

# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Assemblymember Fran Pavley, Chair

WEDNESDAY, APRIL 9, 2003

STATE CAPITOL, ROOM 447

8:30 A.M.

### SUBCOMMITTEE OVERSIGHT ISSUES 3

#### PROPOSED CONSENT CALENDAR

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## **SUBCOMMITTEE OVERSIGHT ISSUES**

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Many challenges face the Legislature this year in reviewing and adopting the budget. Natural resources and environmental protection are one of the few areas of the budget that receive less General Fund than five years ago. These programs have benefited from voter-approved bond funds in the last three years for investment in California's water quality, water supply, watersheds, habitat and parks.

This year the Legislature must be more thorough and critical in its review of every program to determine priorities and identify programs that should be streamlined to eliminate duplication.

To assist the Subcommittee in reviewing the budget, several actions are being taken: The chairs and vice chairs of the relevant policy committees have been invited to participate in the Subcommittee hearings; four joint hearings with the policy committee to further explore key areas have been scheduled; and, questions have been communicated to each agency and department to get a better understanding of funding levels, expenditure trends and priorities.

**From each agency and department, the Subcommittee has asked for the following information:**

- The level of funding and PYs for your department and divisions within your department for 1998-99, 2000-01, 2002-03 and proposed budget.
- A list of which divisions or programs are funded by General Fund.
- What actions were taken either voluntarily or by direction from the Governor in the last year to reduce expenditures?
- How have administrative expenses including travel and attendance at conferences been reduced? How has the OE & E schedule been reduced?
- What statutorily mandated work has not been done in the last year because of budget reductions? Has this work been deferred or stopped? If deferred, when do you anticipate completing it?
- How were priorities established for the funding reductions? What are those priorities?
- What programs did you consider shifting funding source including shifting to a fee basis? If you chose not to make the shift to fees, what was the basis of that decision? What programs could be shifted to a fee basis in order to replace General Fund?
- If you were given a 10 percent additional unallocated cut, what programs would you defer or eliminate?

**For each Budget Change Proposal:**

- What is the purpose of the program and the source of funding?
- How does this funding level and source compare to prior years?
- Does the program have sufficient resources to meet its statutory obligations?
- What is the impact of the requested change in level or source of funding?
- Does this result in a reduction of positions or consulting dollars? If positions were eliminated, were the positions filled or vacant, limited term or permanent?
- If funding was reduced, why is this considered a lesser priority?
- Are there statutory changes that would remove implementation barriers to the program and allow you to better achieve program objectives with fewer resources?

## PROPOSED CONSENT CALENDAR

### 3560 - STATE LANDS COMMISSION

The State Lands Commission administers policies established by the Legislature and the Commission for the management and protection of land which the state has received from the federal government upon its entry into the Union. These lands include the beds of all naturally navigable waterways, tide and submerged lands in the Pacific Ocean, swamp and overflow lands, state school lands, and granted lands.

#### STATE LANDS COMMISSION

(dollars in thousands)

FUND	CURRENT YEAR 2002-03	BUDGET YEAR 2003-04	CHANGE	
			AMOUNT	PERCENT
General	\$10,666	\$10,099	-\$567	-5.3%
Reimbursements	3,550	2,981	-569	-16.3
OSPAF	6,166	7,730	1,564	25.4
Other	1,243	995	-248	-200
<b>TOTAL</b>	<b>\$21,625</b>	<b>\$21,805</b>	<b>180</b>	<b>1.0%</b>

#### ISSUE 1: GENERAL FUND REDUCTION AND OTHER PROPOSALS

- \$1.17 million (General Fund) reduction with offsets by Special Funds (\$495,000 Oil Spill Prevention and Administration Fund [OSPAF] and \$364,000 Land Bank Fund).
- \$818,000 (OSPAF) to conduct safety audits of oil and gas production facilities.
- \$80,000 (OSPAF) to gather information regarding the shipment of oil along California’s coast.

#### COMMENTS:

At this time, staff has raised no issue with these proposals.

