

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 3****ON RESOURCES AND TRANSPORTATION****Assemblymember Richard Gordon, Chair****THURSDAY, FEBRUARY 10TH, 2011****STATE CAPITOL, ROOM 437****UPON ADJOURNMENT OF SESSION**

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2660 – DEPARTMENT OF TRANSPORTATION (CALTRANS)

ISSUE 1: TRANSPORTATION GAS TAX SWAP RELATED PROPOSALS

Governor's Budget: The Governor's budget includes the following package of proposals to maintain funding levels for transportation and transit and to protect \$1.6 billion in General Fund savings in the current year and \$944 million in 2011-12 that were approved in the Transportation Gas Tax Swap (Tax Swap) in last year's budget from potential risks due to the passage of Propositions 22 and 26:

- 1) Use vehicle weight fees, rather than excise tax revenues, as approved in the Gas Tax Swap to fund general obligation bond debt service. This shift is being proposed because Proposition 22 restricts the State from using fuel excise tax revenues for general obligation bond debt service. It is anticipated that this proposal would allow \$262 million in savings to continue in the current year and roughly \$700 million in the budget year;
- 2) Use \$77.5 million in transportation revenues that are not restricted by the California Constitution (non-article XIX), such as revenue from rental property, for general obligation bond debt service payments for Proposition 116 bonds in 2011-12;
- 3) Loan \$494 million in weigh fee revenues to the General Fund in 2010-11 and \$166 million in 2011-12;
- 4) Reenact the Tax Swap proposal with a 2/3rds vote in order to protect transportation revenues and General Fund relief provided in the 2010-11 Budget Act. Proposition 26 requires that any tax measure passed after October of 2009 needs to obtain a 2/3rds vote approval to continue. This action will maintain \$812 million in 2010-11 General Fund solutions adopted in last year's budget.
- 5) Make changes to keep local transit assistance funding near the target of \$350 million that was approved in the Gas Tax Swap. The Swap increased the diesel sales tax by 1.75% and changed the allocation formula of the total sales tax so that 75% of revenues would be provided to Local Transit Assistance and 25% would be allocated to Caltrans' inner city rail and transit STIP programs. Additionally, the Tax Swap committed \$23 million in 2010-11 and \$12 million in 2011-12 from non-article XIX funds to local transit.

Following, Proposition 22 was approved and changed the allocation formula for only 4.75% of the sales tax (the portion that was in existence prior to the Gas Tax Swap) to a 50/50 split between the State Transit Assistance Program and the Caltrans transit program. Further the Governor's budget is proposing to use all of the non-article XIX funds for bond debt services. In order to make up this loss in revenue for local transit, the Governor is proposing to allocate the additional 1.75 percent increase approved in the Tax Swap (roughly \$120 million) entirely to local transit on an ongoing basis and allocate on a one-time basis roughly \$20

million in Public Transportation Fund balance to transit to make up for the use of Non Article XIX revenues for general obligation bond debt services.

Lastly, the Administration is proposing to make a 1-year increase of .04% to the diesel sales tax, and equal decrease in diesel excise tax. Revenue from this shift will be provided to local transit in order to meet funding goals outlined in the Tax Swap.

Staff Comments: The Governor's budget proposal would make changes to the Tax Swap in order to retain most of the General Fund savings for the current year and ongoing that were scored in last year's budget. This proposal will also bring funding to local transit almost back to the amounts that were agreed upon last year. Overall, approval of this proposal with a 2/3rds vote would maintain transportation funding at current levels. If it is not approved, however, a majority of these General Fund savings would be in jeopardy as well as the continuation of various transportation spending formulas that were impacted by Proposition 22.

When this issue was last heard, the LAO presented some alternative options to this proposal that would achieve even greater General Fund savings by shifting funds away from transit. Because these alternatives would change in the overall framework of the original Gas Tax Swap proposal which was supported by a broad coalition of stakeholders, staff doesn't support these alternatives and recommends that the subcommittee adopt the Governor's proposal in order to maintain funding commitments for transportation and transit as well as providing savings to the General Fund.

Staff Recommendation: Approve as budgeted

ISSUE 2: PIDs PROGRAM ZERO-BASED WORKLOAD

Governor's Budget: Caltrans is proposing to increase its baseline budget for reviewing, approving and developing Project Initiation Documents (PID) from 242 positions and \$2.4 million to 260 positions and \$33 million. Additionally, the Budget is proposing to shift 66 positions that are currently funded from the State Highway Account to reimbursements from local agencies.

Background: The Department utilizes its transportation system and regional planning process and planning documents such as Regional Transportation Plans, transportation concept reports, corridor system management plans, and the 10-year SHOPP Plan to set broad plans to improve and maintain the State Highway System (SHS). Potential projects that can be developed and constructed within this larger plan must have a preliminary planning document, known as a PID developed to measure its feasibility, cost and whether it fits within the overall plan for the SHS. PIDs contain specific information including the identification of the transportation problem that is to be addressed an evaluation of potential alternatives to address the problem, and the justification and description of the preferred solution. Each PID also includes the estimated cost, scope, and schedule of the project—information needed to decide if, how, and when to fund the project.

Projects for the SHS are funded from both State and Local Funds. Currently, the Department funds all workload related to the development and review of PIDs for projects that are to be located on the State Highway System. This proposal would shift some of that workload cost to local agencies under the rationale there is a proportional share of PID workload that is driven by local agencies rather than the state planning process.

