE Emergency Medical Services Program as required by regulation and statute.

2. Computer Aided Dispatch (CAD) Hardware and Service Refresh. Requests $5.6 million in 2012-13 and a total of $8.7 million over five years from the State Emergency Telephone Number Account to provide a one-time hardware life cycle replacement. Funds will also be used for ongoing system maintenance and support over a five year period.

3. CalFIRE Administrative Correction Advances. The department wishes to eliminate various reporting mandates that are either duplicative or can be provided more readily on an as-needed basis to the Legislature. These include, for example, reporting on building codes which is now handled by another agency, fire prevention activities that will be reported under the new State Responsibility Area fire fee report, and cooperative agreements over $5 million.

4. Forest Legacy Budget Bill Language. The department requests budget bill language to allow the department to use funding within its support budget to acquire conservation easements pursuant to the California Forest Legacy Program Act in order to comply with state administrative procedure for this 10-year old program.

5. Statewide Communications Facilities (Phase IV). The department requests $6.8 million for a planned telecommunications infrastructure replacement project. This funding is part of a multi-year proposal as part of the California Technology Agency's Public Safety Office conversion to digital technology.

Staff Comments. Staff has reviewed the proposals and concurs with the Governor with one exception. Item one was submitted prior to an understanding of the impacts of both current-year General Fund reductions and possible budget-year trigger cuts. Staff recommends delaying this proposal by a year to determine funding availability. Under item (3), both budget and policy staff plan to work with the department to determine a more useful way to report on cooperative agreements signed by the department.

Recommendation: APPROVE Items 2-5; DENY Item 1

Vote:

Item 1 to Deny: (3-0)
Items 2, 4, 5 to Approve: (3-0)
Item 3 (Approve proposal minus Prevention Report): (3-0)
Item 3 (Approve proposal for Prevention Report): (2-1, Fuller)

ITEMS PROPOSED FOR DISCUSSION

6. Department of Justice Civil Cost Recovery Legal Fees

Governor's Budget. The budget proposes an increase of $3 million in 2012-13 and $2.0 million ongoing to augment its Statewide Legal Services budget to fund the Department of Justice (DOJ) legal services related to the Civil Cost Recovery Program. This proposal is actually a shift in funding from DOJ, where costs were billed to departments after work was completed. Instead this proposal includes the total anticipated DOJ costs in the annual budget.

Background. The California Health and Safety Code authorizes fire agencies to recover suppression, investigation, and related administrative costs from anyone who starts a fire negligently or in violation of certain laws. The Governor requested and received $1.7 million and 10 two-year limited-term positions in the current year to augment its Statewide Fire Suppression Civil Cost-Recovery Program. This increased the total program budget to $2.8 million.

During budget discussions in 2010-11, the Legislature heard and approved a proposal to allow the Attorney General/Department of Justice (DOJ) to bill for legal services against the General fund in departments starting in 2011-12. The change was intended to increase accountability and control the cost of legal representation, and to help departments prioritize legal service needs.

The department inadvertently left the Civil Cost Recovery Program legal costs out of the total DOJ legal services cost projections. Annual costs are projected to be about $2.0 million annually, however a single case in the budget year, the "Moonlight Fire" is anticipated to increase these costs one-time. The department anticipates recovering up to $9 million from this fire.

Staff Comments. The Legislature considered this proposal in previous year budgets. The program returns about $12 million annually from civil actions excluding legal fees which are paid directly to DOJ. Approval of this item would be consistent with previous legislative action.

Recommendation. APPROVE as budgeted.

Vote: Approve as Budgeted: (2-0) Fuller not voting

7. State Responsibility Area Fire Prevention Fee

Governor's Budget. The budget proposes $9.3 million in 2012-13 and ongoing funding of $6.1 million, and 29 positions to implement ABx1 29 of 2011. This legislation authorizes a fee to be assessed on structures located within State Responsibility Areas (SRA) in order to pay for fire prevention activities in the SRA that specifically benefit owners of structures within the SRA.

In a companion budget proposal, the Board of Equalization, charged with collection of the fee, is requesting 56 positions and $6 million in order to establish the fee base and collection program.