#### ISSUE 2: STATUS OF NATURAL RESOURCES INFRASTRUCTURE FUND (NRIF)

The Governor's 2003-04 budget proposes to transfer \$18.8 million of tidelands oil revenues that would have otherwise been allocated for support of salmon and steelhead restoration projects and other natural resource purposes, as required by existing law.

#### BACKGROUND:

Last year, the Legislature denied a proposal to repeal existing law, but suspended the tidelands revenue allocations for one year. The Legislature also provided \$8 million that would have otherwise been allocated for projects with an equivalent amount from Prop. 40.

#### COMMENTS:

The Commission should provide the Subcommittee with a presentation detailing the status of NRIF and tidelands oil revenue. Additionally, the Commission should provide an estimate of how much tidelands oil revenue would be deposited into the General Fund if the Legislature approves the early “sunset” of the allocations established by SB 271 (Sher).

**3720 - CALIFORNIA COASTAL COMMISSION**

The California Coastal Commission manages California’s coastal resources. The Coastal Act of 1976 established policies with which “coastal zone” conservation and development decisions must comply.

Each local government within the coastal zone is required to prepare a local coastal plan (LCP). LCPs must be submitted to the Commission for review and certification before almost any development within the coastal zone can occur. After certification of an LCP, the Commission’s regulatory authority over most types of development is delegated to the local government, subject to limited appeal to the Commission.

The Coastal Commission is also the designated state coastal management agency for the purpose of administering the federal Coastal Zone Management Act in California. Under federal law, California receives financial assistance to develop and implement the federally approved California Coastal Management Program.

**COASTAL COMMISSION**  
(dollars in thousands)

FUND	CURRENT YEAR 2002-03	BUDGET YEAR 2003-04	CHANGE	
			AMOUNT	PERCENT
General Fund	\$11,086	\$10,587	-\$499	-4.5%
California Beach and Coastal Enhancement Account	947	1,124	177	18.7
Federal Trust Fund	3,141	2,942	-199	-6.3
Reimbursements	1,172	1,172	0	0
<b>TOTAL</b>	<b>\$16,346</b>	<b>\$15,825</b>	<b>-\$521</b>	<b>-3.2%</b>

**ISSUE 1: COMMISSION BUDGET PROPOSALS**

- \$381,000 (Coastal Beach and Coastal Enhancement Account) for increased funding for local assistance grants to assist in coastal and marine education programs.
- \$539,000 (General Fund) reduction in various state operations costs, including a reduction of 4.7 personnel years.

**COMMENTS:**

At this time, staff has raised no issue with these proposals.

**3780 - NATIVE AMERICAN HERITAGE COMMISSION**

The Native American Heritage Commission preserves and protects California Native American cultures. The Commission’s powers and duties include: identifying and cataloging geographic sites of importance to Native Americans; helping Native Americans obtain access to these sites when necessary; protecting Native American burial and sacred sites; ensuring that remains are treated appropriately when burial sites are discovered; and working with state, federal, and local governments as well as developers, Native Americans and interested community members in an effort to mitigate any negative impacts resulting from development projects.

**NATIVE AMERICAN HERITAGE COMMISSION**

(dollars in thousands)

FUND	CURRENT YEAR 2002-03	BUDGET YEAR 2003-04	CHANGE	
			AMOUNT	PERCENT
General	\$340	\$341	\$1	0.2%
<b>TOTAL</b>	<b>\$340</b>	<b>\$341</b>	<b>\$1</b>	<b>\$0.2%</b>
Personnel Years	4.0	4.0	0	0

**ISSUE 1: APRIL FINANCE LETTER: BASELINE FUNDING**

\$341,000 (General Fund) for baseline support of the Native American Heritage Commission.

The Commission's January budget proposed to shift baseline support from the General Fund (\$341,000) to the Indian Gaming Special Distribution Fund. Since this proposal, the Administration has re-evaluated the proposal and has noted possible problems with the legality of the use of this fund. As a result, the Administration has proposed this April Finance Letter to return to the Commission's basic support from the General Fund.

