

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MARCH 20, 2013
9:00 A.M. - STATE CAPITOL ROOM 447

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VOTE-ONLY**0540 SECRETARY OF NATURAL RESOURCES AGENCY**

VOTE-ONLY ISSUE 1: RIVER PARKWAYS – PROPOSITION 50

The Governor's Budget proposes to extend Proposition (Prop) 50 funding for three River Parkways Program positions until June 30, 2017 in order to work on newly awarded projects and complete ongoing projects. The Natural Resources Agency is currently providing statewide oversight and administering grant programs for Prop 50 and several other bond measures.

VOTE-ONLY ISSUE 2: IT CONSOLIDATION - CERES

The Governor's Budget proposes to continue IT consolidation throughout the Agency by transferring the California Resources Evaluation System (CERES) from the Resources Agency to the Department of Water Resources Division of Technology Services. There are no costs associated with this proposal.

STAFF COMMENT

Staff has no concerns with these proposals.

Staff Recommendation: Approve as Budgeted Issues 1 & 2

3760 STATE COASTAL CONSERVANCY**VOTE-ONLY ISSUE 3: PUBLIC ACCESS PROGRAM (CAPITAL OUTLAY)**

The Governor's Budget proposes to appropriate \$958,000 to the Coastal Conservancy (\$500,000 from the Coastal Access Account and \$458,000 from the California Beach and Coastal Enhancement Account) to continue implementation of the Conservancy's Public Access, Education and related programs. These funds are dedicated annually to develop, operate, and maintain public access-ways and to provide education related to coastal resources projects. These funds would be allocated as grants.

VOTE-ONLY ISSUE 4: REAPPROPRIATION: COASTAL CONSERVANCY PROGRAMS REIMBURSEMENTS (CAPITAL OUTLAY)

The Governor's Budget proposes to reappropriate unencumbered balances from the Coastal Conservancy's Fiscal Year 2010/2011 capital outlay appropriation from Prop. 84 (Safe Drinking Water, Water Quality & Supply, Flood Control, River & Coastal Protection Fund of 2006). This will ensure that funds will continue to be spent by the Conservancy on a range of projects within its programmatic authority and consistent with the purposes of the original appropriation.

In addition to the unencumbered funds from previous Prop. 84 appropriations, approximately \$3.5 million is encumbered in grants for which the Conservancy is due to receive reimbursements. This proposal is necessary to enable the Conservancy to receive these expected reimbursements.

VOTE-ONLY ISSUE 5: COASTAL RESOURCE ENHANCEMENT AND DEVELOPMENT (CAPITAL OUTLAY)

The Governor's Budget proposes to appropriate \$16,155,000 from Prop. 84 for purposes of capital outlay and local assistance. The requested appropriation would be from funds allocated to the Conservancy in Prop 84 for purposes of Coastal Conservancy Programs and the San Francisco Bay Area Conservancy Program to restore.

VOTE-ONLY ISSUE 6: REALIGN BASELINE SUPPORT FUNDING

The Governor's Budget requests to align funding with programs with a net-zero budget impact as part of a planned redesign of baseline allocations for the Conservancy due to expiring funding sources. This is a part of a Legislative and Administration effort to develop a long-term funding plan for the Conservancy.

VOTE-ONLY ISSUE 7: REAPPROPRIATION: VARIOUS BOND FUNDS AND REIMBURSEMENTS

The Governor's Budget requests reappropriation and reimbursement authority for Proposition 84 and 40 bond funds scheduled to expire on June 30, 2013. These were largely delayed due to the previous bond freeze. Future reappropriations are not expected to be needed.

STAFF COMMENT

Staff has no concerns with these proposals.

Staff Recommendation: Approve as Budgeted Issues 3-7

3125 CALIFORNIA TAHOE CONSERVANCY

VOTE-ONLY ISSUE 8: IMPLEMENTATION OF ENVIRONMENTAL IMPROVEMENT PROGRAM FOR THE LAKE TAHOE BASIN

Consistent with previous planning efforts, the Governor's Budget requests \$1 million (special funds and bond funds) for capital outlay related to the EIP and its strategic plan. This allows the Conservancy the ability to move forward with site rehabilitation and directed acquisition related to restoration of the lake.

STAFF COMMENT

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted

3340 CALIFORNIA CONSERVATION CORPS

VOTE-ONLY ISSUE 9: DATA COLLECTION AND REPORTING SYSTEM REPLACEMENT

The Governor's Budget requests to convert 2.0 limited-term positions to permanent for the Automated Data Collection and Reporting System. These positions were identified as appropriate for permanent during the workforce cap true-up conducted by the Department of Finance in 2012. Funding would also be redirected from Operating Expenses and Equipment (OE&E) used to pay outside contractors to oversee the development of this legacy system.

VOTE-ONLY ISSUE 10: REAPPROPRIATION: PROPOSITION 84 PROGRAM DELIVERY FUNDING

The Governor's Budget requests reappropriation of \$746,242 for continuation of projects delayed by the bond freeze in 2008-09. The California Conservation Corps anticipates expenditure of these funds in a normal encumbrance period and is not requesting extension of liquidation.