The proposal also requests Trailer Bill Language that changes to the eligible use of the fee to include additional fire prevention activities and requires regular reporting on the status and use of the fund.

Background. The State Board of Forestry and Fire Protection (BOF), as required by ABx1 29, adopted emergency regulations to establish the fire prevention fee. The pending BOF regulations establish a $150 fee for all habitable structures, as defined, with a $35 credit for those applicable structures within a local fire protection district. Under the legislation, CalFIRE is required to submit to the Board of Equalization a list of the appropriate names and addresses of those required to pay the fee.

Staff Comments. The proposal is consistent with statements made by CalFIRE when the fee legislation passed in 2011. The committee may wish to discuss the following issues:

(1) The proposed scope of change for eligible uses of the fee including an expansion of fire prevention activities.
(2) The timeline for collection of the fee and when billing will commence.

Recommendation. HOLD OPEN

The Department of Finance and CalFIRE are to work with staff to provide staff the legal assurances referenced in testimony that this expansion of duties will meet the fee nexus requirements.

8. General Fund Reductions —Information Item

Governor's Budget. The budget includes two General Fund reductions: (1) $4.1 million General Fund in the baseline budget, and (2) a trigger-cut should revenues not be realized from the ballot-measures proposed for November 2012.

Background. The budget act of 2011 included a two-phased reduction to the CalFIRE fire protection budget totaling approximately $16.9 million. Of this amount, $12.8 was implemented in the current year and an additional $4.1 million will be implemented in 2012-13 after the completion of the 2011 fire season. These resulted in the following cuts:

(1) Eliminate staffing for two Lake Tahoe fire engines that supplement the US Forest Service;
(2) Eliminate funding for five bulldozers and 10 heavy fire equipment operators; and,
(3) Elimination of one single Air Attack Base and relocate the air tanker to nearby base.

Governor's Trigger Cut Proposal. The Governor proposes additional reduction of $15 million in the budget year and $60 million ongoing, should his tax initiative fail. These cuts would primarily be to emergency air response and fire station closures.

Staff Comments. The department has taken a methodical approach to the approved General Fund reductions. The department used a statistical analysis to determine where cuts would be taken. These included vegetation type, response area, call volume, fire history, response times, and proximity to other firefighting resources and expertise. While the cuts were difficult, the department tried to keep an overarching goal to maintain the Department's initial attack capability and cause the least impact to one particular type of fire protection resource or geographic area.

Reductions to the Lake Tahoe basin leaves Forest Service engines in place. Should these cuts have been taken in other areas of the state, it would have left no fire protection in those areas. CalFIRE conducted outreach with local entities regarding the impacts of these cuts.

The subcommittee may wish to discuss the impacts of further cuts to the department and how these reductions will be handled.

Recommendation. Information Item, no action needed.

3560 State Lands Commission

The Commission manages and protects California's sovereign public trust lands and other lands. These lands total more than 4.5 million acres, plus 790,000 acres of reserved mineral interests.

Governor's Budget. The Governor's Budget includes $31.3 million and 216 positions for the Commission, which represents an overall increase of $2.2 million and 17 positions. The increases in budget are largely due to added funding and positions to implement royalty recovery and lease compliance and land exchanges for renewable energy projects.

ITEMS PROPOSED FOR VOTE-ONLY

1. AB 982—Renewable Energy. The budget proposes an increase of $686,000 from the School Land Bank Fund and 6 positions to execute land exchanges for renewable energy-related projects. Chapter 485, Statutes of 2011 (AB 982, Skinner) directs the Commission to negotiate land exchanges with the federal government to consolidate non-contiguous school parcels owned by the state to promote the development of large-scale renewable energy projects. These positions will not require state funding as all costs are being paid by project applicants. According to the department, the approved projects could substantially increase rents and royalties to the General Fund and State Teachers' Retirement Fund.

2. AB 1112—DOF Audit Finding. Requests $300,000 for contracting services with the Department of Finance to perform required audits on the Oil Spill Prevention and Administration Fund related to Chapter 583, Statutes of 2011. This bill requires the commission to contract for an analysis and report of the oil spill prevention program financial basis and effectiveness.