Staff Comments: In last year's budget discussions, the Administration proposed to shift 96.5 positions and \$12.5 million from State funds to local reimbursements. This shift was ultimately rejected by the Budget Conference Committee however supplemental report language was approved to require that the Department report back to the Legislature on PID workload during 2009-10 and 2011 so that there would be a stronger basis for evaluating the proposed policy shift. Following the passage of the budget, the Governor vetoed \$7.4 million and 63 positions from PID staffing. This proposal would add back 18 of those positions then shift the costs for a total of 66 positions to local agencies.

Staff feels that the subcommittee should take an action to deny this proposal without prejudice so that the subcommittee has more time to consider options in the spring. Looking at preliminary completed PIDS information, there is evidence that the Department won't have enough projects ready to fill funding capacity since there aren't enough completed PIDS that meet current transportation funding requirements. If this is the case, the subcommittee may want to look at options to maximize the Department's capacity to bring projects to the construction phase.

Staff Recommendation: Deny without prejudice

ISSUE 3: PROPOSITION 1A COMMUTER AND URBAN RAIL STAFFING

Governor's Budget: Caltrans is proposing an internal redirection of one position over a two-year period to provide oversight of commuter rail line and urban rail system capital improvement projects as set for the Proposition 1A, the High Speed Rail Bond. This position will be responsible for oversight of contract development, agency and project certifications, programming actions, project monitoring and reporting requirements and will be funded from the High Speed Passenger Bond Fund. This proposal results in an identical savings in the Public Transportation Account (PTA) where the position was formerly funded from.

Background: Prop 1A is a \$9.95 billion bond measure that includes \$950 million for capital projects on other passenger rail lines to provide connectivity to the high-speed train system and for capacity enhancements and safety improvements to those lines. At the May 19, 2010, California Transportation Commission (CTC) meeting, the CTC adopted the Proposition 1A program of intercity rail projects for 2010-11 to 2012-13. The adopted program of projects includes the intercity rail services run by Caltrans in cooperation with Amtrak, as well as regional-run rail services around the state.

Staff Comments: Staff has no issues with the proposed redirection of resources and recommends that the proposal be approved as budget.

Additionally, when this issue was heard on January 26th the Subcommittee held the issue open to consider whether there was a need to make an appropriation from Proposition 1A bond funds for local transit interconnectivity projects that have been approved by the California Transportation Commission. In last year's budget, the Legislature appropriated \$234 million from this section but the Governor vetoed that amount to \$101 million—the amount needed for positive train control. So far as staff understands, the Administration is maintaining the prior administration's policy that expenditure of these funds should be directed a consortium of stakeholders led by the High Speed Rail Authority.

Because there are currently projects that are ready to move forward that have been approved by the CTC, staff recommends that the subcommittee appropriate \$133 million from Proposition 1A funds as a placeholder amount for intercity and urban rail projects. This would be the same amount of funding that was vetoed last year and serve as a placeholder for the spring when the overall bond expenditure package will be refined.

Staff Recommendation: 1) Approve the budget proposal; and 2) appropriate \$133 million from Proposition 1A for Intercity Rail and Urban Rail projects included in the CTC's plan.

ISSUE 4: TRAILER BILL LANGUAGE THAT FAILED PASSAGE IN 2010

Issue: The 2010-11 Budget, as adopted by the Budget Conference Committee, included TBL for the below issues. This omnibus transportation budget trailer bill failed passage in the Senate so the statutory changes did not take effect. The Subcommittee may want to re-examine each issue to see if the TBL is still warranted.

Non-Controversial Language included in SB 854 and AB 1614:Caltrans

Prop 1B Bonds – Trade Corridors Improvement Fund Programs: Requires the California Transportation Commission (CTC) to report to the Legislature semiannually on the expenditure of Transportation Corridor Improvement Funds (TCIF) for railroad projects. Additionally, requires the CTC to report and provide a copy of any memorandum of understanding executed between a railroad company and any state or local transportation agency where TCIF funds are a funding source for the project.

Prop 1B Bonds – Transit Security for Water Transit: For recipients of Prop 1B bond funds for regional public waterborne transit, extends the expenditure period from three years to four years for any allocation made prior to June 30, 2011. Proposition 1B provides \$250 million to Regional public waterborne transit agencies. The funds are available to build ferry terminals, among other uses.

Prop 1B Bonds – Local Streets and Roads Program: Provides cities and counties a one-year extension to expend Proposition 1B Local Streets and Roads funds for any year in which Highway Users Tax Account (HUTA) funds for local transportation projects are borrowed, deferred, or shifted. Note, HUTA borrowing, deferrals, and shifts are now prohibited under Proposition 22.

Caltrans Capital Outlay Support Budget Data: Requires the Department of Transportation (Caltrans) to report annually to the Legislature with supplemental information on the Capital Outlay Support budget request, including anticipated and realized project costs and schedules for the Capital Outlay Support Program.

Fuel Swap – Local Transportation Subventions: Provides additional clarification that local governments are not subject to the same maintenance-of-effort and other requirements under Proposition 42 when they are apportioned fuel excise tax revenues.

Staff Comments: Staff doesn't have any issues with these proposals since they were approved by the Subcommittee for last year's trailer bill.

Staff Recommendation: Approve as budgeted

2665 – CALIFORNIA HIGH SPEED RAIL AUTHORITY (HSRA)

ISSUE 1: TRAILER BILL LANGUAGE THAT FAILED PASSAGE IN 2010

The 2010-11 Budget, as adopted by the Budget Conference Committee, included TBL for the below issues. This omnibus transportation budget trailer bill failed passage in the Senate so the statutory changes did not take effect. The Subcommittee may want to re-examine each issue to see if the TBL is still warranted.