STAFF COMMENT

Staff has no concerns with these proposals.

Staff Recommendation: Approve as Budgeted Issues 9 & 10

3480 DEPARTMENT OF CONSERVATION

VOTE-ONLY ISSUE 11: REAPPROPRIATION: WATERSHED COORDINATORS

The Governor's Budget requests to re-appropriate \$109,000 in unencumbered Proposition 84 bond funds to finalize the implementation of the Watershed element of the CALFED Bay-Delta Program through the department's Statewide Watershed Program.

STAFF COMMENT

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted

3790 DEPARTMENT OF PARKS AND RECREATION

VOTE-ONLY ISSUE 12: LOCAL ASSISTANCE PROGRAM: VARIOUS GRANTS

The Governor's Budget requests \$28 million from special and federal funds for annual grants to various state, local and private entities. These include grants from the Off-Highway Vehicle Trust Fund, National Historic Preservation Fund and federal funds. Funding is consistent with previous grant years.

VOTE-ONLY ISSUE 13: LOCAL ASSISTANCE REVERSION LANGUAGE

The Governor's Budget requests to revert \$8.8 million in the Habitat Conservation Fund after completion of various projects left a balance of unallocated funds. This ensures accurate fund balance reporting in this account.

VOTE-ONLY ISSUE 14: CONCESSION PROGRAM

The Governor's Budget requests approval to solicit new concessions or extend concessions for the following: Parks E-Store, Crystal Cove State Park, Folsom Lake State Recreation Area, Morrow Bay State Park, Old Sacramento State Historic Park, and Old Town San Diego State Historic Park.

VOTE-ONLY ISSUE 15: PUBLIC SMALL CRAFT HARBOR LOANS

The Governor's Budget requests \$7.9 million (Harbors and Watercraft Revolving Fund [HWRF]) in local assistance for the following projects: Santa Barbara Marina, Statewide Emergency Loans, and Statewide planning loans. This is consistent with previous allocations.

VOTE-ONLY ISSUE 16: PUBLIC BOAT LAUNCHING FACILITY GRANTS

The Governor's Budget requests \$8.8 million (HWRF) to continue a grant program for the following public facilities: Berenda Reservoir, Contra Loma Lake, Lodi Lake, Lake McClure, Noyo Inner Harbor, Red Bluff Front Park, Rio Vista, and statewide ramp repair, restrooms, launch facilities and signage.

VOTE-ONLY ISSUE 17: PRIVATELY OWNED RECREATION MARINA LOANS

The Governor's Budget requests \$2.7 million (HWRF) for construction loans for private marinas statewide.

VOTE-ONLY ISSUE 18: BOATING AND PARKS MERGER (SUPPORT & LOCAL ASSISTANCE)

The Governor's Budget implements the legislative actions of 2012 to merge Boating and Waterways into the department as a separate division. This is in accordance with the approved Governor's Reorganization Plan #2. The resulting augmentation to the department is an increase of \$41 million. The reorganization results in the reduction of seven positions.

VOTE-ONLY ISSUE 19: AB 2443 (QUAGGA AND ZEBRA MUSSELS)

The Governor's Budget proposes \$235,000 (Harbors and Watercraft Fund [HWRFF]) in annual baseline funding in order to implement AB 2443 (Williams), Chapter 485, Statutes of 2012, which requires the Department to convene a technical advisory committee of stakeholders to determine the amount of a vessel registration fee increase to fund a new local assistance program.

VOTE-ONLY ISSUE 20: CAPITAL OUTLAY—ANGEL ISLAND IMMIGRATION STATION HOSPITAL REHABILITATION

The Governor's Budget requests \$4.7 million in bond funds (Proposition 84) to partially rehabilitate the Immigration Station Hospital at Angel Island State Park, an important cultural resource in the state and Nation. Built in 1908, the Hospital Building has a high level of historical importance due to the role it played in the immigrant experience, the rarity of having an intact hospital of this age, and the fact that some detainee writings survive on the walls of the Hospital. This project will arrest the decay and structurally reinforce the building.

VOTE-ONLY ISSUE 21: CAPITAL OUTLAY—LOS ANGELES STATE HISTORIC PARK

The Governor's Budget requests \$20.8 million in bond funds (Proposition 84) for Phase I of the development of Los Angeles State Historic Park. Phase I would provide for planning for full 32-acres park build-out, detail design, and construction, including basic park infrastructure and visitor use and interpretive facilities in an underserved, densely populated urban area. According to the Administration, this project provides a prime opportunity to achieve increases in mission-related revenue generation. The Department states that the project will result in annual revenues of approximately \$1.1 million, based upon venue rental for special events and possible concessionaire revenue.

VOTE-ONLY ISSUE 22: AMERICANS WITH DISABILITIES ACT (ADA) PROGRAM: REDISTRIBUTED PROPOSITION 12 STATEWIDE BOND COSTS AND PROPOSITION 84

The Governor's Budget proposes an increase of \$3.7 million from Proposition 12 and Proposition 84 funds to fund additional projects to meet the requirements of the federal consent decree resulting from Tucker v. California Department of Parks and Recreation. The decree requires Parks to remove physical and programmatic barriers to provide equal access to people with disabilities in accordance with the ADA. According to the department, over \$110 million is required to be spent on this over the next 10 years. The state must fund this proposal or face legal action.