3. Renewable Energy Projects Workload. The budget proposes an increase of $395,000 (reimbursement authority) and three positions to handle increased workload caused by alternative energy projects on lands within the jurisdiction of the Commission. With increased public interest in the development of renewable energy sources, interest has been focused on public lands for such uses. Consequently, the commission staff is currently experiencing an increase in workload from proposed energy projects such as onshore solar power, wind generation, exploration and development of geothermal resources, and offshore wave and tidal energy.

Recommendation: APPROVE Items 1-3

Vote:

Items 1, 3 to Approve: (3-0)
Item 2 to Approve: (2-1) Fuller

ITEM PROPOSED FOR DISCUSSION

1. Revenue Enhancing Proposals

Governor's Budget. The budget, in two separate requests, proposes an increase of $1 million General Fund and 9 positions for the Commission to increase financial audit activities related to management of oil, gas, and other mineral resources owned by the state, as well as to ensure compliance and prompt payment of rentals from surface leasing. The positions will focus on leases that have historically generated the most revenues and recoveries, as well as those that have had the most problems.

Bureau of State Audits (BSA) Review in 2011. The Bureau of State Audits (BSA) reviewed the department as part of a requested audit and found that the commission was not always managing its leases in the State's best interest. According to the audit, the commission missed opportunities to generate millions of dollars in revenues for the State's General Fund—estimated to be as much as $8.2 million for some of the leases in the audit sample.

The Commission has responded to the audit with two requests for positions funding authority in order to begin to address the concerns of the audit. These two requests—Royalty Recovery and Revenue Assurance ($470,000), and Lease Compliance and Revenue Enhancement ($555,000)—address the findings of the audit by adding positions designed to provide more prompt monitoring of current leases, while also reviewing and correcting delinquent leases.

Staff Comments. The proposed return on investment for each auditor position is 10 to one. The proposal is expected to generate $6.6 million in General Fund and is responsive to the findings of the recent BSA audit. According to the Commission, the positions requested were approved on a limited-term basis in order to determine their effectiveness. In past years, however, limited-term positions were not converted to permanent regardless of their revenue generating capabilities.

The audit also recommended adding positions in port-areas to improve the Commission's ability to process applications for business development in these areas. While this would not have a direct General Fund revenue impact, the proposal has merit. The Subcommittee may wish to direct the Commission to return with a proposal that would partner with ports to address this audit finding.

Recommendation. APPROVE the following proposals:

(1) Royalty Recovery and Revenue Assurance ($470,000)
(2) Lease Compliance and Revenue Enhancement ($555,000)
(3) Supplemental reporting language (in concept) to require the Commission to report on the effectiveness of the limited-term positions in two years' time and make recommendations for permanent staffing levels.

Vote: Approve Staff Recommendation: (3-0). Require that staff/LAO be kept apprised of opportunities for entrepreneurial endeavors for Ports and to work on a proposal that addresses how to enhance business development and outreach.

3790 Department of Parks and Recreation

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

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

Governor's Budget. The Governor's Budget includes $423 million, a decrease of $745,933 and 18 positions from the 2011-12 budget. The decreases are mainly related to bond expenditures ($654,851 million), reductions in Off-Highway Motor Vehicle Division ($10 million) and General Fund ($10 million).

BACKGROUND:

The Legislature approved two major General Fund reductions to the Department of Parks and Recreation in the 2011 budget. The first was a reduction of $11 million in the current year and a $22 million ongoing starting in this budget. To implement the reduction, the Legislature approved trailer bill language specifying criteria for reducing the state park system including how the administration can select parks for closure, partial closure, and reduced service. The Legislature also approved a reduction of $10 million to the Off-Highway Vehicle (OHV) program and a shift of the same amount from the Motor Vehicle Fuel account to the General Fund.