- Peer Review Group: Requires that the members of the High-Speed Rail Independent Peer Review Group be designated by October 1, 2010, and requires that group to designate a chairperson. Authorizes the members of the peer review group to collect a \$100 per-day per diem that cannot exceed \$500 per month. This language originated in the Senate.
- Exempt Positions: Authorizes the Governor to appoint six management-level exempt positions to the High-Speed Rail Authority (HSRA) upon the recommendation of the executive director. Compensation for these positions shall not exceed the highest comparable compensation for a position of that type, as established through a salary survey, and shall require approval of the Department of Personnel Administration.
- Biannual Reporting: Requires the HSRA to report biannually to the Legislature, beginning March 1, 2011, on the status of development and implementation of intercity high-speed rail service. This report was intended to be modeled off the quarterly Toll Bridge Seismic Retrofit reports.

Staff Comment: Staff feels that the only piece of HSRA trailer bill from last year that should be addressed in this budget process is the authorization of the exempt positions. The Legislature approved these positions to allow the HSRA to hire a high level management team that would be accountable for managing the project. Staff recommends that the Subcommittee adopt the same language that was in last year's SB 854 to be consistent with last year's action. Staff further feels that it is not necessary or urgent to include the other proposed language. Because the HSRA peer review group has elected a chairperson and begun to meet, the related trailer bill doesn't appear necessary at this time. Additionally, because the Biannual Reporting is contained in a policy bill, it too doesn't have urgency.

Staff Recommendation: Adopt the 2010 "Exempt Positions" trailer bill language as written in last year's trailer bill, SB 854.

ISSUE 2: SUPPLEMENTAL REPORTING LANGUAGE

Staff Proposed Language: The LAO has raised concern that the HSRA requests for contracting-out authority do not include sufficient analysis to justify their requests. Additionally, questions have also been raised as to whether authority for various services, such as right of way acquisition, could also be performed by existing state personnel. Further, because it has been shown by Caltrans that contracting out these services is more costly than using state personnel, it could be more cost effective for the HSRA to use state staff for these activities.

Since the Subcommittee has denied all HSRA's proposals without prejudice for further action in the spring, the subcommittee may want to direct the Department of Finance, HSRA and Caltrans to report to the Legislature by May 1 on whether opportunities are available to either avoid duplication of staff and state resources.

Staff Recommendation: Adopt the following Supplemental Reporting Language:

The Department of Finance, High Speed Rail Authority and Caltrans and shall jointly report to the Joint Legislative Budget Committee and relevant members and committees of the Legislature by May 1, 2011 on whether there are opportunities to use existing state resources and staff, rather than contracting out, to advance the High Speed Rail system development.

ISSUE 3: BUDGET REPORTING LANGUAGE VETOED BY GOVERNOR SCHWARZENEGGER

Background: Last year, the Legislature adopted budget bill language that required the HSRA to report to the Legislature with updates and additional analysis on how the Authority plans to implement the high-speed rail system – this language was vetoed by the Governor. The language required a report by February 1, 2011, which would include:

- a complete legal analysis of the revenue guarantee and alternative options;
- a report on community outreach;
- an updated financing plan with alternative funding scenarios;
- a copy of the strategic plan required by the State Administrative Manual;
- a report on the performance of the Program Manager Contractor; and
- a report on how the HSRA was addressing the recommendations of the Bureau of State Audits.

The language included “expenditure-contingent” language to withhold \$55.3 million in 2010-11 spending authority pending receipt of the report and 60-day review by the Joint Legislative Budget Committee (JLBC).

Most of the reporting requirements in the vetoed language involve deficiencies in the HSRA plan as identified in reports of the Legislative Analyst’s Office, the Bureau of State Audits, and more recently, the peer review group. At the May 24, 2010, Senate Subcommittee hearing, the HSRA (represented by Interim Executive Director Carrie Pourvahidi and Board Member Richard Katz) agreed to provide the information by February 1, 2011.

Staff Comment: At the February 1, 2011, Senate Subcommittee hearing, the HSRA presented a letter dated January 29, 2011, which outlined its timeline for responding to issues (a) – (f) above. The HSRA letter indicates it will provide reporting on four of the six elements (b), (d), (e), and (f), within two weeks (by February 14). The letter indicates the remaining two elements, (a) and (c) are tied to an updated funding plan to be completed by October 14, 2011, and an updated business plan to be completed January 1, 2012. At the hearing, the HSRA Chief Executive Officer, Mr. Roelof van Ark, indicated that the *draft* business plan would be available in the October period and could be reviewed in concert with the financial plan.

Staff Recommendation: (1) Adopt trailer bill language to restore the vetoed 2010 budget reporting language, and expenditure-contingent language for the 2010-11 fiscal year, for the four reporting elements HSRA indicates will be provided this month (b, d, e, and f above).

(2) Adopt budget bill language for the 2011 Budget Act to restore the vetoed 2010 budget reporting language, and expenditure-contingent language, for the two reporting elements HSRA indicates will be available in either draft or final form in October, 2011 (a and c above).