STAFF COMMENT

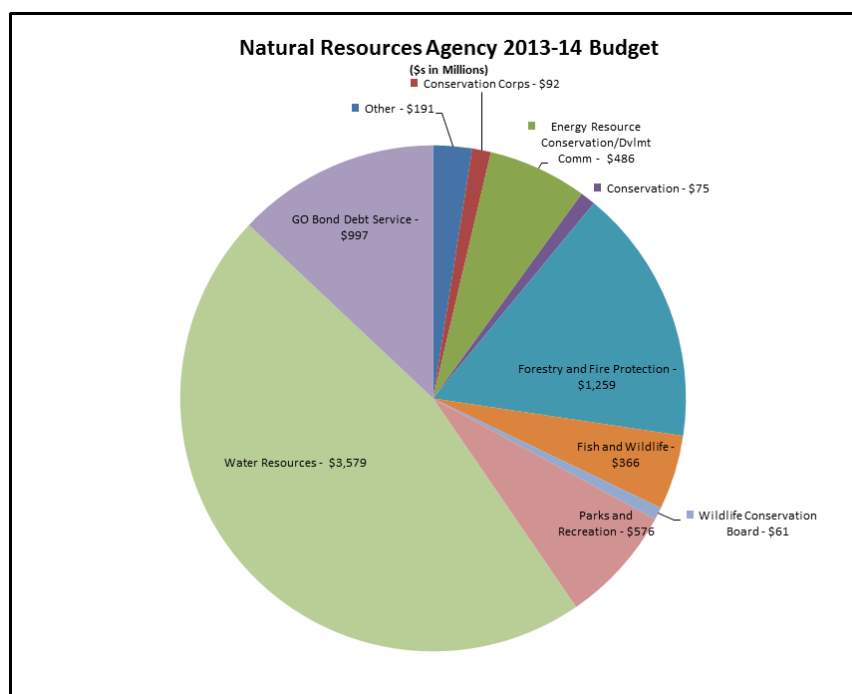
Staff has no concerns with proposals contained in Issues 12-22.

Staff Recommendation: Approve as Budgeted Issues 12-22

ITEMS TO BE HEARD

0540 SECRETARY OF NATURAL RESOURCES AGENCY

The mission of the Resources Agency is to restore, protect, and manage the State's natural, historical, and cultural resources for current and future generations using creative approaches and solutions based on science, collaboration, and respect for all involved communities. The Secretary for Resources, a member of the Governor's Cabinet, sets the policies and coordinates the environmental preservation and restoration activities of 26 various departments, boards, commissions, and conservancies.



The Governor's Budget proposes \$7.7 billion (\$2.1 billion General Fund) and 19,125 positions in total spending for the various entities within the Resources Agency. Total proposed state expenditures equal \$4.4 billion. This represents approximately 3.1 percent of the state budget.

Total spending proposed for most resources programs are generally down in 2013–14 resulting from a reduction in bond fund expenditures. For example, the budget proposes a reduction of \$233 million, or 74 percent, in bond spending for the Department of Parks and Recreation (DPR).

INFORMATIONAL: SECRETARY LAIRD – OVERVIEW OF NATURAL RESOURCES BUDGETS

Major Resources Budget Summary—Selected Funding Sources
(Dollars in Millions)

Department	Actual 2011–12	Estimated 2012–13	Proposed 2013–14	Change From 2012–13	
				Amount	Percent
Water Resources					
General Fund	\$89.6	\$98.6	\$97.4	-\$1.2	-1.2%
State Water Project funds	1,074.0	1,231.9	1,295.9	64.0	5.2
Bond funds	623.7	1,973.3	1,072.3	-901.0	-45.7
Electric Power Fund	5,177.5	1,007.4	973.9	-33.5	-3.3
Other funds	89.7	148.0	139.2	-8.8	-6.0
Totals	\$7,054.6	\$4,459.2	\$3,578.7	-\$880.5	-19.7%
Forestry and Fire Protection (CalFire)					
General Fund	\$651.0	\$772.3	\$678.7	-\$93.6	-12.1%
Other funds	383.5	468.6	580.3	111.7	23.8
Totals	\$1,034.5	\$1,240.9	\$1,259.0	\$18.1	1.5%
Parks and Recreation					
General Fund	\$121.2	\$110.6	\$114.6	\$4.0	3.6%
Parks and Recreation Fund	136.0	148.1	130.3	-17.9	-12.1
Bond funds	273.2	311.9	79.3	-232.6	-74.6
Other funds	146.1	267.8	252.1	-15.7	-5.8
Totals	\$676.5	\$838.5	\$576.3	-\$62.2	-31.3%
Fish and Wildlife					
General Fund	\$61.1	\$61.1	\$62.7	\$1.6	2.7%
Fish and Game Fund	97.7	113.1	110.1	-3.1	-2.7
Bond funds	28.2	99.2	20.2	-78.9	-79.6
Other funds	168.9	210.6	173.3	-37.3	-17.7
Totals	\$356.0	\$483.9	\$366.3	-\$117.6	-24.3%
Resources Secretary					
Bond funds	\$97.2	\$66.4	—	-\$66.4	—
Other funds	10.5	24.6	\$22.1	-2.5	-10.2%
Totals	\$107.7	\$91.1	\$22.1	-\$68.9	-75.7%