In May of 2011, the department submitted a list of 70 parks slated for closure to the Legislature and the public. Using the following criteria, parks were selected from all areas of the state:

- Relative significance (e.g., historic value, uniqueness)
- Rate of visitation
- Estimated net savings to each park unit
- Feasibility of closing the park
- Operating efficiencies to be gained
- Infrastructure deficiencies (such as septic repairs or costly building upgrades)
- Recent infrastructure investments and capital improvements
- Deed and grant restrictions
- Funding provided from non-General Fund sources (such as dedicated fees)

Shortly after the list of closures was released, the department produced its estimates of operating costs and capital improvement needs at the 70 parks slated for closure. The department does not budget on a park-by-park basis; therefore, it is difficult to determine the exact amount of money

an individual park may save. This also makes it difficult for those who wish to take over the parks to determine how much funding is necessary to take over an individual park.

In the interim since the budget has passed, members of the public, local agencies, federal agencies, and non-profit organizations have made efforts to find other ways to fund parks on the closure list. For example, the National Parks System will charge two dollars more at Muir Woods to pay for continued operation of Samuel P. Taylor State Park which was slated for closure and to help support Mt. Tamalpais State Park which is not on the closure list. Mono Lake State Natural Reserve was also removed from the closure list because of efforts by local nonprofits to take over funding for the park through increased fees.

GOVERNOR'S PROPOSAL:

The Governor's proposal includes the final and ongoing $11 million General Fund reduction approved by the Legislature last year resulting in closure of *up to* 70 state parks effective July 1, 2012.

The budget proposes to shift $11 million from the base budget to a continuously appropriated fund to provide the department additional flexibility to implement new projects or programs that generate additional revenues. The department is also proposing to spend $4.3 million from this fund for revenue generating projects. This is tied closely to the department's efforts to provide incentives to individual park units while pursuing concessions, operating agreements, and other arrangements with public, nonprofit, and private entities to keep as many parks open as possible.

Major Sources of Funding (in thousands)

Funding Source	2011-12	2012-13	Comment
General Fund	$121,831	$112,015	Reflects General Fund reduction
State Parks and Recreation Fund	139,316	132,286	Reflects proposal to shift funds to non-budget act
Off Highway Vehicle Trust Fund	113,912	75,233	
Federal Trust Fund	28,116	16,175	
Bond Funds	688,774	28,308	Reflects reduction in one-time bond expenditures
All Other Funds	86,452	68,451	
Total	**$1,178,401**	**$432,468**	

The budget also includes a ballot trigger reduction to eliminate all seasonal lifeguards and 20 percent of park rangers if the Governor's tax initiative is not approved in November. This will result in an additional $8.7 million ongoing reduction if fully implemented.

ISSUES TO CONSIDER:

Funding shifts and funding increases mask a challenged budget environment. Over the past five years, the department has effectively shifted its main source of funding from the General Fund to the State Parks and Recreation Fund (SPRF). On paper, this means that the department's spending power has effectively remained the same between these two funding sources since 2008-09. In fact, with other sources of funding, the department's overall budget has grown from $367 million to $432 million. Even excluding one-time bond expenditures, the budget has grown about 18 percent in the past several years. Much of this growth can be attributed to other funding sources including increased reimbursements, increases in the Off-Highway Vehicle Trust Fund, and other dedicated funding sources for specific purposes.

State Parks and Recreation Funding 2008-09 to 2012-13
(dollars in thousands)

	2008-09	2009-10	2010-11	2011-12	2012-13
General Fund	$135,241	$120,720	$117,458	$121,831	$112,015
State Parks and Recreation Fund	111,596	118,080	114,339	139,316	132,286
Other Funds	94,679	127,286	130,313	228,480	159,859
Subtotal	**$341,516**	**$366,086**	**$362,110**	**$489,627**	**$404,160**
Bond Funds (One-Time)	26,192	40,542	116,243	688,774	28,308
Total (including bond funds)	**$367,708**	**$406,628**	**$478,353**	**$1,178,401**	**$432,468**

Parks infrastructure costs are increasing with an aging system. However, during the time of the budget increases, costs to run state parks have also increased. Many state parks are over 50 years old and have an aging infrastructure much like our state levees and wastewater infrastructures. Decades old septic systems designed for lower visitor usage are being put to the test and in many cases failing requiring more and more costly repairs to maintain. Additionally, as we increase fees for park visitors, those visitors expect amenities that are reflective of an increased cost to use the park. Even such basics as flushing toilets and garbage service have increased in cost.