2740 – DEPARTMENT OF MOTOR VEHICLES

ISSUE 1: IID WORKLOAD STAFFING INCREASE

Governor's Budget: The Administration requests a continuation of funding (\$511,000 Motor Vehicle Account) and the conversion of 9 limited-term positions to permanent. The positions are associated with the ignition interlock device (IID) workload, which is a program that DMV took over from the courts in 2009-10 pursuant to SB 1388 (Torlakson), Chapter 404, Statutes of 2008. The program provides for the installation of IIDs in specified circumstances when the car owner has a conviction for Driving Under the Influence (DUI). The 2009-10 budget provided a total of 26 new positions, with 9 of these two-year limited terms. DMV has monitored the workload, and reports their initial workload estimates were accurate and that the 9 limited term positions should be converted to permanent. The cost of the positions and program is fully support by fees on program participants.

Staff Comments: Staff has no concerns with this proposal. These positions are fully supported by fees from participants of the program and the cost is within the scope of the original legislation.

Staff Recommendation: Approve as budgeted.

ISSUE 2: TEMPORARY OPERATING PERMIT WORKLOAD STAFFING INCREASE

Governor's Budget: The Department is requesting a continuation of funding for \$369,000 (Motor Vehicle Account) and the conversion of 7 expiring limited-term positions to 2 permanent positions and 5 2-year limited-term positions. The positions are associated with the Temporary Operating Permit (TOP) Program, which was established in 2009-10 pursuant to AB 2241 (Saldaña), Chapter 451, Statutes of 2008.

Background: The TOP program provides for a temporary operating permit when a certificate of smog compliance is required. The Department issues serialized TOPS so that law enforcement personnel can verify that they are valid. Positions funded in this BCP are supported through a \$50 fee for each temporary operating permit issued. The 2009-10 budget provided a total of 7 new positions, with all of these two-year limited terms. DMV has monitored the workload, and reports their initial workload estimates were accurate and that the 7 limited term positions should be retained as specified. The cost of the positions and program is fully support by fees on program participants.

Staff Comments: Staff has no issues with this proposal. The Department states that their review of workload for these positions warrant that 2 positions be made permanent while the remaining 5 continue as temporary.

Staff Recommendation: Approve as budgeted

ISSUE 3: PRIVACY AND SECURITY ENHANCEMENT PROJECT

Governor's Budget: The Department is requesting an augmentation of \$918,000 to procure consultant services to enhance the security of processes and technologies involved in the internal collection, storage, maintenance, and transmission of DMV staff Personally Identifiable Information (PII). The DMV received a grant from the US Department of Homeland Security in the amount of \$1.8 million for improving access controls to protect Personally PII data. In FY 2010-11, the Department received grant spending authority for \$900,000. This request will allow for the use of the remainder of the grant.

Staff Comments: At the prior hearing, this issue was held open so that stakeholders would have time to better understand the contract to engage in the proposed services. Staff is unaware that there are any concerns from the public and recommends that it be adopted. The augmentation is funded through a federal grant and will be used to strengthen privacy protection for the personal information of DMV Staff.

Staff Recommendation: Approve as budgeted

ISSUE 4: IMPLEMENTATION OF AB 2499 (PORTANTINO) – TRAFFIC VIOLATOR SCHOOL PROGRAM

Governor's Budget: The Department is requesting an augmentation of \$2.3 million (Motor Vehicle Account) to fund third-party contractors to monitor the Traffic Violator School (TVS) industry. The DMV is assuming this role for home-study TVVs from the courts pursuant to AB 2499 (Portantino), Chapter 599, Statutes of 2010.

Background: Under AB 2499 (Portantino), the DMV took responsibility from the Courts for monitoring the TVV industry. The Administration anticipates the third party contractors will be used to conduct an annual review of business practices of 600 businesses and bi-annual monitoring of TVV training conducted at 2,500 classrooms and through approximately 200 home study/Internet courses. The cost of the program is fully support by fees on program participants.

Staff Comments: Staff has no concerns with this proposal as it is within the scope of AB 2499 (Portantino) and it is fully supported by its own fee source.

Staff Recommendation: Approve as budgeted.

ISSUE 5: VETERANS OPTIONAL CHECK-OFF – TRAILER BILL LANGUAGE

Last year, the Budget Conference Committee adopted a package of measures to aid veterans in obtaining federal benefits. One component of that package was statutory change that required the DMV to add a voluntary veteran's check-off box on driver license applications that would allow a veteran's name and address to be shared with the California Department of Veterans Affairs (CDVA). The CDVA would reimburse the DMV for the cost of the program and use the information to alert veterans about federal benefits. The language was placed in the omnibus transportation budget trailer bill (AB 1614). The transportation budget trailer bill, which included many other provisions, failed passage in the Senate and the provisions were not enacted.

The following language was developed in consultation with the DMV and CDVA. The relevant language in AB 1614 is copied below (amending Vehicle Code Section 12811). The language highlighted notes recent DMV amendments to last year's language. First, "All applications" replaces "The front of an application". Second, statement for the application would be specified in statute.

(c) (1) All applications for a driver license or identification card shall contain a space for an applicant to indicate whether he or she has served in the Armed Forces of the United States and to give his or her consent to be contacted regarding eligibility to receive state or federal veteran benefits. The application shall contain the following statement:

"By marking the veteran box on this application, I certify that I am a veteran of the United States Armed Forces and that I want to receive veteran benefits information from the California Department of Veterans Affairs and that I was notified and consent to DMV transmitting my name and mailing address to the California Department of Veteran Affairs for this purpose only."

(2) The department shall collect the information obtained pursuant to paragraph (1).

