

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND TRANSPORTATION****ASSEMBLYMEMBER RICHARD S. GORDON, CHAIR****WEDNESDAY, APRIL 25, 2012  
9:00 A.M. - STATE CAPITOL ROOM 444**

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**INFORMATION ITEMS ONLY  
WORKFORCE CAP PLANS**

Executive Order S-01-10 required Agency Secretaries and Department Directors to take steps to cap the State workforce by achieving an additional 5 percent salary savings by July 1, 2010, and maintain the additional salary savings ongoing. This savings was included in the Budget Act of 2010. The informational Budget Change Proposals (BCPs) listed below explain how the various departments achieved this "workforce cap" (WFC).

**0540 RESOURCES AGENCY**

The Agency has met the required \$156,000 reduction for its WFC targets/savings by using salary savings from a part-time employee and decreasing spending for discretionary operating expenses.

**3125 CALIFORNIA TAHOE CONSERVANCY**

The Conservancy has met the required \$164,000 reduction for its WFC target/savings by eliminating two positions.

**3340 CALIFORNIA CONSERVATION CORPS**

The Corps has met the required \$1,177,000 reduction for its WFC targets/savings by redirecting 7.8 positions to meet workload related to approved 2011-12 Finance Letters without position authority and eliminating 7.4 temp help positions.

**3600 DEPARTMENT OF FISH AND GAME**

The Department has met the required \$8,667,000 reduction for its WFC targets/savings by reducing various contracts, equipment, travel, and training.

**3640 WILDLIFE CONSERVATION BOARD**

The Board has met its WFC requirement by eliminating a vacant position.

**3720 CALIFORNIA COASTAL COMMISSION**

The Commission has met the required \$664,000 reduction for its WFC targets/savings by reducing operation expenses and equipment.

**3760 STATE COASTAL CONSERVANCY**

The Conservancy has met the required \$302,000 reduction for its WFC target/savings by eliminating 3.5 positions.

**3780 NATIVE AMERICAN HERITAGE COMMISSION**

The Commission has met the required \$33,000 reduction for its WFC targets/savings by eliminating 0.5 positions.

**3790 DEPARTMENT OF PARKS AND RECREATION**

The Department has met the required \$8,731,000 reduction for its WFC targets/savings by eliminating 37.7 positions.

**3810 SANTA MONICA MOUNTAINS CONSERVANCY**

The Conservancy has met the required \$10,000 reduction for its WFC target/savings by eliminating 0.2 positions.

**3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION**

The Commission has met the required \$211,000 reduction for its WFC targets/savings by eliminating 1.8 positions.

**3825 SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY**

The Conservancy has met the required \$25,000 reduction for its WFC target/savings by reducing operating expenses and equipment.

**3830 SAN JOAQUIN RIVER CONSERVANCY**

The Conservancy has met the required \$12,000 reduction for its WFC target/savings by reducing operating expenses.

**3835 BALDWIN HILLS CONSERVANCY**

The Conservancy has met the required \$14,000 reduction for its WFC target/savings by re-classifying an existing position.

**3840 DELTA PROTECTION COMMISSION**

The Commission has met the required \$41,000 reduction for its WFC targets/savings by eliminating 0.5 positions.

**3845 SAN DIEGO RIVER CONSERVANCY**

The Conservancy has met the required \$8,000 reduction for its WFC target/savings by reducing its Personal Services Budget.

**3850 COACHELLA MOUNTAINS CONSERVANCY**

The Conservancy has met the required \$14,000 reduction for its WFC target/savings by reducing operating expenses.

**3855 SIERRA NEVADA CONSERVANCY**

The Conservancy has met the required \$87,000 reduction for its WFC target/savings by eliminating 0.9 positions from its Temp Help authority.

**3900 CALIFORNIA AIR RESOURCES BOARD (CARB)**

The CARB has fully implemented its WFC plan through a combination of increased salary savings, permanent and temporary help position reductions. The plan abolished 44 positions with associated salary and wage amounts of \$6.2 million.

**3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL**

The Department has met the required \$4,385,000 reduction for its WFC targets/savings by reducing staff benefits related to 30 positions, reducing personal services from 11 expiring limited-term positions, and eliminating 22 vacant positions.

**VOTE-ONLY****3125 CALIFORNIA TAHOE CONSERVANCY**

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**ISSUE 1: BASELINE SUPPORT REDUCTION**

The Governor's Budget requests \$229,000 (Prop 12, 40, 50, 84) baseline support reduction in bond-funded program delivery. This stems from the substantial exhaustion of program delivery allocations under above referenced bond funds.

**ISSUE 2: CAPITAL OUTLAY APPROPRIATION**

The Governor's Budget requests \$9,329,000 (\$390,000 Habitat Conservation Fund, \$116,000 Lake Tahoe Conservancy Account, \$3,440,000 Conservancy's land bank reimbursements/revenues, \$383,000 Prop 40, \$5,000,000 Federal Trust Fund) in additional capital outlay appropriations for implementation of its various programs in support of the Environmental Improvement Program for the Lake Tahoe Basin.

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**Staff Recommendation: Approve as Budgeted Issues 1 & 2**

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**3340 CALIFORNIA CONSERVATION CORPS**

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**ISSUE 1: VEHICLE REPLACEMENT PLAN**

The Governor's Budget requests \$2.0 million (one-time augmentation) and re-appropriation of the balance from previous years (Collins Dugan Reimbursement Account) to fund replacement of crew-carrying vehicles and vans in order to meet health and safety requirements.

**ISSUE 2: BASELINE PROPOSITION 84 AUGMENTATIONS**

The Governor's Budget requests \$475,000 of one-time augmentations for Proposition 84 appropriations. This represents the balance of respective allocations as authorized by Proposition 84 bond funds.

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**Staff Recommendation: Approve as Budgeted**

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**3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CAL FIRE)**

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**ISSUE 1: EMERGENCY MEDICAL SERVICES PROGRAM**

The Governor's Budget 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 (EMS) Program, Allowing CalFIRE to have centralized authority over its Emergency Medical Technician training program and the development of a uniform statewide EMS delivery program. Approval of this proposal will ensure that CalFIRE meets state regulations for program oversight, operations, and obligations with regard to certified CalFIRE EMTs.