One state park costing the state millions per year. As an example of increased costs, one state park, the Empire Mine State Park has cost the state $31 million over the past five years due to toxic runoff from the mining operation conducted there over 50 years ago. The park was a gold mine for 100 years before it closed in 1956. The state acquired the property in Grass Valley, California with more than 850 acres of forested land, mine buildings, and historic properties in 1975. The state park was the subject of a series of lawsuits and cleanup and abatement orders related to the park's 367 miles of abandoned and flooded mine shafts and toxic legacy from gold mining. The rulings required the state to clean up toxic runoff from the gold mining legacy. The state has been in negotiations with the former owner over the cleanup since the orders were issued; however, according to the latest budget proposal, mediation has stalled while cleanup is still required.

Empire Mine State Park Funding 2007-08 to 2012-13
(dollars in thousands)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
General Fund, Bond Funds and Special Funds	$3,868	$1,368	$5,765	$4,070	$11,595	$4,594
Total (all funds)						**$31,260**

How can the state maintain its current park system? The greatest question for legislators is what kind of state park system can the state maintain over the long term. Acquisitions over time whether through ballot approved bond measures or donations from individuals or groups have led the state to own and manage more property than can appropriately be budgeted for. Unexpected expenses such as the Empire Mine example and an increasingly aging system have backlogged multiple millions in deferred maintenance issues. Continued increases in fees may be possible but this also comes with the risk of lower attendance numbers and reduced public access to state parks. This makes the prospect of partnering with other entities for revenue generation or simply taking over parks a costly endeavor for the entity taking over.

The administration proposed closure of 70 state parks in part or in full. The likelihood of all of those parks closing is slim given the efforts outside entities to take over certain parks. The Legislature should consider the following in the budget year:

- Are funds at the department being spent on the highest priority areas?
- What parks remain on the closure list and is there anything the Legislature can do to provide tools to the department to continue to reduce this list?
- Are there other ways to fund the department or to allocate funding within priority areas of the department?
- Are there parks that should close regardless of a funding sponsor in order to limit state liability and future costs?
- What is the department doing to increase revenues at state parks—and why is it that the National Park System and local nonprofits are able to increase fees to save parks when our state park system is unable to do so?
- Why can't we introduce entry fees rather than parking fees at all state parks?
- Is it time to change the way we budget for the parks system in general to allow for innovation locally while maintaining a robust statewide system?

ITEM PROPOSED FOR VOTE-ONLY

1. Proposition 99. The budget requests an increase of $1.4 million in Public resources Account, Cigarette and Tobacco Products Surtax Fund. This increase will support one-time statewide projects that were previously supported by State Parks and Recreation Funds due to previous Proposition 99 reductions.

2. Concessions/Operating Agreement Proposals. The department requests approval of the following concession/operating agreement budget proposals:

a. Morro Bay State Park (Café/Marina concession)
b. Old Town San Diego State Historic Park (Period style restaurant concession)
c. Morro Bay State Park and Montana de Oro State Park (Amendment to existing operating agreement with County of San Luis Obispo)
d. Language for reporting purposes for the collection of vehicle day use fees concession at the San Diego District state beaches (approved by Public Works Board on March 13, 2011).

3. Donner Memorial State Park. Requests $881,000 Proposition 84 bond funds to continue work on a long-lived interpretive and educational exhibit, and for new museum buildings at Donner Memorial State Park.

4. Prairie City SVRA—Water Tank Infrastructure Improvement. Requests $177,000 to fund mandatory cleaning and inspection for a 500,000 steel water tank at Prairie City State Vehicular Recreation Area (SVRA).