ISSUE 1: AB 1492 IMPLEMENTATION – FOREST RESOURCE MANAGEMENT

The Governor’s Budget for 2013–14 proposes an augmentation of \$6.6 million from the Timber Regulation and Forest Restoration Fund and 49.3 new, three–year limited term positions for THP regulation. The proposed positions and funding would be allocated across the four departments responsible for reviewing THPs, as well as to the Natural Resources Agency. The current total level of staffing across the four departments is 142 positions and the addition of proposed staff represents a 35 percent increase from current staffing levels.

Positions Proposed for Timber Harvest Plan Regulation

Agency/Department	2012–13 Positions	Proposed Increase for 2013–14	
		Positions	Funding
Department of Fish and Wildlife	8.7	35.0	\$4,306,000
CalFire	95.0	6.0	967,000
State Water Resources Control Board	26.4	4.3	620,000
Department of Conservation Natural Resources Agency	12.1 —	2.0 2.0	515,000 217,000
Totals	142.2	49.3	\$6,625,000

BACKGROUND

Under the state’s Z’Berg–Nejedly Forest Practice Act of 1973, timber harvesters must submit and comply with an approved timber harvest plan (THP). The THP describes the scope; yield, harvesting methods, and mitigation measures that the timber harvester intends to perform within a specified geographical area. The process of preparing a THP is functionally equivalent to preparing an environmental impact report (EIR). After the plan is prepared, it is reviewed and approved by the lead agency, CalFire, with assistance from the Department of Fish and Wildlife (DFW), the Department of Conservation (DOC), and SWRCB.

Prior to 2012–13, the above state regulatory activities were funded mainly from the General Fund. In addition, DFW and SWCRB also levied a few fees for various THP–related permits to support such activities. However, as a result of the state’s fiscal condition over the last ten years, General Fund support for THP–related activities was reduced. This was particularly evident at DFW, which resulted in DFW only conducting a minimal review of THPs. As a result, the Legislature adopted AB 1492 (Blumenfield), Chapter 289, Statutes of 2012, which authorized a tax on the sale of lumber products in California effective January 2013 to replace both the General Fund and fee support of THP regulatory activities. Revenues collected from this tax are deposited into the Timber Regulation and Forest Restoration Fund.

The proposed positions at DFW, SWCRB, and DOC would restore staffing for THP regulation at these departments to their 2007 staffing levels, in order to ensure that THPs receive the legally required reviews. The additional six positions requested for CalFire are intended to allow the department to complete additional reporting requirements and search for opportunities to increase efficiency, as required by Chapter 289. According to the Administration, the two positions requested for the Natural Resources Agency will coordinate activities across the above resources departments and act as the point of contact for questions and information regarding the regulation of the state's timber harvest industry.

LAO COMMENTS

LAO finds the requested positions and funding for THP regulation would help ensure that THPs receive the level of review required under existing state law, as well as meet the specific requirements of Chapter 289. Accordingly, LAO recommends that the Legislature approve the request for 49.3 positions and \$6.6 million in funding from the Timber Regulation and Forest Restoration Fund. However, LAO notes that the workload associated with the THP program is consistent and ongoing, as is the proposed funding source. Thus, it further recommends that the Legislature approve the 47.3 requested positions for DFW, SWCRB, and DOC on a permanent basis, rather than on a three-year, limited-term basis as proposed by the Governor. Permanent position authority can help the departments attract a stronger pool of candidates, especially for the more technical positions such as foresters, geologists, and environmental scientists.

STAFF COMMENTS

Staff concurs with the LAO Analysis to approve the proposal and concurs that the positions should be permanent. Staff recommends all 49.3 positions be made permanent since this is an ongoing program. This will draw a stronger pool of candidates for all positions. Staff also recommends the department prioritize staffing in the Sierra Nevada where THPs need more attention and have recently had little to no scrutiny from DFW.

Staff Recommendation: Concur with Senate recommendation to approve \$6.6 million from the Timber Regulation and Forest Restoration Fund and 49.3 new permanent positions for THP regulation and priority for Sierra Nevada staffing.

ISSUE 2: OCEAN PROGRAMS REORGANIZATION

The Governor's Budget proposes to consolidate major policy setting for ocean programs into one location. Currently there are three entities within the Agency that set major ocean policy. These are: (1) the Natural Resources Agency Ocean Resource Management Program; (2) the State Coastal Conservancy's administration of the Ocean Protection Council (OPC), and the Department of Fish and Wildlife Marine Life Protection Program (MLPA). This proposal is designed to align the staffing and resources within the Resources Agency building, effectively shifting the OPC out of its current location, the Coastal Conservancy in Oakland, to Sacramento. The proposal shifts 8 positions, \$1.3 million Environmental License Plate Fund (ELPF), and \$600,000 bond funds to the Agency. The proposal also includes trailer bill language to shift the management functions of the OPC.