**ISSUE 2: COMPUTER AIDED DISPATCH (CAD) HARDWARE AND SERVICE REFRESH**

The Governor's Budget requests \$5.6 million in 2012-13 and a total of \$8.7 million over five years (State Emergency Telephone Number Account) to provide a one-time hardware life cycle replacement and ongoing funding for system maintenance for the Altaris CAD system. The CAD system is CalFIRE's primary dispatch system and is utilized at all twenty-one CalFIRE Emergency Command Centers (ECC), the Fire Training Academy, and the Information Technology Services Headquarters Lab facility. The ECCs play a key role in the statewide 911 system.

**ISSUE 3: ADMINISTRATIVE CORRECTION ADVANCES**

The Governor's Budget requests a change in statutory responsibilities to eliminate the non-critical functions, pursuant to Budget Letter 11-18. This will allow CalFIRE to better meet workload within its authorized spending levels. This is a no cost and no savings BCP because any unqualified marginal savings from eliminating workload will be redirected back into core mission services.

This proposal would 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.



**ISSUE 4: FOREST LEGACY PROGRAM (BBL)**

The Governor requests budget bill language to allow the Department to utilize funding within its support budget to acquire conservation easements pursuant to the California Forest Legacy Program (FLP) Act. The intent of the FLP is to identify and protect environmentally important forestlands that are threatened by present and future conversion to no-forest uses. CalFIRE has been receiving federal grant funds for the purchase of conservation easements since 2001. These funds have been budgeted within CalFIRE's support budget. The Department of Finance (DOF) had concerns about the absence of statutory authority to fund easements out of CalFIRE's support budget. Thus, it requested CalFIRE submit this BCP for provisional language in order to continue to utilizing funds within CalFIRE's support budget for these purposes. Without this language, CalFIRE may need to revert millions of dollars of federal funding that have been earmarked for specific conservation easements.

**ISSUE 5: STATEWIDE COMMUNICATION FACILITIES (PHASE IV) CAPITAL OUTLAY**

The Governor's Budget requests \$6.8 million (General Fund) for a planned telecommunications infrastructure replacement project at Deadwood Peak, Strawberry Peak, and Telegraph Hill Communications Facilities. This funding is part of a multi-year proposal as part of the California Technology Agency's Public Safety Office conversion to digital technology.

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**Staff Recommendation: Approve as Budgeted Issues 1-5**

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**3600 DEPARTMENT OF FISH AND GAME**

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**ISSUE 1: INTEROPERABLE NARROWBAND RADIO INFRASTRUCTURE MODERNIZATION**

The Governor's Budget requests \$1.5 million (Environmental License Plate Fund) to complete the implementation and maintenance of the Department's Interoperable Narrowband Radio Infrastructure Modernization effort. Once implemented, this proposal will result in a reliable and interoperable two-way radio communications and allow the Department to adhere to Federal Communications Commission requirements to migrate to Narrowband Radio by January 2013.

**ISSUE 2: WATER MEASURING DEVICES**

The Governor's Budget requests \$500,000 (Fish and Game Preservation Fund) to conduct a one-time assessment to ascertain the number and types of measurement devices that would be needed to comply with the water diversion measurements mandated by Chapter 2, Statutes of 2009 (SB 8 X7). This request also refines the cost estimate for funding a subsequent phased plan for the purchase, installation, and maintenance of new infrastructure in a more cost-effective manner.

SB 8 X7 requires those who divert water under claimed rights to measure their monthly diversions beginning in January 2012 using "best available technologies." The Department has approximately 68 water diversion statements on file with the State Water Board for claimed rights. Compliance with the new monitoring and reporting requirements will require purchase and installation of flow measuring devices for certain Department-owned water diversions. The Department's diversions are used for the benefit of fish and wildlife.

**ISSUE 3: INCREASE IN FEDERAL TRUST AUTHORITY**

The Governor's Budget requests an ongoing augmentation of \$6.7 million (Federal Trust Fund) for the Fisheries Restoration Grant and Law Enforcement Hunter Education programs. The funding is consistent with the federal funding authority.

**ISSUE 4: DUNGENESS CRAB (SB 369)**

The Governor's Budget requests an ongoing augmentation of \$702,000 and one position (Dungeness Crab Account) to implement SB 369 (Evans), Statutes of 2011. The request includes funding for staff and equipment, including the purchase of crab tags. SB 369 requires the Department to establish a Dungeness crab tag program by March 31, 2013, for Dungeness crab trap limits through April 1, 2019.

**ISSUE 5: DEPARTMENT OF JUSTICE CIVIL COST RECOVERY LEGAL FEES**

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.

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**Staff Recommendation: Approve as Budgeted Issues 1-5**

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**3640 WILDLIFE CONSERVATION BOARD**

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**ISSUE 1: BASELINE FUNDING AND BUDGET BILL LANGUAGE**

The Governor's Budget requests authority for continued baseline programs including:

- a. Minor Capital Outlay (\$1.0 million, Wildlife Restoration Fund).
- b. Wildlife Protection Act of 1990 (\$21 million, Habitat Conservation Fund).
- c. Reappropriation, Wildlife Protection Act of 1990 (\$5 million, Habitat Conservation Fund).
- d. Proposition 12 Support Baseline Removal (fund shift from Proposition 12 funds to Wildlife Restoration Fund due to fully expended bond funds).

**3720 CALIFORNIA COASTAL COMMISSION**

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**ISSUE 1: COASTAL AND MARINE EDUCATION WHALE TAIL LICENSE PLATE PROGRAM**

The Governor's Budget requests a one-year augmentation to increase the Coastal Commission's local assistance to \$798,000, an increase of \$257,000 over the current year. Expenditures and revenues in this account are subject to sales of the Whale Tail License Plate and fluctuate annually.

**Staff Recommendation: Approve as Budgeted**

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**3760 STATE COASTAL CONSERVANCY**

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**ISSUE 1: CAPITAL OUTLAY APPROPRIATION - REVERSIONS**

The Governor's Budget requests budget bill language for reversion of funds from Propositions 12, 40, and 50 for purposes of capital outlay. The proposed fund reversions are needed to assure that the Conservancy can continue to carry out the Coastal Conservancy's mission, consistent with its 2007 Strategic Plan and to manage and administer existing capital projects and local assistance grants consistent with the purposes of the original appropriations.