5. Extensions of Liquidation—City of Encinitas, Moonlight State Beach project.

Recommendation: APPROVE Items 1-5

Vote: Items 1-5 to Approve as Budgeted: (3-0)

ITEM PROPOSED TO HOLD OPEN

6. Local Assistance Program. The department requests funds in the amount of $49 million for the Local Assistance Program from special and federal funds for grants to various local agencies. Each program has specific restrictions and funding requirements. The majority of funds go to local agencies and nonprofits for project work. The department is requesting:

a. $3.6 million Habitat Conservation Fund
b. $21 million Off Highway Vehicle Trust Fund
c. $15.7 million Recreational Trails Fund
d. $8.7 million Federal Trust Fund

7. El Capitan State Beach—New Lifeguard Headquarters. The department requests $7.8 million (Proposition 84 bond funds) to demolish existing lifeguard headquarters in the campground loop at El Capital State Beach, and construct a new lifeguard headquarters near existing concession buildings in the day-use beach area.

8. Off-Highway Vehicle Opportunity Purchase and Pre-Budget Schematics. The department requests $7.9 million (Off-Highway Vehicle Fund) of which $2.0 million is proposed for opportunity purchases and pre-budget schematics, and $5.9 million is proposed for Hollister Hills SVRA infrastructure and rehabilitation.

Staff Comments. Staff has reviewed the proposals and recommends holding these items open. Given the budget reductions of previous years and proposed trigger-cut reductions including lifeguards at state beaches, it would seem prudent to hold open these items as current parks-related legislation is discussed in the budget and policy arenas.

Recommendation: HOLD OPEN

Vote:

ITEMS PROPOSED FOR DISCUSSION

Revenue Incentive Opportunities

Governor's Budget Proposal. The budget proposes to shift $11 million State Parks and Recreation Fund (SPRF) from Budget Act to Non-Budget Act (continuous appropriation). In addition, the department is requesting $4.3 million SPRF (continuous appropriation authority) to allow the department to move towards greater self-sufficiency through enterprise projects at districts. The request is predicated on the nature of fee revenue that comes in during the last quarter of the year, after budget proposals have been well-vetted and finalized. This does not allow the department the flexibility it needs to create innovative and review projects that would increase revenue potential at Parks districts.

According to the department, a committee will be established to evaluate proposals and only the most viable projects will be funded. Proposed projects will be evaluated based on estimated revenue, enhancements to infrastructure and overall benefit to the State Park System. The proposal allows the department to move towards greater self-sufficiency, address the growing deferred maintenance backlog.

Staff Comments. As discussed in the overview, while the overall budget for the Parks Department has remained relatively steady over the past five years, the nature of the funding has changed considerably with increasing reliance on fee-based revenues for State Parks. While this trend is not unlike other areas of State government, the nature of parks fees is such that the public who pays the fee has an expectation of a product (clean bathrooms, litter removal, maintenance of historic sites) for their fee payment.

This proposal is one of many avenues the department is considering as it moves forward. Staff have some concerns about the language in the trailer bill including reporting of project progress, and the types of projects that might be included in this proposal.

Recommendation. HOLD OPEN, require the department to work with both budget and policy staff to finalize trailer bill language.

Vote: Hold Open

The department agreed to provide a report with the rationale for park closures to staff by April 9, 2012.

Staff, LAO, the department and Department of Finance will follow up to finalize trailer bill language.

Empire Mine State Park

Governor's 2011-12 Budget. The Governor requests $4.6 million in funds for continued evaluation, analysis, and implementation of remedial actions required at Empire Mine State Historic Park (SHP). These measures include, but are not limited to, removing contaminated materials and/or facilities, capping areas of contaminants, expansion of wetland remediation areas, and ongoing maintenance of current soil and water management projects at the mine.

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

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

Beginning in FY 2005-06, the state began providing funding to determine the presence of contaminants at the mine, and each year since has funded corrective measures. The following is a historical perspective of costs at Empire Mine.

Empire Mine State Park Funding 2007-08 to 2012-13
(dollars in thousands)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
General Fund, Bond Funds and Special Funds	$3,868	$1,368	$5,765	$4,070	$11,595	$4,594
Total (all funds)						**$31,260**

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

The committee may wish to ask the department for an update on the remediation, the need to continue to use General Fund for this ongoing project, and an update on negotiations with the Responsible Parties for repayment of expenses. According to the department, negotiations with the responsible party have stalled and therefore it would seem that a change in the department's cost recovery strategy has changed.

Recommendation: APPROVE

VOTE: Approve as Budgeted (3-0)