BACKGROUND

The OPC was created in 2004 by the California Ocean Protection Act of 2004. The Council and staffing was placed in the State Coastal Conservancy for administrative purposes and because at the time, the main functions were allied with Conservancy grant-making and outreach activities. Ongoing funding for the Council was established in 2005-06 with a \$1.2 million ELPF appropriation. Subsequent to that, bond and federal funding has been appropriated annually in varied amounts for specific programs, including the development of marine protected areas, mapping of the ocean floor, establishing the independent Ocean Science Trust as a science advisory panel, administering grant programs (with the Coastal Conservancy) and providing leadership in fisheries issues throughout the state.

STAFF COMMENTS/QUESTION

According to the Administration, this reorganization will create clearer lines of authority, will increase the ability of the OPC to implement state policies, programs, and decision-making regarding ocean and coastal resources so that they reduce conflict, create greater certainty for the private sector and other public entities, and use government resources more efficiently. The proposed reorganization responds to the recommendation of independent evaluators who reviewed the OPC in 2009-10 and identified the inherent challenges of the existing reporting structure.

The proposal to shift the OPC to the Agency represents a fundamental change in the way the Council will proceed. Under the Coastal Conservancy, the mission of the OPC was largely to coordinate and assist in a number of complementary programs focusing on fisheries and oceans, including grant-making and scientific research. This has been very effective in accomplishing statutory and programmatic objectives of both agencies under the direction of the Secretary for Natural Resources.

Because this proposal seems to have more to it than simply funding efficiency, the Committee may wish to ask the Agency to describe the overarching benefit this proposal will have to the public.

Staff Recommendation: Approve as Budgeted

3480 DEPARTMENT OF CONSERVATION

The Department of Conservation administers programs to preserve agricultural and open space lands, promote beverage container recycling, evaluate geology and seismology, and regulate mineral, oil, and gas development activities. The Budget includes \$74.9 million and 475 positions for support of the Department.

As mentioned previously, as part of the 2012-13 Budget, the Legislature enacted AB 1492 (Committee on Budget), Chapter 289, Statutes of 2012 to improve the state's timber harvest review process through sustainable funding and administrative streamlining. Specifically, AB 1492 reformed wildfire liability damages, extended the life of timber harvest plans (THPs), and established a one percent assessment on lumber and other wood building products sold in California. The bill requires the assessment revenue be used to fund specified activities, including existing and additional THP reviews and forest restoration. The General Fund decrease in the Department's budget is almost entirely due to the shift of THP review activities to the Timber Regulation and Forest Restoration Fund. The increase reflected in the "Other" fund category is due primarily to increased expenditures for THP activities (\$1.7 million), and the budget proposal for abandoned mine remediation discussed below. Reductions in bond expenditures are due to the near depletion of available bond funds.

Fund Source	2011-12 Actual	2012-13 Projected	2013-14 Proposed	BY to CY Change	% Change
General Fund	\$4,411	\$3,625	\$2,883	(\$742)	(20%)
Oil, Gas, and Geothermal Administrative Fund	27,643	34,278	35,375	1,097	3%
Bond Funds	37,135	48,832	1,853	(46,979)	(96%)
Other	23574	29627	34801	5,174	17%
Total Expenditure	\$92,763	\$116,362	\$74,912	(\$41,450)	(36%)
Positions	394.6	473.9	475.9	2	0%

INFORMATIONAL: HYDRAULIC FRACTURING UPDATE

Hydraulic fracturing, commonly known as fracking, is a strategy for stimulating oil and gas production whereby water and chemicals are pumped into the well under high pressure to create or enlarge cracks in the rock formations surrounding the well. Hydraulic fracturing is used by petroleum producers to enhance oil and gas production from previously unviable fuel reservoirs.

The process of hydraulic fracturing uses large volumes of fluid, typically composed of 95 percent water and .5 – 5 percent chemical additives. Some of the chemicals used are quite toxic. Well operators reported using 750 components in hydraulic fracturing fluids; 29 were known or possible human carcinogens, regulated under the Safe Drinking Water Act for their risks to human health, and/or listed as hazardous air pollutants under the Clean Air Act.

After fluids are used to open cracks in the rock, the majority of hydraulic fracturing fluids return to the surface. This wastewater can be treated for reuse in hydraulic fracturing jobs, disposed of belowground in a Class II underground injection control well, discharged to nearby surface water, or transported to wastewater treatment facilities. Currently, California does not track the final disposal method for hydraulic fracturing wastewater.