**ISSUE 2: CAPITAL OUTLAY APPROPRIATION – PROP 12**

The Governor's Budget requests \$4 million (Prop 12) for purposes of Capital Outlay and Local Assistance. The requested appropriation would be made from funds allocated to the Coastal Conservancy in Prop 12 to implement Conservancy Programs within Santa Cruz, Monterey, San Luis Obispo, and Santa Barbara Counties. Funds would be expended by the Conservancy for the acquisition, preservation, restoration, and enhancement of real property in coastal areas and watersheds within its jurisdiction and the development of public use facilities in those areas.

**ISSUE 3: CAPITAL OUTLAY APPROPRIATION – PROP 84**

The Governor's Budget requests \$15 million (Prop 84) for purposes of capital outlay and local assistance. The requested appropriation would be made from funds allocated to the Coastal Conservancy in Prop 84 for purposes of the San Francisco Bay Area Conservancy Program and the Santa Ana River Parkway. All activities carried out using the requested funds would be consistent with the purposes of the bond act, with the Conservancy's enabling legislation, and with the Conservancy's 2007 Strategic Plan.

**ISSUE 4: CAPITAL OUTLAY RE-APPROPRIATION – PROP 84**

The Governor's Budget requests re-appropriation unencumbered balances from the Conservancy's 2009-10 capital outlay appropriation from Prop 84. All activities carried out using the requested funds would be consistent with the purposes of the bond act, with the Conservancy's enabling legislation, and with the Conservancy's 2007 Strategic Plan.

**ISSUE 5: CAPITAL OUTLAY APPROPRIATION - PUBLIC ACCESS**

The Governor's Budget requests \$950,000 (\$5,000 from the Coastal Access Account and \$450,000 from the California Beach and Coastal Enhancement Account) to continue implementation of the Conservancy's Public Access, Education and related programs. Funds would be used to develop, operate and maintain public access ways, as well as for grants for educational and facilities, materials and events.

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**Staff Recommendation: Approve as Budgeted Issues 1-5**

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**3790 DEPARTMENT OF PARKS AND RECREATION****ISSUE 1: PROPOSITION 99**

The Governor's Budget requests an increase of \$1.366 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. The Department proposes that projects pursuant to this program will be selected with a focus on the following criteria: parks that serve as principle representatives in fulfilling the mission of the Department; mission-related revenue generation; public health and safety; and good government.

**ISSUE 2: CONCESSIONS/OPERATING AGREEMENT PROPOSAL**

The Governor's Budget 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); and,
- 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).

**ISSUE 3: CAPITAL OUTLAY - DONNER MEMORIAL STATE PARK**

The Governor's Budget 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.

**ISSUE 4: PRAIRIE CITY STATE VEHICULAR RECREATION AREA (SVRA) WATER TANK INFRASTRUCTURE IMPROVEMENT**

The Governor's Budget requests one-time funding of \$177,000 (Off-Highway Vehicle Trust Fund) to fund mandatory cleaning and inspection for a 500,000 steel water tank at Prairie City SVRA.

**ISSUE 5: EXTENSION OF LIQUIDATION – MOONLIGHT STATE BEACH PROJECT**

The City of Encinitas requests a one-year extension of liquidation of up to \$2,482,845 (Prop 12) for its Moonlight State Beach renovation project.

**ISSUE 6: APPROPRIATIONS ANEW – MURRAY-HAYDEN URBAN PARKS**

The People Coordinated Services of Southern California request an appropriation anew in the amount of \$1,849 million (Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund) to complete the construction of the People Coordinated Services' Youth and Family Center. Project construction was delayed due to the Bond Freeze.

**ISSUE 7: OFF-HIGHWAY VEHICLE OPPORTUNITY PURCHASE AND PRE-BUDGET SCHEMATICS**

The Governor's Budget 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.

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**Staff Recommendation: Approve as Budgeted Issues 1-7**

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**ISSUE 8: EL CAPITAN STATE BEACH – NEW LIFEGUARD HEADQUARTERS**

The Governor's Budget requests \$7.8 million (Proposition 84) to demolish existing lifeguard headquarters in the campground loop at El Capitan State Beach, and construct a new lifeguard headquarters near existing concession buildings in the day-use beach area.

**ISSUE 9: LOCAL ASSISTANCE**

The Governor's Budget 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. Specifically, the Administration is requesting:

- \$3.6 million Habitat Conservation Fund
- \$21 million Off Highway Vehicle Trust Fund
- \$15.7 million Recreational Trails Fund
- \$8.7 million Federal Trust Fund

**STAFF COMMENT**

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.

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**Staff Recommendation: Hold Open Issues 8 & 9**

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**3810 SANTA MONICA MOUNTAINS CONSERVANCY**

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**ISSUE 1: REVERSIONS AND REAPPROPRIATIONS**

The Governor's Budget requests a baseline-funding shift (\$65,000) from Proposition 13 to Proposition 84, and a corresponding reversion of up to \$75,670 from these funds.

**ISSUE 2: BASELINE CAPITAL OUTLAY, LOCAL ASSISTANCE AND RE-APPROPRIATIONS**

The Governor's Budget requests an appropriation of \$1 million (Santa Monica Mountains Conservancy Fund) for continuing capital programs. Funds are the proceeds of donations, settlements, bequests and mitigation fees, which are subject to appropriation. Request for re-appropriation of bond funds from 2007 to allow for completion of ongoing projects.

**3825 SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY**

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**ISSUE 1: CAPITAL OUTLAY BASELINE EXPENDITURE PLAN, REVERSIONS, AND RE-APPROPRIATIONS**

The Governor's Budget requests reversion of \$222,000 from Proposition 40, increase of dedicated \$468,000 from Proposition 50 for Conservancy projects, and re-appropriation of Proposition 40 and 84 bond funds to continue the baseline capital outlay expenditure plan at the Conservancy.

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**Staff Recommendation: Approve as Budgeted**

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**3830 SAN JOAQUIN RIVER CONSERVANCY**

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**ISSUE 1: CAPITAL OUTLAY REIMBURSEMENT AUTHORITY**

The Governor's Budget requests \$1,000,000 reimbursement authority to allow the Conservancy to receive funds from the Wildlife Conservation Board to direct and administer certain Parkway projects. This proposal will allow the Conservancy to leverage local and federal funds to further implement the Conservancy's mission and Master Plan.