(3) As mutually agreed between the department and the Department of Veterans Affairs, the department shall electronically transmit to the Department of Veterans Affairs the following information on each applicant who has identified that he or she has served in the Armed Forces of the United States since the last data transfer and has consented to be contacted about veteran benefits:

(A) His or her true full name.

(B) His or her mailing address.

(4) Information obtained by the Department of Veterans Affairs for the purposes of this subdivision shall be used for the purpose of assisting individuals to access veteran benefits and shall not be disseminated except as needed for this purpose.

Staff Comment: Staff has no concerns with this language. This authority will allow the DMV to move forward with a program to help identify Veterans and help them access available benefits.

Staff Recommendation: Adopt Trailer Bill Language.

8570 – DEPARTMENT OF FOOD AND AGRICULTURE

ISSUE 1: GENERAL FUND REDUCTIONS FOR THE DEPARTMENT

Governor's Budget. The Governor's Budget reduces the Department's General Fund support by \$15 million. The details of this reduction are not specified at this point and there is direction by the Administration to the Secretary of Agriculture to hold a consortium with stakeholders to determine how these reductions will be achieved.

Staff Comments: The Department has commented to the subcommittee that it is working on its plan to meet the proposed \$15 million cut but details for the plan most likely will not be public by the time of the hearing. The majority of the Department's General Fund expenditures are located in their Agricultural Plan and Animal Health: Pet Prevention and Food Safety Programs. This program is essentially dedicated to preventing the introduction of serious plant and animal pests and disease to California and to protect California's dairy industry.

Staff notes that the Subcommittee would have to take an affirmative action to add back the General Fund if they wanted to reject the cuts. Because there is still limited information on the proposed General Fund reduction to the Department's budget, the subcommittee might want to take an action to score the General Fund savings now and work on the details of the cut if needed once more information is available.

Staff Recommendation: Approve the proposed \$15 million General Fund Reduction with the option to address details of the cut later in the year.

3540 – DEPARTMENT OF FORESTRY AND FIRE PROTECTION

ISSUE 1: FIRE PROTECTION PERMANENT FUNDING

Governor's Budget. The Department is requesting permanent funding of \$42.8 million from the General Fund and 73.4 positions related to the Aviation Management Unit, the Very Large Air Tanker, Victorville Air Attack Base, San Diego Helitack, Aviation Asset Coordinator, Lake Tahoe Basin (Basin) Fire Engine and Staffing, Defensible Space Program and CAL Card Support. This proposal includes the reduction of staffing from 4 firefighters to 3 firefighters per-fire engine that is expected to save \$30.7 million for the General Fund.

Background: The majority of CAL FIRE's engagement in fire protection activities occurs throughout the course of the year, both in and out of fire season. These costs are funded out of the Department's baseline budget. When a wildland fire becomes a designated emergency event, the Department funds these activities from the Emergency Fund (E-Fund), which is supported by the General Fund and can be augmented by the Department of Finance on an as needed basis.

Last year, the LAO found that the Department had been charging some of their non-emergency costs to the E-fund that were more appropriately funded from their baseline budget. The LAO worked with the Department to develop a two stage proposal to: 1) shift on a one time basis non-emergency costs to the baseline budget; and, 2) direct the Department to return, in the 2011-12 budget, with a zero-based budget proposal for these activities. This proposal represents the Department's zero-based budget proposal and funds all of the activities that were shifted last year to the Department's base except for the use of 4 firefighters instead of 3 per engine.

LAO Comments: In a prior-year's budget analysis the LAO recommended rejecting funding to increase staffing levels from three to four per engine statewide on the basis that the department had not demonstrated that this level of increased staffing is cost-effective. In support of his proposed budget solution, the Governor makes a similar assessment, finding that the action to increase staffing levels from three to four firefighters per engine during peak fire season had not measurably changed the department's initial attack effectiveness. The LAO notes that the Governor retains the authority, by executive order, to implement four-person staffing during fire seasons of unusual risk or danger.

Staff Comments: Because of the severity of the General Fund problem, staff recommends that the subcommittee adopt the proposed reduction from 4 firefighters to 3 per truck. However, because more time is needed to review all of the zero-based proposals in this request, staff recommends that the subcommittee deny the other segments of this proposal without prejudice

Staff Recommendation: 1) Approve the proposed reduction in staffing from 4 firefighters to 3. 2) Deny without prejudice the \$42.8 million in permanent funding proposals so that they can be reviewed in the spring.

3600 – DEPARTMENT OF FISH AND GAME

ISSUE 1: SAN JOAQUIN RIVER RESTORATION PROGRAM

Governor's Budget Proposal: The Department is requesting \$3.8 million in reimbursement authority to support the San Joaquin River Restoration Program (SJRRP). This funding will be provided by the Natural Resources Agency's \$100 million in Proposition allocation dedicated to the restoration of the San Joaquin River.

Background: The San Joaquin River Restoration Project (SJRRP) is a direct result of a Settlement by the U.S. Departments of the Interior and Commerce, the Natural Resources Defense Council (NRDC), and the Friant Water Users Authority (FWUA) reached in September 2006 on an 18-year lawsuit to provide sufficient fish habitat in the San Joaquin River below Friant Dam near Fresno, California. The Settlement received Federal court approval in October 2006. The Settlement's primary goals are as follows:

- To restore and maintain fish populations, including naturally reproducing and self-sustaining populations of salmon and other fish, in "good condition" in the main stem of the San Joaquin River below Friant Dam to the confluence of the Merced River;
- To reduce or avoid adverse water supply impacts to all of the Friant Division long-term contractors that may result from the Interim Flows and Restoration Flows provided for in the Settlement.