**ITEMS TO BE HEARD**

**0540 - OFFICE OF THE SECRETARY FOR RESOURCES**

The Resources Agency, through its various departments, boards, commissions, and conservancies, administers programs that conserve, preserve, restore and enhance the rich and diverse natural resources of California. The Secretary for Resources, a member of the Governor's Cabinet, is responsible for administering programs and policies governing the acquisition, development and use of the state's resources to attain these objectives.

The Governor's proposed 2003-04 budget for the Secretary includes \$54.29 million (\$1.35 million General Fund) for the Secretary's activities.

**SECRETARY FOR RESOURCES**

(dollars in thousands)

FUND	CURRENT YEAR 2002-03	BUDGET YEAR 2003-04	CHANGE	
			AMOUNT	PERCENT
General	\$7,586	\$1,348	-\$6,238	-82.20%
Prop 12	35,931	200	-35,731	-99.4
Prop 13	9,426	16	-9,410	-99.8
Prop 204	316,895	0	-316,895	-100
Prop 40	57,518	14,602	-42,916	-74.6
Prop 50	0	34,753	34,753	100
Other	13,163	3,366	-9,797	-74.4
<b>TOTAL</b>	<b>\$440,519</b>	<b>\$54,285</b>	<b>-\$386,234</b>	<b>-87.70%</b>
Personnel Years	37	45	8	21.50%

**ISSUE 1: SIERRA NEVADA CASCADE, RIVER PARKWAYS & URBAN STREAMS RESTORATION**

The Governor's proposed 2003-04 budget requests \$44.93 million in Proposition 40 and 50 funds for the Sierra Nevada Cascade, River Parkways and Urban Stream Restoration Grant Programs.

**BACKGROUND:**

**Urban Streams Restoration Program.** \$4.66 million (Proposition 40) of the requested amount would support the Urban Streams Restoration Program (USRP) to provide technical assistance and grants for communities undertaking projects to address localized flooding and erosion. This program has provided over \$27 million since 1989.

**River Parkways Program.** \$32.85 million (\$25 million Proposition 50 and \$7.85 million Proposition 40) is requested for continuing activities of the River Parkways Program. The 2002-03 Budget Act appropriated all but \$7.85 million of the \$70 million provided for River Parkways in Proposition 40. Proposition 50 provided \$100 million for river parkway restoration and acquisition projects.

**Sierra Nevada Cascade Grant Program.** \$7 million (Proposition 50) is requested for this program for acquisition and development projects in the following program areas: rivers and streams, trails, educational or interpretive nature trails; capital park and recreation improvements; and acquisitions of parklands or recreational facilities.

**COMMENTS:**

The Legislative Analyst has taken issue with the Sierra Cascade Grants Program and the River Parkways Program, citing a need for greater statutory direction to prioritize project. The Subcommittee should ask the Legislative Analyst to comment on the details of the concerns, and the Agency should respond.

**ISSUE 2: PROPOSITION 50 - STATEWIDE ADMINISTRATION**

The Governor's budget includes a request for \$2.34 million (Proposition 50) for the Resources Agency and the Department of Fish and Game for administration of Proposition 50. This funding is to carry out auditing, accounting, budgeting, bond coordination and is for general operating costs associated with the administration of the bond.

**COMMENTS:**

Consistent with the Subcommittee's actions on all proposals relating to Proposition 50, these will be held over for a more detailed review on May 7, 2003.

**ISSUE 3: ADDITIONAL PROPOSALS**

- \$105,000 (Proposition 12) for continued funding and position authority for activities associated with four grant programs utilizing Proposition 12 funding.
- One-year extension of the liquidation period for Proposition 13 River Protection Subaccount funds.



**3600 - DEPARTMENT OF FISH AND GAME**

The Department of Fish and Game (DFG) maintains native fish, wildlife, plant species and natural communities for their intrinsic and ecological value and their benefits to people. 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 Governor's proposed 2003-04 budget requests \$278.9 million for state operations, local assistance, and capital outlay expenditures.