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**Staff Recommendation: Approve as Budgeted**

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**3850 COACHELLA MOUNTAINS CONSERVANCY**

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**ISSUE 1: CAP OUTLAY REVERSION – PROP 84**

The Governor's Budget requests two reversions totaling \$239,000 from two years to avoid a negative fund balance and allow oversight on Capital Outlay projects for Proposition 84 that are consistent with the Natural Communities Conservation Plan (NCCP) lands in Coachella Valley through 2015-16.

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**Staff Recommendation: Approve as Budgeted**

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**3855 SIERRA NEVADA CONSERVANCY**

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**ISSUE 1: CAPITAL OUTLAY RE-APPROPRIATION – PROP 84**

The Governor's Budget requests the unencumbered balance of its fiscal year 2009 appropriation for local assistance grant funding from Proposition 84 bond funds. Funds will be used for award grants and cooperative agreements to government agencies, eligible non-profit organizations, and tribal organizations consistent with the mission of the Conservancy.

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**Staff Recommendation: Approve as Budgeted**

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**3900 CALIFORNIA AIR RESOURCES BOARD**

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**ISSUE 1: CARL MOYER PROGRAM**

The Governor's Budget requests shifting \$86.4 million in incentive based funding for the Carl Moyer (CM) Incentive Program from State Operations to Local Assistance. Funding for the program was initially placed in State Operations due to the uncertainty of continuous funding for the CM Program. Ninety-six percent of the \$90 million in funding for the CM Program is allocated for disbursement to the 35 Air Districts for locally administered activities. This is a no cost request, and will be a technical adjustment to CARB's budget.

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**Staff Recommendation: Approve as Budgeted**

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**3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL**

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**ISSUE 1: STINGFELLOW PYRITE CANYON TREATMENT FACILITY – CAPITAL OUTLAY**

The Governor's Budget requests \$40,106,000 (Public Buildings Construction Fund Subaccount) to fund the construction of Stringfellow Pyrite Canyon Treatment Facility to treat contaminated groundwater. Federal and State courts have declared the State of California to be 100 percent responsible for the remediation of the Stringfellow Hazardous Waste Site. The State is mandated to continue, in perpetuity, the extraction, and required treatment of contaminated groundwater to protect human health and the environment. The new pre-treatment plant will replace the existing, aging pre-treatment plant to provide a more reliable pre-treatment of contaminated groundwater before discharge into an industrial sewer.

**ISSUE 2: ELECTRONIC WASTE RECYCLING FRAUD CASE DEVELOPMENT AND PROSECUTION**

The Governor's Budget requests \$588,000 in expenditure authority and 5 positions from the Electronic Waste Recovery and Recycling Account be transferred from Department of Toxic Substances Control (DTSC) to the Department of Resources Recycling and Recovery for electronic waste recycling financial fraud investigation and prosecution activities. (NOTE: This BCP is the companion BCP to 3500 [CalRecycle] approved by Subcommittee on April 11, 2012)

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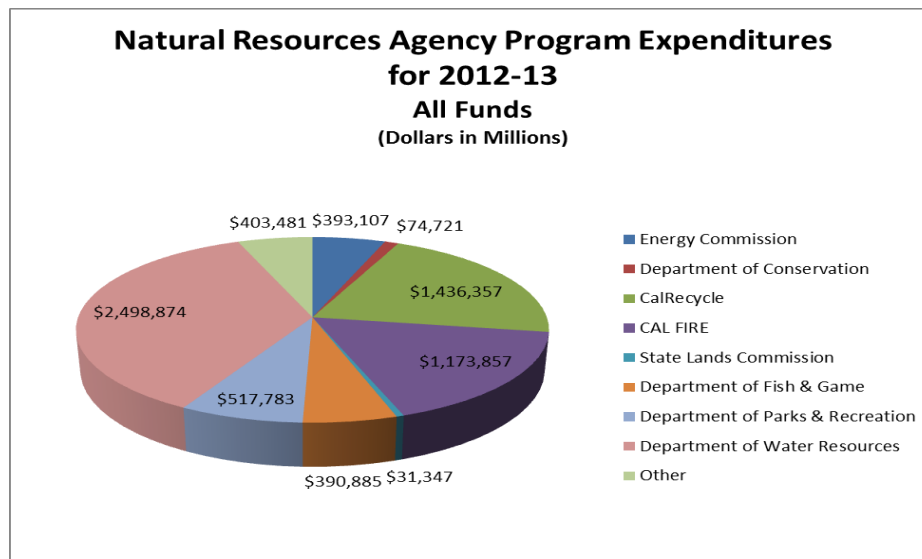
**Staff Recommendation: Approve as Budgeted 1-2**

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## ITEMS TO BE HEARD

### 0540 SECRETARY FOR NATURAL RESOURCES

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.



The Governor's Budget proposes \$7.8 billion (\$1.9 billion General Fund) and 19,762 positions in total spending for the various entities within the Resources Agency. Total proposed state funds, excluding federal funds, certain non-governmental cost funds, and reimbursements equals \$4.6 billion. This represents approximately 3.4 percent of the state budget.

**ISSUE 1: PROGRAM SHIFTS AND ELIMINATIONS**

The Budget proposes to eliminate or shift the following agencies and advisory groups under the Secretary for Natural Resources:

1. Transfer CalRecycle to the California Environmental Protection Agency (Governor's Reorganization Proposal);
2. Eliminate the State Geology and Mining Board (TBL);
3. Eliminate the California Advisory Committee on Salmon and Steelhead Trout (TBL); and,
4. Eliminate the Commercial Salmon Review Board (TBL).

**STAFF COMMENT**

Staff concurs with the Administration's proposal to shift the activities of CalRecycle to CalEPA. Because hazardous waste, electronic waste, used oil, used tires, and landfill permits are typically not considered "natural resources" but wastes, staff agrees it makes more sense that CalRecycle be regulated under the California Environmental Protection Agency. This proposal is part of the Governor's Reorganization Proposal currently pending before the Little Hoover Commission.

While staff supports efforts to streamline government and reduce state costs, the elimination of the all-volunteer, unpaid California Advisory Committee on Salmon and Steelhead Trout (CAC) is concerning. The CAC, established by Senate Joint Resolution 19 in 1983, is an advisory body to the Legislative Joint Committee on Fisheries and Aquaculture and the Department of Fish and Game Director. Since its inception, the CAC has contributed substantially to the protection of California's fisheries.