Department of Fish and Game's Role in the SJRRP: The Settling Parties believe that the Department of Fish and Game, along with other State Agencies (Department of Water Resources, the Resources Agency, and CalEPA), should play a major collaborative role in the planning, design, funding, and implementation of the Settlement. The Department has entered into a Memorandum of Understanding (MOU) with the Settling Parties that outlines the State's role in the restoration efforts: 1) Planning and design of activities identified in the Settlement; 2) Actions related to the release of flows identified in the Settlement; 3) Design and construction of facilities for fish passage and prevention of fish entrainment; 4) The manner in which fish will be reintroduced; 5) Monitoring and evaluating fish; and, 6) Establishment and maintenance of appropriate riparian habitat.

Staff Comments: This issue was held open on February 2nd to give Subcommittee members more time to review the proposal. Staff generally does not have any issues with the proposed staffing and expenditures. Programs to restore the San Joaquin are court ordered and are funded from Proposition 84. This funding will continue these ongoing efforts.

Staff Recommendations: Approve as budgeted.

3790 – DEPARTMENT OF PARKS AND RECREATION

ISSUE 1: PROPOSED BUDGET REDUCTIONS

Governor's Budget: The Governor's Budget is proposing to reduce the Department's budget by \$11 million 2011-12 and \$22 million ongoing. It is expected that this cut will result in the closure, or partial closure of various parks – the amount is unknown at this time. The Department is currently working with stakeholders and local communities to explore partnership opportunities.

Staff Comments: When this issue was heard on February 7th, the subcommittee expressed interest looking at options for using Off Highway Vehicle Account funds to support security costs for protecting closed parks from prohibited off highway vehicle use. Because the overall park closure plan was not available at the time of creating this agenda, staff was not able to assess what resources would be necessary for this type of security. However, because the subcommittee is under a short timeline and because many of the state parks that are potentially going to be closed are located in rural areas where there is a threat of OHV use, staff feels that it would be appropriate to dedicate a placeholder amount of OHV funds on an ongoing basis to support security at those locations. Additionally, staff is aware that statute might need to be changed to allow this type of expenditure and recommends that placeholder TBL be adopted as well.

Staff Recommendation: 1) hold open the overall cut to parks until further details are available. 2) Approve an ongoing placeholder augmentation of \$5 million to support security related to protection parks from prohibited OHV usage. 3) Adopt placeholder trailer bill language to allow the use of OHV funds for security of state parks.

ISSUE 2: OFF HIGHWAY VEHICLE RELATED PROPOSALS

Governor's Budget: The Department is requesting the following three proposals related to Off Highway Vehicles (OHV):

- 1. Off-Highway Motor Vehicle Recreation (OHMRV) Storm Water Compliance:** \$2.0 million (\$1.8 million one-time and \$200,000 ongoing) from the OHV Trust Fund to fund compliance efforts for storm water pollution management, planning and compliance.

This proposal will develop systematic storm water management program guidelines, a statewide level storm water management plan, storm water training for management and staff, and individual storm water management plans for each State Vehicular Recreation Area (SVRA).

- 2. OHMVR—General Plans:** \$7.4 million (OHV Trust Fund) in 2011-12 and \$1.75 in 2012-13 for consulting contracts to initiate and/or update general plans and Environmental Impact Reports for State Vehicular Recreation Areas and OHV park areas.

- 3. OHMVR—Land Surveys and Acquisition Feasibility Studies:** \$1.2 million (OHV Trust Fund) to initiate and complete land surveys for State Vehicular Recreation Areas.

Funding for these surveys allows the Department to identify potential conflicts between SVRAs and neighboring communities and helps resolve discrepancies over land ownership and mineral and geothermal leasing rights on SVRA lands.

Background: The OHMVR Division of the Department is funded from gas tax revenues collected from fuel that is used in off-road vehicles for off road recreation. These funds can only be used for the benefit of off road recreation.

Staff Comments: When heard on February 7th, these issues were held open to explore the use of OHV funds to support security at state parks. Staff doesn't have any issues with these proposals. These funds can only be used for the benefit of off-road recreation and their proposed uses are consistent with efforts to reduce the impacts of SVRAs on the landscape and on neighboring communities.

Staff Recommendation: Approve as budgeted.

ISSUE 3: LOCAL ASSISTANCE RELATED PROPOSALS

Governor's Budget: The Department is requesting the following proposals related to their local assistance programs:

1. **Local Assistance Program:** The Department is requesting \$233.4 million for the local Assistance Programs from special, bond, and federal funds for grants to various agencies as follows:
 - a. **Habitat Conservation Fund - \$4.3 million:** Provides funding for grants for projects that are within the requirements of the Wildlife Protection Act of 1990;
 - b. **Off-Highway Vehicle Trust Fund - \$27.1 million:** Provide OHV gas tax funds for acquisition, development, planning, operation, maintenance, resource management, and restoration grants for off road vehicle areas;
 - c. **Recreational Trails Fund -- \$8.7 million:** Provides Federal funds for the Development of non-motorized trails;
 - d. **Federal Trust Fund -- \$9.3 million:** Provides Federal funds for statewide planning, and acquiring/developing outdoor recreation areas and facilities; and,
 - e. **Proposition 84 -- \$184 million:** Provides funding for competitive grants for local and regional parks.
2. **Reversion/Appropriations Anew Language for Proposition 40:** The Department is requesting various technical reversions and appropriations anew to allow existing Proposition 40 projects to continue.
3. **Reversion Language for Habitat Conservation Fund:** The Department is proposing to revert a portion of unencumbered balances in the Habitat Conservation fund appropriations for Fiscal years 2007-08 and 2008-09 that are no longer available for encumbrance or allocation. This proposal will allow the Department to use these funds for future local assistance expenditures.