Hydraulic fracturing has been used in California since the 1950s, but current practice is likely to reflect considerable technological advances in the intervening decades. With no systematic public tracking of its use, estimates of how many wells in California have been fracked vary. The Western States Petroleum Association voluntarily reported to DOGGR in 2012 that its member's fracked 628 new and existing oil and gas wells in California in 2011, which represents about 27 percent of the 2,300 new wells drilled or 1 percent of the more than 50,000 existing wells. Industry voluntarily report fracked wells on the website, FracFocus.org

The Division of Oil, Gas, and Geothermal Resources (DOGGR) has extensive and broad authority to regulate activities associated with the production and removal of hydrocarbons (e.g. oil and gas) from the ground. This includes the subsurface injection of water and other fluids. In the last two budgets, the Legislature approved 35 additional positions and increased funding for the DOGGR. Concerns about the potential environmental impacts of fracking spurred the Legislature to authorize DOGGR to direct some of the personnel to work on hydraulic fracturing.

In 2012, DOGGR conducted seven public fracking workshops across the state, culminating in the issuance of a discussion draft of proposed hydraulic fracturing regulations in December 2012. The formal rulemaking process will likely begin later this year. The Committee may wish to ask the DOGGR for an update on the draft regulations.

ISSUE 1: ABANDONED MINE REMEDIATION

The Governor's Budget requests a baseline appropriation increase of \$500,000 to the Abandoned Mine Reclamation & Minerals Fund (AMRMF). These funds will be used for remediation activities on hazardous abandoned mines. The federal Bureau of Land Management (BLM) works with the department's Abandoned Mine Lands Unit (AMLU) to inventory mine features and hazardous abandoned mines. The AMLU received \$1.5 million in one-time American Recovery and Reinvestment Act (ARRA) funding from the BLM that runs out in June 2013. The Department requests to continue a higher level of activity from AMRMF, which is derived from the sale of gold and silver in the state.

BACKGROUND

According to the Department, the AMLU currently focuses remediation efforts on physical safety hazards in California for several reasons:

- The AMLU estimates 84 percent of abandoned mine sites have physical safety hazards while only 11 percent of abandoned mine sites have chemical or environmental hazards. The AMLU partners with other agencies to identify and prioritize physical hazards and remediate the highest priority sites with AMRMF funds.
- The AMLU has a limited budget for remediations. The AMLU has leveraged its limited AMRMF funds with partner agencies to accomplish over 1,100 physical safety closures over the last 10 years. For every dollar spent from AMRMF, the AMLU was able to accomplish almost \$4 worth of remediation to protect the public.
- Other state and federal agencies have jurisdiction over and spend millions of dollars yearly on chemical hazard issues related to abandoned mines (e.g. DTSC, State Waterboard, EPA etc.). The AMLU is the only agency that focuses on physical hazard remediation. These physical hazards and their associated liabilities are often not recognized by other agencies.

STAFF COMMENTS/QUESTION

The ARRA program was designed to infuse states with one-time federal funds to increase economic activity nationwide. These funds were not intended to create permanent increases in funding for programs. The Department of Parks and Recreation has an ongoing need for funding for a specific mine remediation (Empire Mine) that is both ongoing and expensive to the state. The Subcommittee should consider whether creating a permanent increase to a state program or offsetting a portion of the almost \$5 million per year General Fund obligation for the Empire Mine remediation, is the highest priority for these funds or the AMRMF.

Staff Recommendation: None

3790 DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation (DPR) operates the state park system to preserve and protect the state's most valued natural, cultural, and historical resources. The park system includes 280 parks, beaches, trails, wildlife areas, open spaces, off-highway vehicle areas, and historic sites. It consists of approximately 1.56 million acres, including over 315 miles of coastline, 974 miles of lake, reservoir and river frontage, approximately 15,000 campsites and alternative camping facilities, and 4,249 miles of non-motorized trails.

The Budget includes \$576.3 million (\$114.6 million General Fund) and 3,877.5 positions for the Department. Reductions in bond expenditures are due to the near depletion of available bond funds. The State Parks & Recreation (SPRF), is primarily funded by fee revenues and used to support the operations of the state park system.

Fund Source	2011-12 Actual	2012-13 Projected	2013-14 Proposed	BY to CY Change	% Change
General Fund	\$121,219	\$110,591	\$114,552	\$3,961	4%
Off-Highway Vehicle Trust Fund	87,743	93,867	85,068	(8,799)	(9%)
State Parks & Recreation Fund	136,014	148,146	130,263	(17,883)	(12%)
State Parks Revenue Incentive Subaccount	-	15,340	15,340	0	0%
Bond Funds	255,309	275,452	17,131	(258,321)	(94%)
Other	53,972	131,445	125,244	(6,201)	(5%)
Total Expenditure	\$660,565	\$779,694	\$491,329	(\$288,365)	(37%)
Positions	3,575.30	3,803.00	3,877.50	75	2%

ISSUE 1: UPDATE ON STATE PARKS

The state parks system has faced numerous challenges over the past several years, including budget cuts, threats of park closures, and most recently this past summer, revelations regarding nondisclosure of hidden fund reserves and other fiscal mismanagement. A brief history of these events follows.