The intent of the CAC was to create a single advisory committee to increase efficiencies of time, effort and cost so that the department and the Legislature could consult with one entity, which represents a variety of stakeholders as opposed to numerous individuals and organizations. There is no substantial cost savings associated with the elimination of the committee given that members serve on a volunteer basis, and are only reimbursed for travel.

The Governor's also proposes to eliminate the State Geology and Mining Board by transferring functions to the appropriate division in the Department of Conservation. The Department will develop a hearing process for appeals and occasionally, such as for an Order to Comply (OTC) hearing, a case may need to be heard by an Administrative Law Judge. This is a rare occurrence as most cases are resolved at the Department level. During 2010, one OTC was appealed to the Board, which was upheld in favor of the Department. During 2008-2009, 13 administrative penalties to individual surface mine operators were issued. Only one operator appealed the penalty to the Board, which was also upheld in favor of the Department. The Department anticipates more timely resolution to compliance issues since hearings could be scheduled as needed rather than dependent upon regularly scheduled Board meetings. Expedient resolution of these issues to ensure compliance provides protection of the State's resources and ensures a level playing field for mining operations that are in compliance with the law. In addition, savings would be achieved for mine operators, local

government representatives, and State representatives by not having to prepare for and attend two separate hearings, one at the local level and another at the state level.

Previous proposals to eliminate the Board have been unsuccessful mainly because of concerns that elimination would deny a public process for enforcement actions. This assertion is not accurate since a public hearing is available at the local level before a Board of Supervisors, City Council, or Planning Commission. California is the only state to not have direct permitting authority over surface mining operations. Local lead agencies have direct authority with the Department of Conservation's (Department) Office of Mine Reclamation providing oversight and guidance to the lead agencies. There have been previous attempts and recommendations to eliminate the Board. In a 2009-10 Legislative Analyst Office (LAO) report, the LAO questioned whether a "state board structure is the most appropriate and cost-effective way to oversee mining and geology within the state."

With regard to the elimination of the Commercial Salmon Review Board, the Administration has not provided staff with adequate information to properly evaluate this request.

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**Staff Recommendation:** Reject Trailer Bill Language to eliminate CAC. Approve TBL to eliminate State Mining and Geology Board. Hold Open elimination of the Commercial Salmon Review Board and direct the Administration to return with additional information supporting this request.

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**ISSUE 2: TRIGGER CUTS**

The Governor's Budget contains a number of trigger cuts in the Resources area, if the Governor's tax proposal is not approved by voters in November. Of particular note are the triggers cuts to the Department of Forestry and Fire Protection (CAL FIRE), Department of Parks and Recreation (DPR) and the Department of Fish and Game (DFG).

**STAFF COMMENT**

CalFIRE's trigger cuts would reduce by 11 percent (General Fund Wildland Firefighting Budget), or approximately \$60 million, the Department's firefighting capabilities, including emergency air response program reductions and fire station closures. Over the next several months, CAL FIRE will be working to identify specific resources that will be impacted by a \$60 million cut. The Department anticipates the impact to ground and air resources to be significant and will result in increases in E-fund costs.

The Governor's Budget also proposes trigger cuts to reduce 20 percent of game wardens and park rangers and eliminate all seasonal lifeguards. The elimination of seasonal lifeguards would essentially remove all the lifeguards from state beaches. The cuts to DPR, which would result in a reduction of 124 park rangers and 12 permanent peace officer positions, are expected to result in a savings of approximately \$2 million in the FY 2012-13 budget and \$8.7 million when fully implemented. These reductions at DPR would reduce public safety in state parks but the operational duties of rangers would be carried out by non-badged replacement staff. The cut to DFG is expected to result in savings of approximately \$5 million.

The Legislature may want to ensure that the Governor's proposed trigger cuts be applied giving departments the maximum flexibility over how cuts are implemented. Departments should have the ability to conduct a broad assessment of programmatic needs and administer cuts accordingly, rather than prescribing cuts on a program by program basis. Giving the departments this flexibility will help maximize continued support for California's most critical public trust resources protection programs.

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**Staff Recommendation: Hold Open Pending May Revision**

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**ISSUE 3: TIMBER HARVEST PLAN REVIEW – INFORMATIONAL ITEM ONLY**

The Governor’s January Budget references a request to work with the Legislature to craft a more comprehensive Timber Harvest Plan Review process in statute.

**STAFF COMMENT**

Previous Administrations have reduced budgets for activities that support healthy fisheries, including Timber Harvest Plan review. This includes the complete removal of permitting review and appropriate environmental review staff for Timber Harvest Plans at the Department for the Central Sierra Nevada.

It is important to provide adequate review of Timber Harvest Plans throughout the state, not just in selected watersheds. The Committee should ask the Secretary for an update on the progress of discussions in legislative working groups and with the Administration directly on increasing funding for timber harvest review and reforming the process.

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**Staff Recommendation:** Informational Item

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**3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION**

The California Department of Forestry and Fire Protection (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. The state contracts with local entities in six areas to provide fire protection and prevention services.

The Governor's total budget includes \$1.173 billion (including infrastructure expenditures) for the Department. The Department's proposed program budget is \$1.075 billion, which represents an overall decrease of \$11.3 million and 40.8 personnel years from the 2011-12 budget. Decreases in funding are largely the result of lower starting numbers for the Emergency Fire Suppression Fund (E-Fund).

<b>Fund Source</b>	<b>2010-11 Actual</b>	<b>2011-12 Projected</b>	<b>2012-13 Proposed</b>	<b>BY to CY Change</b>	<b>% Change</b>
<b>General Fund</b>	\$633,001	\$700,272	\$653,052	(\$47,220)	(7%)
<b>State Responsibility Area Fire Prevention Fee</b>	-	50,000	76,303	26,303	53%
<b>Reimbursements</b>	284,130	289,804	293,404	3,600	1%
<b>Other</b>	36,554	46,517	52,502	5,985	13%
<b>Total Expenditure</b>	<b>\$983,695</b>	<b>\$1,086,593</b>	<b>\$1,075,261</b>	<b>(\$11,332)</b>	<b>(1%)</b>
<b>Positions</b>	6,567	6,013	5,973	(40)	(1%)

**ISSUE 1: STATE RESPONSIBILITY AREA FIRE PREVENTION FEE**

The budget proposes \$9.3 million in 2012-13 and ongoing funding of \$6.1 million, and 29 positions to implement AB 29 X1 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 (BOE), charged with collection of the fee, is requesting 56 positions and \$6 million in order to establish the fee base and collection program.