Staff Comments: When heard on February 7th, all of the proposals in this item with exception to the OHV funded proposal were adopted to explore the use of OHV funds to support security at state parks. Staff doesn't have any issues with the OHV proposal since it appropriates special funds for their required purposes.

Staff Recommendation: Approve OHV funding as budgeted.

ISSUE 4: CAPITAL OUTLAY

Governor's Budget: The Department is requesting a total of \$23.4 million in non-general funds for the following parks related capital outlay projects:

- 1. Statewide Budget Development.** The Governor requests \$150,000 (Proposition 84) to fund initial capital outlay project development phases.
- 2. Donner Memorial State Park—Enhance Museum Exhibits.** The Governor requests \$169,000 (Proposition 84) to build an enhanced interpretive exhibit at Donner Memorial State Park.
- 3. Statewide Opportunity to Purchase Pre-Budget Schematics.** The Governor requests \$250,000 (OHV Trust Fund) for purchase of property, appraisals, and capital outlay project development costs near current State Vehicular Areas.
- 4. Heber Dunes SVRA Initial Development.** The Governor requests \$5.3 million (OHV Trust Fund) for initial phase for administration, maintenance and recreational facilities.
- 5. Carnegie State Vehicular Recreation Area Road Construction.** The Governor requests \$6.6 million (OHV Trust Fund) to reconstruct and rehabilitate unpaved roads to meet current law requirements.
- 6. Hollister Hills Vehicular Recreation Area Infrastructure and Rehabilitation.** The Governor requests \$416,000 (OHV Trust Fund) to rehabilitate campgrounds including installation of water and electrical system upgrades.
- 7. State Park System Minor Capital Outlay Program.** The Governor requests \$508,000 (Proposition 12) for minor rehabilitation of parks including rehabilitation of the Emerald Bay State Park Eagle Point campground.
- 8. Statewide Recreation Trails (Minor).** The Governor requests \$380,000 (Proposition 84) to improve trails within various units of the State Park System.
- 9. Volunteer Enhancement Program—Minor Projects.** The Governor requests \$638,000 (Proposition 84) for rehabilitation and construction of various volunteer facilities including volunteer host sites within the State Park System.
- 10. OHV Minor Capital Outlay Program.** The Governor requests \$9 million (OHV Trust Fund) to fund sixteen minor capital outlay projects at various State Vehicular Recreation Areas. These projects are for enhancements and improvements and include park operations, public access, energy efficiency and restoration (among others).

Staff Comments: When heard on February 7th, these issues were held open to explore the use of OHV funds to support security at state parks. The proposals are consistent with the requirements of their funding sources and staff recommends that they be approved. The Subcommittee may, however, want to revisit this issue and amend their action if any of the projects on this list are from parks that will be closed.

Staff Recommendation: Approve as budgeted.

VARIOUS DEPARTMENTS: SUMMARY OF ACTIONS

The following list shows all of the intended actions of the Subcommittee for the January 26th, February 2nd and February 7th hearings. The only new action on this chart is the inclusion of an action to deny the High Speed Rail Authority's Capital Outlay requests without prejudice, consistent with other actions for the Authority.

Because the Subcommittee did not take action to deny some of these issues without prejudice, staff recommends that the Subcommittee adopt this list so that there is no ambiguity with the Subcommittee's actions.

| Department | Issue | Action |
|-------------------------------|--|------------------------|
| Caltrans | Air Quality Mandates | Deny without Prejudice |
| Caltrans | Fuel Cost Increase | Deny without Prejudice |
| Caltrans | Load Ratings of Local Bridges | Deny without Prejudice |
| Caltrans | Proposition 1B Capital Needs | Deny without Prejudice |
| Caltrans | PRSM Liquidation Period Extension | Approve as budgeted |
| Caltrans | Federal Job Access and Reverse Commute/New Freedom Program | Approve as budgeted |
| Caltrans | Enterprise Resources Planning Financial Infrastructure Staff Reduction | Approve as budgeted |
| Caltrans | Proposition 1B Redistribution Audits | Approve as budgeted |
| Caltrans | Capital Outlay – Eureka Fire, Life Safety and Infrastructure Repairs | Approve as budgeted |
| High Speed Rail Authority | Program Management Oversight | Deny without Prejudice |
| High Speed Rail Authority | Public Information and Communications Services | Deny without Prejudice |
| High Speed Rail Authority | Financial Plan and Public Private Participation Program | Deny without Prejudice |
| High Speed Rail Authority | Baseline Adjustment | Deny without Prejudice |
| High Speed Rail Authority | Capital Outlay Requests | Deny without Prejudice |
| Dep. Motor Vehicles | Facility Related Proposals | Deny without Prejudice |
| Ca. Transportation Commission | Public Private Partnership Review Staff | Deny without Prejudice |
| Air Resources Board | Continuing Program Implementation for Proposition 1B | Deny without Prejudice |
| OEHHA | Proposition 65 Fund Shift | Approve as budgeted |