BACKGROUND

2012 Budget Proposal—Park Closures and Budget Reductions. The 2012-13 budget year was a pivotal time for the Department of Parks and Recreation (Parks). The January budget implemented reductions of \$22 million adopted the previous year as well as began a planned closure of 70 parks. As the budget season progressed, the Legislature developed a long-term sustainable plan that would implement a series of actions to provide funding flexibility to the department. These included promoting revenue generating and entrepreneurial activities at the district level, increasing the flexibility of existing funding sources, and allowing the department to access alternative funding sources for water and wastewater capital projects.

Hidden Funds and Personnel Violations Found Over Summer. In July 2012, after the budget had passed, the department was found to have been hiding funding from the Legislature and the Department of Finance. At the time, it was unclear whether the hidden funds encompassed the SPRF as well as the Off-Highway Vehicle Program Trust Fund. In addition, senior administrators at the Department were found to have violated multiple personnel rules by approving vacation buyouts and out-of-class payments to various levels of personnel.

Legislative and Administration Response. The Legislature took immediate action to investigate the Department's finances and the Administration's response to the department's actions. The Department's senior administrators were removed from their positions and the Natural Resources Agency took over the day-to-day administration of the department. At the same time, a series of audits and investigations were started, including audits by the Department of Finance's Office of State Audits and Evaluations, the California Department of Justice, the State Controller's Office and the Bureau of State Audits (BSA). In February 2013, a joint oversight hearing of the Assembly Water Parks and Wildlife and Senate Natural Resources Committees examined the audit findings in depth and provided members the opportunity to learn of DPR's progress in meeting its many challenges toward restoring credibility and public confidence. The BSA is currently working on Phase 2 of its audit, which will examine vacation buy-outs, vacancy and staffing issues, and DPR's process for budgeting of park operations.

The result of the immediate findings of the Legislature was the discovery of \$21 million of one-time funds that were hidden by the department from the Legislature and the Department of Finance. The Legislature, as a result of its summer investigations, adopted AB 1478 (Blumenfield), Statutes of 2012, to address some of the key problems at the department and to provide the public with an immediate action plan for the department as the investigations continued.

STAFF COMMENTS/QUESTIONS

Moving forward, the Department must prioritize its infrastructure needs, become more entrepreneurial, and implement numerous audit recommendations regarding its budget and accounting management. While the Department has already made strides in many of these areas, it should provide the Committee with updates on the issues discussed below.

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

AB 1478 directed the State Park and Recreation Commission to evaluate the Department's deferred maintenance backlog and establish a relative priority of prospective projects. The Committee may wish to ask the Department and the Commission how this process is going and when it will be able to provide the Legislature with priority list of deferred maintenance projects.

Revenue Generation. The legislative discussion both before and after the summer revelations at the department focused on making the department more self-sustaining, and modernizing its revenue management. For example, small changes such as accepting credit cards at state parks, allowing for hourly parking at state beaches, and simply collecting revenue at popular state parks had been elusive for some time.

The Legislature created a series of incentives for local districts to creatively approach revenue generation in ways that would not be prohibitive to visitors, while at the same time providing needed funding to enhance the visitor experience. Because this is a big shift in the way Parks conducts itself, the Legislature should continue to oversee how these funds are collected and used, and determined whether or not the Department's districts embrace a new entrepreneurial spirit needed to keep Parks open.

AB 1589 (Huffman), Chapter 533, Statutes of 2012, required the Department to report to the Legislature by July 1, 2013 with a prioritized action plan for revenue generation. The bill specified that the plan include recommendations for increasing revenues and collection of user fees at state parks including: modernizing fee collection equipment; peak demand pricing; assessment of appropriate fees at all units and expansion and marketing of annual access pass programs. The Committee may wish to ask the Department for an update on its revenue generation efforts to date and for a preview of its prioritized action plan due in July.

Budgeting by Park Unit. To assure the Legislature and the public that future proposed park service reductions and closures are appropriate to achieve any required budget reduction, the Bureau of State Audits recommended the Department develop individual park operating costs and update these costs periodically. The Committee may wish to ask about the Department's timeline for accomplishing this recommendation.

Match Program. AB 1478 (Blumenfield), Statutes of 2012, provided a one-time appropriation of \$10 million from revenue generated by the Department to be allocated to match contributions from donors and local partner agreements for 2012-13 and 2013-14. The Committee may wish to ask the Department for an update on the match program and how much of the match funds have been allocated thus far.

Staff Recommendation:

1) Require the Department to submit, by December 1, 2013, a report to the Legislature a verified individual park unit budgets (including specific line items for staffing, ongoing state operations and maintenance, and deferred maintenance obligations). These budgets should specify how many days per week each park should be open and why. The figures should be based on fully operating 278 parks in 2010.

2) By January 10, 2014, submit a report the Legislature, in conjunction with the annual budget release, with a prioritized infrastructure plan for the state parks system that adheres to the principal revenue generation goals of AB 1478. This should include funding requirements in a prioritized list for all individual park units, including capital outlay projects and deferred maintenance obligations, regardless of availability of existing funding. The Department shall develop this infrastructure plan in consultation with the State Park and Recreation Commission.

ISSUE 2: GOAT CANYON SEDIMENT BASIN MAINTENANCE

The Governor's Budget requests \$1 million ongoing and annually from SPRF to maintain sediment basins at Border Fields State Park.