The Governor 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.

**STAFF COMMENT**

The State Board of Forestry and Fire Protection (BOF), as required by AB 29 X1, 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 BOE a list of the appropriate names and addresses of those required to pay the fee. The proposal is consistent with statements made by CalFIRE when the fee legislation passed in 2011.

According to CalFIRE, it has identified 800,000 habitable structures within the SRA. This list has been transmitted to BOE and billing is anticipated to commence August 7, 2012. The Department estimates that because 95 percent of applicable structures located within the SRA are within a local fire protection district, most payers will receive the \$35 credit.

The Governor's Budget relies on \$84.4 million in General Fund revenue from the new SRA fee. This estimate was based on an early estimate of 728,000 habitable structures. The higher number of habitable structures translates into approximately \$4.5 million in additional Special Fund revenue. The Subcommittee may wish to ask Finance what it plans to do with the additional revenue.

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**Staff Recommendation: 1) Approve as Budgeted; 2) Approve TBL**

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**3790 DEPARTMENT OF PARKS AND RECREATION**

The mission of the Department of Parks and Recreation (DPR) is to provide for the health, inspiration, and education of the people of California by helping to preserve the State's extraordinary biological diversity, protecting its most valued natural, cultural and historical resources, and creating opportunities for high-quality outdoor recreation for current and future generations to enjoy. Currently, the state park system contains 278 parks and serves over 70 million visitors a year.

The Governor's total budget proposes \$517.8 million (including infrastructure expenditures and local assistance grants) for the Department. The Department's proposed program budget is \$432 million, which represents an overall decrease of \$745,933 million and 18.2 personnel years from the 2011-12 Budget. Decreases in funding are largely the result of previously mentioned General Fund reductions (\$11 million), cuts to the operating budget of Off-Highway Motor Vehicle Division (\$10 million), and significant reductions in bond expenditures (\$654,851 million).

<b>Fund Source</b>	<b>2010-11 Actual</b>	<b>2011-12 Projected</b>	<b>2012-13 Proposed</b>	<b>BY to CY Change</b>	<b>% Change</b>
<b>General Fund</b>	\$117,458	\$121,8311	\$112,015	(\$9,816)	(8%)
<b>Off-Highway Vehicle Trust Fund</b>	77,534	113,912	75,233	(38,679)	(34%)
<b>State Parks &amp; Recreation Fund</b>	114,339	139,316	132,286	(7,030)	(5%)
<b>Bond Funds</b>	157,824	679,762	24,911	(654,851)	(96%)
<b>Other</b>	61,198	123,580	88,023	(35,557)	(29%)
<b>Total Expenditure</b>	<b>\$528,353</b>	<b>\$1,178,401</b>	<b>\$432,468</b>	<b>(\$745,933)</b>	<b>(63%)</b>
<b>Positions</b>	3,653	3,865	3,851	(14)	0%

**ISSUE 1: STRATEGIES TO MAINTAIN CALIFORNIA'S PARK SYSTEM – LAO PRESENTATION**

The Legislative Analyst's Office (LAO) released a report in March to address Legislature and stakeholders interest in identifying alternative ways to prevent park closures and help ensure that the park system is adequately maintained and operated in the future. The report evaluates various options that could be adopted to reduce costs or increase revenue for the state park system and recommends specific steps to help maintain the park system during these difficult fiscal times. Specifically, the LAO report recommends:

- Transferring the ownership of some state parks to local government;
- Eliminating the use of peace officers for certain park tasks;
- Allowing private companies to operate some state parks;
- Increasing park user fees and shifting towards entrance fees, rather than parking fees;
- Incentivizing park districts to more effectively collect park user fees; and,
- Expanding the use of concessionaire agreements.

**STAFF COMMENT**

LAO will present a brief overview of its findings and discuss its recommendations for maintaining and operating state parks.

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**Staff Recommendation:** Informational Item

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**ISSUE 2: STATE PARK CLOSURE UPDATE – INFORMATIONAL ONLY**

The Legislature approved two major General Fund reductions to the DPR 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. Shortly after the list of closures was released, the department produced its estimates of operating costs 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 closing an individual park may save.

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. According to the Department, to date, 15 parks have been removed from the closure list, including: 3 operating agreements with local government, 1 operating agreement with a non-profit, 3 parks kept open under agreements with the National Parks Service, 5 donor agreements, 1 concession (with a non-profit entity) and 2 other kinds agreements with local governments.

The Department is in discussion with various entities about another 20 parks on the closure list. The Committee may wish to ask the Department:

- 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 updated cost estimates on park closures (e.g., cost of packing up artifacts and shipping them to DPR's central administration for storage)?
- Are there instances where the Department has determined that a proposed closure would cost more than it would save?
- Can the Department comment on LAO's assertion that "charging an eighth of the people who currently visit day-use parks for free an entrance fee would increase revenues by the low tens of millions of dollars annually"?

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**Staff Recommendation:** Informational Item

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**ISSUE 3: REVENUE ENHANCING PROPOSAL**

The Governor's Budget requests a \$15.3 million (State Parks and Recreation Fund [SPRF]) continuous appropriation to incentivize efforts to generate additional revenue at state parks. According to the Administration, this proposal addresses the Department's ever-increasing dependence on revenue from fees and other self-generated sources due to the General Fund reductions the Department has faced over the past 30+ years.

The Administration argues that the proposed appropriation will create incentives for self-generated revenue, which were not needed in the past. The Department intends to use the additional revenue to pay the otherwise unfunded costs of operating parks and protecting resources for future generations.

**STAFF COMMENT**

The Administration argues that this proposal would incentivize districts to implement new projects that could increase the number of paying visitors. The DPR asserts that the annual budget process for the allocation of park revenues decreases its ability to achieve greater park revenue, because it is delayed in providing funding for the implementation of new projects. Under the Governor's proposal, DPR would have the authority to spend up to \$15.3 million of newly generated revenue in the year it is generated, instead of waiting for the Legislature to appropriate the funds the following year.

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.

Given that the Legislature has reduced the Department's General Fund support appropriation by nearly 23 percent since fiscal year 2008-09, the Committee should consider providing the Department the tools it needs to become more self-sustaining.

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**Staff Recommendation:** Approve as Budgeted

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**ISSUE 4: EMPIRE MINE STATE PARK**

**Governor’s 2011-12 Budget.** The Governor requests \$4.6 million (General Fund) 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.

