

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

Assemblymember Fran Pavley, Chair

WEDNESDAY, APRIL 24, 2002
STATE CAPITOL, ROOM 127
8:00 AM

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CONSENT CALENDAR

Issue 1: 3810 Santa Monica Mountains Conservancy

The Santa Monica Mountains Conservancy acquires, restores and consolidates lands in the Santa Monica Mountains Zone for park, recreation or conservation purposes. The powers of the Conservancy include authority to lease, rent, sell, transfer or exchange these lands for park purposes; award grants or loans to state and local agencies for park, recreation, conservation or buffer-zone purposes to ensure that the character and intensity of development on these lands is generally compatible with and does not adversely impact the zone; implement programs to improve access from the inner city areas surrounding the zone.

BACKGROUND:

The Governor's proposed 2002-03 budget includes \$655,000 (special funds) for State Operations and \$1,244,000 (special funds) for Capital Outlay.

COMMENTS:

The California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40) allocates, upon appropriation by the Legislature, \$40.0 million to the Santa Monica Mountains Conservancy. The Subcommittee should note that the details regarding any expenditure of Proposition 40 will be considered in the coming weeks.

Issue 2: 3835 Baldwin Hills Conservancy

The Baldwin Hills Conservancy acquires and manages public lands within the Baldwin Hills area to provide recreational facilities, open-space, wildlife habitat restoration and educational services.

BACKGROUND:

The Governor's proposed 2002-03 budget includes \$262,000 (special funds) for State Operations.

COMMENTS:

The California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40) allocates, upon appropriation by the Legislature, \$40.0 million to the Baldwin Hills Conservancy. The Governor's budget includes no requested appropriation of these funds at this time.

3560 STATE LANDS COMMISSION

The State Lands Commission administers policies established by the Legislature and the Commission for the management and protection of all statutory lands 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 such as major rivers, streams and lakes, tide and submerged lands in the Pacific Ocean which extend from the mean high tide line seaward to the three-mile limit, swamp and overflow lands, state school lands, and granted lands.

California's growing population continues to make increasing demands upon the State's land resources. The State Lands Commission is responsible for comprehensive land management activities involving more than 4,000,000 acres of state-owned lands. The Commission authorizes the use of public lands subject to reasonable rules and regulations and the determination of fair and adequate compensation. The Commission's decisions are reached at public hearings and are based upon environmental, health and safety, and public benefit considerations.

Issue 1: Administration Proposed General Fund Reduction

The Governor's proposed 2002-03 budget includes a \$763,000 General Fund reduction to the State Lands Commission's budget. \$350,000 of this reduction is offset by increased reimbursements, for an overall General Fund to the Commission of \$413,000.

COMMENTS:

The Administration has requested that State agencies and departments reduce their General Fund expenses to help address the current decline in the State's revenues. This reduction is the Commission's contribution to the effort.

Issue 2: Additional Administration Budget Change Proposals

The Governor's proposed 2002-03 budget includes three additional changes to the Commission's budget. The proposed changes are:

- \$150,000 (Oil Spill Prevention Administration Fund) for year-one funding of a two year request for consulting contracts relating to marine oil terminal engineering & maintenance standards.
- \$77,000 (General Fund) for the year-one cost of a three-year continuation of a staff position for activities associated with military base closures.
- \$200,000 (General Fund) for continuation of efforts between California and Arizona to settle issues relating to claims of title along property between the two states.

COMMENTS:

Staff has identified no issue with these requests.

Issue 3: Tideland Oil Revenue: Deletion of Statutory Requirements

The budget proposes eliminating the current statutory requirements for distributing tidelands oil revenues to various special funds to fund resource activities. The Administration has proposed trailer bill language (TBL) to delete statutory requirements for specific allocations of Tideland Oil Revenue.

The Legislative Analyst's Office has raised several questions relating to the Tideland Oil Revenue, the actual revenue and projected revenue from oil, gas, and other minerals extracted from the state's tidelands. The LAO should present on this item.

BACKGROUND:

The state receives a portion of the revenue derived from oil, gas, and other minerals extracted from the state's tidelands. The amount of state revenue from tideland oil leases is based primarily on the net profit received by oil producers leasing state tidelands.

Current law requires that after specified amounts are deposited in the Housing Trust Fund and in the General Fund mainly to support the State Lands Commission (SLC), the remaining tidelands revenues are deposited into the Resources Trust Fund (RTF) created by Chapter 293, Statutes of 1997 (SB 271, Thompson). The RTF in turn funds the following accounts that support various resource programs.