BACKGROUND

The Border Fields State Park is on the Mexico border and includes the Tijuana Estuary—a significant wetland habitat—that runs through Mexico into the state park. Since 1985, the state has invested over \$25 million towards the preservation of the Tijuana Estuary and the surrounding nature preserves. In 2005, DPR constructed the Goat Canyon Sediment Basins in the park to help protect the estuary from the flow of water that washes in sediment and trash from Mexico. The basins, which are maintained by DPR, must be cleaned of the trash and maintained to comply with the California Environmental Quality Act and clean water regulations. In the past, such maintenance costs were funded by CalRecycle, as well as grants and donations from special interest groups. However, DPR indicates that these funding sources are no longer available to support such costs.

The DPR is part of the California–Mexico Border Relations Council's Tijuana River Valley Recovery Team, which is a collaborative effort to keep the Tijuana watershed area free of trash and sediment. The team includes other state agencies and departments (such as CalEPA and the Department of Public Health), the federal and Mexican governments, and local and regional agencies. The team has historically relied on funding from various members to protect this area, in addition to federal grants. One of the challenges to securing ongoing funding is that there currently is no mechanism for seeking damages for environmental pollution from Mexico.

STAFF COMMENTS/QUESTIONS

Last year, the state parks system faced serious funding challenges and the Legislature had to consider options to prevent the closure of up to 70 state parks. Since SPRF is one of the primary funding sources for park operations and maintenance, using these funds on an ongoing basis for clean-up activities (as proposed by the Governor) could put other parks in the system at risk of closure due to a lack of funding for operations. The Committee may wish to ask the Department what will be the impact of expending \$1 million annually from the Parks budget for this purpose.

Moreover, DPR is not responsible for the accumulation of trash in the Border Fields State Park, and therefore the SPRF should not be the sole source of funding for the maintenance of the basins. However, according the Department, it has exhausted all potential partners and tapped all possible special funding sources available. Without this allocation, the Administration argues that the state not only risks the loss of ecosystem function in the Estuary, it risks the potential penalties and clean-up costs associated with uncontrolled flows – up to \$10 million from a single storm.

The Administration makes a compelling argument that this is a high-priority long-term need that must be dealt with until the erosion and trash control issues are resolved in Mexico. To that end, the Department is addressing the problem at the source by providing significant leadership in the Tijuana River Valley Recovery Team, a multi-agency collaborative effort with a primary objective of controlling sediment and trash in the Tijuana River Valley in Mexico.

Recognizing the dire maintenance needs of the Sediment Basins, while still cognizant of protecting the long-term health of SPRF, staff recommends approving the Governor's proposal on a limited basis for a three-year period. Further, staff recommends the Committee consider adopting budget control language requiring the Department of Parks & Recreation to report to the Legislature, by September 1, 2016, on other potential funding sources that might be available to cover the ongoing annual costs of maintaining the Goat Canyon sediment basins in Border Fields State Park. The Department should consult with other state and federal agencies with a role in the management of the Tijuana River Valley watershed or the trash and sediment in the watershed. These entities include: CalRecycle, the State Water Resources Control Board, the San Diego Regional Water Quality Control Board, the California Natural Resources Agency, the California Environmental Protection Agency, the California Coastal Commission, the International Boundary and Water Commission, the National Marine Fisheries Service, the U.S. Army Corps of Engineers, the U.S. Bureau of Reclamation, the U.S. Environmental Protection Agency, and the U.S. Fish and Wildlife Service.

Staff Recommendation: APPROVE the Governor's proposal on a limited basis for a three year period, with adoption of budget control language requiring the Department of Parks & Recreation, in consultation with other state and federal agencies participating in the Tijuana River Valley Recovery Team, to explore and report back to the Legislature by September 1, 2016 on any other potential funding sources that might be available to cover the ongoing annual costs of maintaining the Goat Canyon sediment basins in Border Fields State Park.

ISSUE 3: EMPIRE MINE STATE HISTORIC PARK

The Governor's Budget requests \$5.2 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.

BACKGROUND

Empire Mine State Park has cost the state \$36 million from bond funds, SPRF, and General Fund over the past six years due to toxic runoff from the mining operation conducted there over 50 years ago. The park was a gold mine for 100 years until it closed in 1956. The state acquired the property in Grass Valley, with more than 850 acres of forested land, mine buildings, and historic properties in 1975. The state park was the subject of a series of lawsuits and cleanup and abatement orders related to the park's 367 miles of abandoned and flooded mine shafts and toxic legacy from gold mining. The rulings required the state to clean up toxic runoff from the gold mining legacy. The state has been in negotiations with the former owner over the cleanup since the orders were issued; however, according to the latest budget proposal, mediation has stalled while cleanup is still required.

STAFF COMMENTS/QUESTIONS

While staff acknowledges the need for this proposal, as discussed under the Department of Conservation, other funds may be available for Empire Mine from the Abandoned Mine Reclamation and Minerals Fund. As such, staff recommends holding this item open to determine if other funds may offset the General Fund obligation.

Staff Recommendation: Hold Open