**STAFF COMMENT**

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 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
<b>Total (all funds)</b>						\$31,260

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.

**Staff Recommendation: Approve as Budgeted**

**3600 DEPARTMENT OF FISH AND GAME**

The mission of the Department of Fish and Game (DFG) is to manage California's diverse fish, wildlife, and plant resources, and the habitats upon which they depend, for their ecological values and for their use and enjoyment by the public. This includes habitat protection and maintenance in a sufficient amount and quality to ensure the survival of all species and natural communities. The Department is also responsible for the diversified use of fish and wildlife including recreational, commercial, scientific, and educational uses. The Budget includes \$390.9 million and 2,466 positions for the Department, which represents an overall decrease of \$113 million from the 2011-12 budget. Decreases in funding are largely due to reductions in bond expenditures (\$89 million).

<b>Fund Source</b>	<b>2010-11 Actual</b>	<b>2011-12 Projected</b>	<b>2012-13 Proposed</b>	<b>BY to CY Change</b>	<b>% Change</b>
<b>General Fund</b>	\$60,217	\$61,139	\$62,141	\$1,002	2%
<b>Federal Funds</b>	60,467	70,378	78,461	8,083	11%
<b>Fish and Game Preservation Fund</b>	84,249	122,884	109,096	(13,788)	(11%)
<b>Bond Funds</b>	21,855	99,690	10,143	(89,547)	(87%)
<b>Other</b>	91,302	150,028	131,044	(18,984)	(13%)
<b>Total Expenditure</b>	<b>\$318,090</b>	<b>\$504,119</b>	<b>\$390,885</b>	<b>(\$113,234)</b>	<b>(22%)</b>
<b>Positions</b>	2,328	2,451	2,466	15	1%

**ISSUE 1: OIL SPILL PREVENTION AND RESPONSE**

The Governor proposes the addition of 16 permanent positions in 2012-13 and funding of \$2.9 million in the budget year (\$2.0 million ongoing) from the Oil Spill Prevention and Administrative Fund (OSPAF). These positions are requested to implement AB 1112 (Huffman), Chapter 583, Statutes of 2011, that establishes a three-year risk-based monitoring program for inspecting vessels that are loading and unloading fuel in California waters. Currently the main source of revenue for OSPAFA is a fee levied on each barrel of oil delivered through marine terminals or through pipelines that are operated through marine waters of the state. Chapter 583 increased the per-barrel fee from \$0.05 to \$0.065 to implement this program.

**LAO Analysis:** Both the fee increase and the requirement to conduct risk-based monitoring of fuel transfers expire on January 1, 2015, unless extended by statute prior to that date. At that time, there will no longer be a need for the positions to administer the program and the funding source for these positions will no longer exist. The LAO recommends the Legislature approve the positions on a three-year limited-term basis in order to align position authority with the statute's expiration.

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**Staff Recommendation:** Conform with the Senate Action and LAO's recommendation to approve budget proposal with 3-year limited-term positions.

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**ISSUE 2: AB 13 X1: RENEWABLE ENERGY PROJECTS PERMITTING**

The Governor requests authority to establish four positions to complete land transaction for advanced mitigation in support of renewable energy development in the Interim Mitigation Strategy (IMS) program associated with the Desert Conservation Renewable Energy Program. A change in statute expanded the types of mitigation allowable in this program to include not only solar but also wind and geothermal projects as well. This will increase the number of projects participating in the IMS as will the number of new renewable projects. Funding is provided through (1) an appropriation from the non-dedicated Fish and Game preservation fund and (2) fees paid by project applicants.

**STAFF COMMENT**

Staff has no concerns with the proposal itself but have questions about ongoing funding from the non-dedicated Fish and Game Preservation Fund (FGPF) for this program. Non-dedicated FGPF can be used for multiple statutory priorities at the department of which the Desert Conservation Renewable Energy Program is one. One of the goals of the Governor's proposed Cap and Trade auction revenues is to assist with the development of renewable energy projects. It would seem prudent to approve the proposal as budgeted, and to request the Department return next year with a plan to redirect FGPF to other priorities while backfilling any renewable energy activities with Cap and Trade auction revenue funding.

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**Staff Recommendation:** 1) Approve as Budgeted. 2) Adopt Senate action to approve budget bill language requiring the Department on or before January 10, 2012, to present the Legislature with a plan to redirect FGPF to other priorities while backfilling any renewable energy activities with Cap and Trade Funding.

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**ISSUE 3: OCEAN DATA PROJECTS-STATEWIDE CONFORMITY****STAFF COMMENT**

The Department of Fish and Game (DFG) has developed the Biogeographic Information and Observation System (BIOS) with baseline budget authority. BIOS serves terrestrial biological data to DFG scientists and analysts, other resource managers, and research institutions. Within its existing budget authority, DFG is updating and expanding BIOS to host data gathered for the Marine Life Protection Act (MLPA) initiative and its other marine resource management activities to create "Marine BIOS" data portal.

The Ocean Protection Council (OPC), located in the State Coastal Conservancy, proposes to develop and operate an inter-agency "geoportal" that provides easy, internet based access to California's coastal and ocean geospatial data in particular for data related to the MLPA.

In discussions between state agencies, DFG has suggested that the Ocean Protection Council scale back or abandon its proposal and invest in the DFG Marine BIOS system. In return, OPC has suggested that the project would not be comprehensive enough for the breadth of data and information OPC is proposing to develop.

**Staff Comments.** Having reviewed the respective proposals there is merit to both sides of the issue. It is clear the OPC data portal will be more extensive and broad. However, there is a clear duplication of effort here that should be addressed. First and foremost, developing data systems or Geographic Information Systems that compete with other state agency projects is not in the best interest of the state.

The Senate Budget Subcommittee 2 adopted the following trailer bill language:

The Ocean Protection Council shall enter into a memorandum of understanding with and between the relevant departments, boards, commissions, and conservancies within the California Natural Resources Agency; the State Water Resources Control Board; and the California Technology Agency for the purposes of establishing a single web-based, publicly accessible portal for viewing, exchanging, and disseminating scientific and geospatial information about California's ocean and coast. The memorandum shall focus on coordinating the efforts of state agencies, but may provide for the participation of non-state entities including federal agencies, institutions of higher education, and non-governmental organizations with relevant expertise. The memorandum shall not adversely affect any California entity's authority to conduct independent data management activities or to develop data viewing or exchange tools for specialized applications or internal use.