**DEPARTMENT OF FISH AND GAME**  
(dollars in thousands)

FUND	CURRENT YEAR 2002-03	BUDGET YEAR 2003-04	CHANGE	
			AMOUNT	PERCENT
General	\$50,126	\$41,167	-\$8,959	-22%
Bond	15,093	11,395	-3698	-32%
Fish and Game Preservation Fund	94,893	91,326	-3,567	-4%
Federal	50,224	63,289	13,065	21%
Other	65,249	71,802	6,553	9%
<b>TOTAL</b>	<b>\$275,585</b>	<b>\$278,979</b>	<b>\$3,394</b>	<b>1%</b>
Personnel Years	2,224.1	2,173.1	-51	-2%

**ISSUE 1: FEDERAL FUNDING: GRANT PROGRAMS**

The Governor's 2003-04 budget requests \$16.03 million in spending authority (\$12.02 million federal and \$4.01 million reimbursement) to implement new federal wildlife conservation and education grant programs. Specifically, these grant programs include:

- \$4.8 million for the Cooperative Endangered Species Conservation Fund;
- \$3.88 million for federal State Wildlife Grants;
- \$1.74 million for the Landowner Incentive Program;
- \$1.0 million for the National Coastal Wetland Conservation Grants Program; and
- \$460,000 for the Sportfish Restoration Aquatic Resource Education Program.

**COMMENTS:**

Staff has raised no issue with this request for expenditure authority of these federal grant programs.

**ISSUE 2: OFFICE OF SPILL PREVENTION AND RESPONSE (OSPR)**

The Governor's 2003-04 budget proposes \$2.86 million (Oil Spill Prevention and Administration Fund) to increase funding and implement programs at the Office of Spill Prevention and Response (OSPR) as provided for by SB 849 (Torlakson) in 2002. This proposal includes funding for 19 new positions to implement the provisions of SB 849.

**BACKGROUND:**

OSPR was established in 1990 to prevent and respond to oil spills affecting marine waters of the state. OSPR has taken on significant additional responsibilities through the passage of legislation in the past five years. SB 849 provided additional funding to allow OSPR to reinstate its mandated oil spill research program.

**ISSUE 3: ADDITIONAL DEPARTMENTAL PROPOSALS**

- **CALFED Fund Shift.** \$500,000 in reimbursement authority for the use of federal funds allowing the Department to undertake salmon, steelhead and splittail restoration efforts on the Lower American River, as part of the Department's CALFED activities.
- **Technical Assistance Reimbursement.** \$73,000 in reimbursement authority to provide technical assistance to the Santa Clara Valley Water District for compliance with endangered species requirements on fish and wildlife projects.
- **Environmental Enhancement Fund Authority.** \$897,000 (Environmental Enhancement Fund) expenditure authority for activities to enhance marine fish and wildlife resources.
- **Cantara Pollution Restoration Project.** \$560,000 (reimbursements) for restoration and monitoring activities associated with the 1991 Southern Pacific freight train derailment and toxic spill at the Cantara Loop Bridge over the Sacramento River.
- **Automated License Data System Position Restoration.** Restoration of 9.1 personnel years that were reduced as part of the Department's planned Automated License Data System, which has been postponed since the elimination of the positions.
- **Fish and Game Preservation Fund (FGPF) Reductions.** \$4.83 million (FGPF) in reduced programmatic expenditures to meet the reduced revenue to the FGPF.

**COMMENTS:**

These proposal are consistent with the Department's current activities and staff finds no issues with them at this time.

**ISSUE 4: PROPOSITION 50 PROPOSALS**

- **Proposition 50 Fund Management Activities.** \$198,000 and 1.9 personnel years for the Department's legal and accounting activities relating to management of Proposition 50 funds.
- **CALFED Fund Shift.** \$2.03 million shift from General Fund to Proposition 50 for Ecosystem Restoration, Integrated Storage, Science and Environmental Water Account Programs.

**COMMENTS:**

Consistent with the Subcommittee's actions on all proposals relating to Proposition 50, these will be held over for a more detailed review on May 7, 2003.