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|-------------------------------|---|--|
| State Water Board | Pacific Lumber Company Litigation Defense | Deny without Prejudice |
| State Water Board | Department of Defense – Edwards Air Force Base | Approve as budgeted |
| State Water Board | Continuing Program Implementation of Propositions 13,50, and 84 | Approve as budgeted |
| Dep. Toxic Substances Control | Land Transfer at Santa Susana Field Laboratory to the State | Approve as budgeted with BBL |
| Dep. Toxic Substances Control | State Certified unified Program Agency Reimbursements | Approve as budgeted |
| Dep. Toxic Substances Control | Capital Outlay – Stringfellow New Pre-Treatment Plant | Approve as budgeted |
| Resources Agency | San Joaquin River Restoration | Approval amount contingent on DFG and DWR appropriations |
| Parks | Empire Mine State Historic Park – Ongoing Remediation | Approved as budgeted |
| Parks | Vehicle Fleet Emissions Retrofit | Deny without Prejudice |
| Parks | Proposition 12 Related Proposal | Approved as budgeted |
| Parks | Reappropriations | Approved as budgeted |
| Parks | Increase Public Resources Account | Approved as budgeted |
| Parks | Local Assistance | Approved as budgeted with exception to OHV proposal |
| Parks | Capital Outlay | Deny without Prejudice |
| Conservation Corps | Energy Smart Jobs Program – ARRA Funded | Approved as budgeted |
| Dep. of Conservation | Information Technology Maintenance | Approved as budgeted |
| Dep. of Conservation | California Farmland Conservancy Program Local Assistance | Approved as budgeted |
| Dep. of Conservation | Watershed Implementation Reappropriation | Approved as budgeted |
| Dep. of Conservation | Statewide Watershed Coordinator Grant Program Proposition 84 Local Assistance | Approved as budgeted |
| Dep. of Conservation | Implementing AB 2453 | Approved as budgeted |
| CalRecycle | Integrated Waste Management Account Proposals | Approved as budgeted |
| CalRecycle | Beverage Container Recycling Program Related Proposals | Approved as budgeted |

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| CAL FIRE | CAL FIRE Realignment Proposal | Held Open for Future Action |
| CAL FIRE | Hemet Ryan Air Attack Base | Approved as Budgeted |
| CAL FIRE | Additional Battalion Chief Staffing | Approved as Budgeted |
| CAL FIRE | Underground Fuel Storage Tank Clean Up | Approved as Budgeted |
| CAL FIRE | Civil Cost Recovery Program | Deny without Prejudice |
| CAL FIRE | Unemployment Insurance | Approved as Budgeted |
| State Lands Commission | Selby Slag Remediation | Approved as Budgeted |
| Dep. Fish and game | Critical Radio Infrastructure and Equipment Project | Approved as Budgeted |
| Dep. Fish and game | Hatchery and Inland Fisheries Fund | Deny without Prejudice |
| Dep. Fish and game | Hot Creek Hatchery II Supply Pond Cover Replacement | Approved as Budgeted |
| Dep. Fish and game | Capital Outlay Proposals | Approved non HIFF Proposals as budgeted |
| Boating and Waterways | Boating Grants and Loans | Deny without Prejudice |
| Coastal Commission | Coastal and Marine Education Whale Tail License Plate Program | Approved as budgeted |
| Wildlife Conservation Board | Wildlife Conservation Board Proposals | Approved as budgeted |
| Regional Conservancies | Regional Conservancy Proposals | Approved as budgeted |
| Dep. Of Water Resources | FloodSAFE | Approved as budgeted |
| Dep. Of Water Resources | Implementation of Biological Opinions | Deny without Prejudice |
| Dep. Of Water Resources | Delta Habitat Conservation and Conveyance Program | Deny without Prejudice |
| Dep. Of Water Resources | Mercury and Methylmercury Monitoring and Control Studies | Deny without Prejudice |
| Dep. Of Water Resources | Groundwater Monitoring Program | Approved as Budgeted |
| Dep. Of Water Resources | Infrastructure Rehabilitation Program | Approved as Budgeted |
| Dep. Of Water Resources | California/Nevada Water Allocation of the Truckee River | Approved as Budgeted |
| Dep. Of Water Resources | Critical Support for the California State Water Project | Deny without Prejudice |
| Dep. Of Water | Drinking Water Quality Program – | Approved as Budgeted |

| Resources | Pilot Projects | |
|------------------------------|--|--|
| Dep. Of Water Resources | Capital Outlay Projects | Approved as Budgeted |
| Dep. of Food and Agriculture | General Fund Elimination of Fairs General Funds | Held Open for Future Action |
| Dep. of Food and Agriculture | Various Pest Related Proposals | Approved as budgeted |
| Dep. Pesticide Regulation | Enhancement of the California Department of Food and Agriculture Analytical Chemistry Services | Approved as budgeted |
| Energy Commission | Extend Limited Term SEP – ARRA Funds | Approved as budgeted |
| Public Utilites Commission | California Advanced Services Fund Extension/Expansion | Approved as budgeted |
| Public Utilites Commission | State Broadband Data and Development Grant Program | Approved as budgeted |
| Public Utilites Commission | Diablo Canyon Seismic Study Peer Review Panel | Deny, have PUC return with a new proposal in spring. |
| Public Utilities Commission | Natural Gas Distribution Safety Program | Approved as budgeted |
| Public Utilities Commission | Modernization of the Electric Grid (Advance Energy Storage) | Deny without Prejudice |

Staff Recommendation: Adopt actions as listed.