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**Staff Recommendation: Conform with Senate Action to Approve TBL**

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**3900 CALIFORNIA AIR RESOURCES BOARD**

The Air Resources Board (CARB) has primary responsibility for protecting air quality in California, as well as implementation of the California Global Warming Solutions Act of 2006 (AB 32). This responsibility includes establishing ambient air quality standards for specific pollutants, administering air pollution research studies, evaluating standards adopted by the U.S. Environmental Protection Agency and developing and implementing plans to attain and maintain these standards. These plans include emission limitations for vehicular and industrial sources established by the Board and local air pollution control districts. The Governor's Budget proposes \$555 million and 1,223 positions for support of the Board.

While the proposed budget shows no big changes from last year, it does not include expected increase in expenditures due to anticipated Cap and Trade auction revenues. While it appears as though bond expenditures are up, the increase is merely a rolling forward of unexpended bond funds from previous years.

<b>Fund Source</b>	<b>2010-11 Actual</b>	<b>2011-12 Projected</b>	<b>2012-13 Proposed</b>	<b>BY to CY Change</b>	<b>% Change</b>
<b>General Fund</b>	\$0	\$0	\$0	0	0%
<b>Motor Vehicle Account, State Transportation Fund</b>	111,172	115,137	117,414	2,277	2%
<b>Air Pollution Control Fund</b>	144,577	164,224	167,210	2,986	2%
<b>Bond Funds</b>	3,251	104,070	178,295	74,225	71%
<b>Other</b>	65,063	82,324	92,163	9,839	12%
<b>Total Expenditure</b>	<b>324,063</b>	<b>465,755</b>	<b>555,082</b>	<b>89,327</b>	<b>19%</b>
<b>Positions</b>	1,342.20	1,223.00	1,223.00	0	0%

**ISSUE 1: PROJECT-LEVEL GHG ASSESSMENT PROGRAM**

The Governor's Budget requests 4 limited-term positions and \$643,000 (Air Pollution Control Fund) to meet increased workload from two new state requirements: AB 900 (Buchanan) and SB 292 (Padilla), Statutes of 2011. These statutes direct the CARB to evaluate greenhouse gas (GHG) emissions impact of certain development projects to help determine eligibility for a streamlined judicial review process of CEQA challenges.

CARB does not currently review project-level emissions analyses and does not have the resources to assess GHG emissions impacts of individual developments at this time.

**STAFF COMMENTS**

A review of the Legislative bill analyses of AB 900 and SB 292 raises some questions regarding CARB's anticipated workload. Neither analysis identified costs to CARB, other than "unknown but likely absorbable costs," and the only reference in either bill to potential work involving CARB is contained in AB 900, which states:

21183. The Governor may certify a leadership project for streamlining pursuant to this chapter if all the following conditions are met (c) The project does not result in any net additional emission of greenhouse gases, including greenhouse gas emissions from employee transportation, as determined by the State Air Resources Board pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

AB 900 is very limited in scope and duration (sunsets in 2015). The number of projects is unknown, but likely small. Only one project has filed for AB 900 certification thus far and CARB's GHG determination is already complete. For that determination, it appears that CARB relied on existing analytical methods and the report supplied by the applicant. It might be more prudent to wait to see if more projects materialize before determining what CARB's actual workload might be.

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**Staff Recommendation: Reject Governor's proposal**

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**ISSUE 2: INCREASE REIMBURSEMENT AUTHORITY**

The Governor's Budget proposes an increase of \$10.8 million (Reimbursements) to allow additional joint agency partnership agreements to meet consumer demand for clean vehicle incentives. AB 118 (Statutes of 2007) created 3 new incentive programs to reduce air pollution and GHG emissions: Air Quality Improvement Program; Alternative and Renewable Fuel and Vehicle Technology Program; and Enhanced Fleet Modernization Program. This proposal would provide CARB, the Energy Commission, and the Bureau of Automotive Repair (BAR) the flexibility to implement their respective AB 118 incentive programs in the most efficient manner by enabling pooling of resources. CARB states that it could foresee administering up to \$8 million in Energy Commission funding annually and up to \$2.8 million BAR funding. This is a no cost request.

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**Staff Recommendation: Approve as Budgeted**

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**ISSUE 3: CAP-AND-TRADE UPDATE**

The Subcommittee held a hearing in February on the Governor's request for expenditure authority of up to \$1 billion in Air Pollution Control Fund for programs to reduce GHG emissions pursuant to the Global Warming Solutions Act of 2006 (see February 29, 2012, Cap and Trade Agenda for additional background). The Budget assumes that \$500 million of the \$1 billion will be used to offset existing General Fund costs of GHG mitigation activities.

Mary Nichols, Chairman of the Air Resources Board, will provide the Committee with an update on the Cap and Trade auction and be available to answer questions.

**PREVIOUS STAFF COMMENTS**

Without a detailed expenditure plan, approving a \$1 billion expenditure authorization would forgo the Legislature's right to appropriate revenues based on Legislative priorities. The Administration current proposal would submit a specific expenditure plan to the Legislature after the budget is enacted and allow a 30 day review period. This approach lacks transparency. Not only would it limit the Legislature's opportunity to make changes to the plan, it would deny the public the opportunity to review and provide comment.

Given that the first Cap and Trade auction has been pushed back to November, LAO's recommendation to hold off making any decisions about program expansions until the 2013-14 budget process, for the portion of auction revenues not dedicated to General Fund offsets, makes sense. This would give the Legislature a greater certainty about available revenues and would provide the Legislature and the Administration time after the first cap-and-trade auction to develop a detailed expenditure plan. It would also ensure a transparent process that incorporates Legislative priorities and allows the public the opportunity to review and provide comment.

**Staff Recommendation:**

1. REJECT Control Section 15.11, which allows the Administration to expend up to \$1 billion from auction allowance proceeds with no fewer than 30-day notification to the Legislature.
2. APPROVE language in concept (\$1 billion, Air Pollution Control Fund):
  - Authorize spending of Cap and Trade revenues for purposes of AB 32 GHG emissions reduction activities to achieve at least \$500 million in General Fund savings.
  - Stipulate that any additional expenditure related to GHG emissions reductions be made pursuant to future legislation.