**ISSUE 5: FISH AND GAME PRESERVATION FUND PROVISIONAL LANGUAGE**

The Governor's 2003-04 budget proposes budget control language to exempt the expenditure of Fish and Game Preservation Fund (FGPF) dollars from Section 711 of the Fish and Game Code. The specific provisional language in the budget is as follows:

**Provisions:**

**2. Notwithstanding Section 711 of the Fish and Game Code, the funds appropriated in this item may be used to support the activities of the Department of Fish and Game.**

**BACKGROUND:**

FGPF is the depository of license, permit, and other service fees. Section 711 of the Fish and Game Code specifies the use of these license and permit fees.

**COMMENTS:**

The Department should report to the Subcommittee on the nature of this request.

**3640 - WILDLIFE CONSERVATION BOARD**

The Wildlife Conservation Board was established within the Department of Fish and Game (DFG) to administer a capital outlay program for wildlife conservation and related public access pursuant to the Wildlife Conservation Act of 1947. The Board conducts or oversees investigations and studies to determine the areas within the state considered most essential for wildlife production and preservation, and which will provide compatible recreational opportunities.

**WILDLIFE CONSERVATION BOARD**  
(dollars in thousands)

FUND	CURRENT YEAR 2002-03	BUDGET YEAR 2003-04	CHANGE	
			AMOUNT	PERCENT
General Fund	\$21,620	\$22,057	\$437	2%
Hab. Conserv. Fund	36,078	21,001	-15,078	-41.80%
Less Funding from GF for HCF	-21,301	-21,736	-435	-2%
Wild. Restor. Fund	1,326	1,382	56	4.20%
Proposition 12	154,210	0	-154,210	-100%
Proposition 40	299,920	16,921	-282,999	-94.30%
Proposition 50	183,339	367,164	183,825	100%
Other	19,319	10,965	-8,354	43.20%
<b>TOTAL</b>	<b>\$694,511</b>	<b>\$417,754</b>	<b>-\$276,757</b>	<b>-39.80%</b>

**ISSUE 1: LAO ITEM: BOND FUNDING**

*Propositions 40 and 50 Passed by Voters.* Voters passed two large resources bond measures in 2002 allocating over \$1.2 billion in bond funds to WCB. Proposition 40 allocates \$300 million to WCB and Proposition 50 allocates a total of \$940 million to WCB. WCB is given broad authority to expend the bond funds for various purposes, including acquisition and restoration of watersheds and wetlands, agricultural and grazing land, species habitat, and oak woodlands.

Of the over \$1.2 billion allocated to WCB in Propositions 40 and 50, all but \$50 million (related to Colorado River management) is continuously appropriated directly to WCB by the terms of the bond measures. This means that almost \$1.2 billion of WCB expenditures over time would be allocated outside of the budget process without legislative appropriation.

**COMMENTS:**

**LAO Recommendations.** In the *Analysis of the 2003-04 Budget Bill*, the Legislative Analyst has recommended the annual appropriation of these continuously appropriated bond funds in the budget bill. Additionally, the LAO recommends the scheduling of these funds in some categorical format. The LAO should present on this issue.

**Subcommittee Considerations.**

1. There is some difficulty in balancing the flexibility for acquisitions given to the WCB by the voters, and the need for accountability to the Legislature that is needed to assure the state's investment in natural resources is appropriate.

In the attempt to provide some measure of increased accountability, the Subcommittee could consider requiring the WCB to:

- Report to the JLBC prior to an acquisition of more than \$10 million;
  - Report quarterly to the Legislature on actions taken by the WCB and the balance of bond fund and other fund sources;
  - Recommend a more involved role of the Legislators who are advisory committee members.
2. The WCB should report to the Subcommittee, the current balances of bond funds available to the Board, and information relating to significant projects that are “seriously” in play.

## ISSUE 2: PROPOSITION 50 PROPOSALS

The Governor's 2003-04 budget proposes \$36.2 million in expenditures from Proposition 50 at the Wildlife Conservation Board for the Colorado River acquisition, protection and restoration program (\$32.5 million), as well as funding for state operations costs associated with the utilization of the \$890 million provided to the WCB by the Bond Act (\$3.7 million).

### COMMENTS:

Consistent with the Subcommittee's actions on all proposals relating to Proposition 50, these will be held over for a more detailed review on May 7, 2003.

## ISSUE 3: ADDITIONAL PROPOSALS

The Wildlife Conservation Board's budget includes three additional proposals. They include:

- **Habitat Conservation Fund (HCF).** \$20.62 million (HCF) for WCB activities consistent with Proposition 117 to acquire, restore and protect plant and wildlife habitat.
- **Rangeland, Grazing Land, Oak Woodland Protection.** \$24.0 million in expenditures from Proposition 40 (\$4.8 for oak woodlands, and \$19.2 million for range, grazing, and grasslands) to preserve agricultural lands, grasslands, rangeland, and oak woodlands.
- **Wildlife Restoration Fund.** \$500,000 for the purposes of public access acquisition, as well as habitat restoration activities of the WCB.

### COMMENTS:

These proposals are consistent with the WCB's activities.

**3760 - STATE COASTAL CONSERVANCY**

The State Coastal Conservancy develops and implements programs to protect, restore and enhance resources in the coastal zone pursuant to the California Coastal Act of 1976. The State Coastal Conservancy provides grants to local agencies or directly funds the following projects and acquisitions:

1. Acquire agricultural lands to prevent the loss of such lands to other uses and to assemble such lands into parcels of adequate size to permit continued agricultural production;
2. Restore areas that may be adversely affecting the coastal environment or impeding orderly development due to poor lot layout, scattered ownerships, incompatible land uses, or other conditions;
3. Enhance natural and scenic values threatened by dredging or filling, improper location of improvements and other conditions;
4. Preserve significant coastal resource areas until other public agencies are willing or able to acquire such sites; and,
5. Acquire and develop coastal public access trails and rights-of-way.

**COASTAL CONSERVANCY**

(dollars in thousands)

FUND	CURRENT YEAR 2002-03	BUDGET YEAR 2003-04	CHANGE	
			AMOUNT	PERCENT
General	\$2,014	\$0	-\$2,014	-100%
Bond	381,572	66,083	-315,489	-82.60%
Federal	3,653	2,117	-1,536	-42%
Other	29,006	9,945	-19061	-66%
<b>TOTAL</b>	<b>\$416,245</b>	<b>\$78,145</b>	<b>-\$338,100</b>	<b>-81.20%</b>
Personnel Years	67.8	67.4	-0.4	0.60%

**ISSUE 1: CAPITAL OUTLAY PROPOSALS**

- \$22.0 million (Proposition 40) for grants to public agencies and nonprofit organizations to preserve biodiversity in coastal areas and for grants to acquire and develop public accessways. These include wetland restoration and enhancement projects to complete on-going projects of the Southern California Wetlands Recovery Project, from Point Conception to the Mexican Border, and public access facilities with an emphasis on the completion of the California Coastal Trail.
- \$4.0 million (Proposition 40) for the Conservancy's Watershed / Water Quality Protection and Enhancement Program for direct funding and grants to acquire, protect and enhance coastal watersheds.
- \$6.0 million (Proposition 40) for the Conservancy's San Francisco Bay Conservancy Program to provide direct funding and grants to acquire, protect and enhance projects consistent with the San Francisco Bay Conservancy Program objectives, including projects to emphasize the completion of the Bay Area Ridge Trail.

**BACKGROUND:**

The Coastal Conservancy develops projects utilizing its 1997 Strategic Plan and in conjunction with the goals and objectives of the Conservancy's programs.

**ISSUE 2: FUNDING STATUS - STATE COASTAL CONSERVANCY FUND**

In the 2002-03 Budget Act, the Legislature reduced General Fund support for the State Coastal Conservancy by \$2.2 million and shifted these expenditures to the State Coastal Conservancy Fund. The Coastal Conservancy Fund receives revenue primarily from bond funds and from sale or lease of lands.

**COMMENTS:**

The Conservancy and the Department of Finance should report to the Subcommittee on the current disposition of the funds and its ability to continue support for the state operations portion of the Conservancy's budget.