- The first \$8 million is to be deposited in the Salmon and Steelhead Trout Restoration Account (created by Chapter 293) for expenditures by DFG for the recovery of salmon and steelhead trout.
- The next \$2.2 million is to go to the Marine Life and Marine Reserve Management Account (created by Chapter 326, Statutes of 1998 [AB 2784, Strom-Martin]) for expenditure by DFG for marine life management.
- The next \$10 million is to be deposited in the State Parks Deferred Maintenance Account (also created by Chapter 326) for expenditure by DPR for deferred maintenance expenses.
- Finally, any remaining RTF money is then to be deposited in the Natural Resources Infrastructure Fund (NRIF). Chapter 293 identified four priorities for the use of NRIF: (1) environmental review and monitoring by DFG, (2) Natural Community Conservation Plan acquisitions, (3) HCF funding requirements, and (4) nonpoint source pollution control programs. Funds not appropriated to these priorities will be available to be spent generally on natural and recreational resources.

COMMENTS:

With the unpredictability of the Tidelands Oil Revenue, the Administration argues that deleting the statutorily required use of these funds will actually protect the programmatic funding. However, there will be no requirement for funding out of the General Fund of these programs should the Administration either choose not to, or be unable to fund these programs due to decreased State revenue.

While the Administration argues that deleting the required statutory allocation of funds from Tidelands Oil Revenue will ensure a more stable funding source (General Funds), the Legislature only recently created several of these and should consider the policy choices being made in this proposal. With the possibility of wide fluctuations in oil prices, it is also likely that revenues could increase in future years, providing more than sufficient funds for the required program costs.

3600 DEPARTMENT OF FISH AND GAME

The Department of Fish and Game 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.

Issue 1: General Fund Reductions, Fund Shifts and Sweeps

The Governor's 2002-03 budget includes various reductions and changes to the General Fund and Special Fund support for Departmental activities.

The major proposed changes include:

- Sweeping \$8.0 million from the Salmon and Steelhead Trout Restoration Account to the General Fund. This is proposed to be back-filled by Proposition 40 funds;
- Shifting \$2.2 million of General Fund to support the Marine Life and Marine Reserve Management Account. With declining Tideland Oil Revenue, there would be insufficient funds to provide the \$2.2 million required by Chapter 326, Statutes of 1998 (AB 2784, Strom-Martin);
- Reducing \$975,000 (General Fund) for payment to counties of in-lieu fees;
- Reducing \$2,132,000 (General Fund) for review of California Environmental Quality Act (CEQA) documents. This will reduce the Department's overall review of documents from 38% to 10%;
- Reducing \$1,000,000 (General Fund) local assistance grants to the Natural Community Conservation Planning (NCCP) activities; and
- Shifting \$145,000 for wetlands mapping from General Fund to the Environmental License Plate Fund.

COMMENTS:

The shifting of funds from the Marine Life and Marine Reserve Management Account is consistent with a proposal in the State Land Commission's budget to alter the structure of funding from Tideland Oil Revenues. The details of that proposal will be heard when the Subcommittee takes up the State Lands Commission's budget.

In the 2000-01 Budget Act provided \$2.132 million specifically to increase the percentage of CEQA documents being reviewed. This proposal would take that amount back down to the historically low level. The Subcommittee may wish to consider alternate funding for these activities.

Issue 2: Additional Departmental Proposals

- \$506,000 (General Fund) in 2002-03 and \$724,000 in 2003-04 for the completion of lead abatement efforts at DFG residential facilities.
- \$100,000 (Proposition 12) in contract funds for the Yolo Wildlife Area Pacific Flyway Center Management Plan.

COMMENTS:

These proposals are consistent with the responsibilities of the Department and provide for continued activities.

Issue 3: Supplemental Reports Late

In the *Supplemental Report of the 2001 Budget Act*, the Legislature required three reports from DFG. These reports were due February 1, 2002. To date, these reports have not been received. The specific required reports included:

- **Fisheries Restoration Grant Program.** The Department of Fish and Game shall report to the Legislature by February 1, 2002, on how it plans to streamline the evaluation process for the Fisheries Restoration Grant Program (FRGP). The report should identify how much time will be saved in the evaluation process by implementing the streamlining recommendations.
- **California Environmental Quality Act Requirements.** The Department of Fish and Game shall report to the Legislature, by February 1, 2002, on how it will meet its California Environmental Quality Act requirements for the FRGP. The report shall provide an analysis justifying why the selected approach is the most appropriate to take, including its costs and benefits.
- **Evaluation Plan.** The Department of Fish and Game shall submit to the Legislature by February 1, 2002, an evaluation plan for the FRGP. The plan shall include the methodology to be used to evaluate various types of projects funded by FRGP. It shall also identify the staffing levels which the department deems necessary to conduct project evaluations using the identified methodology.

COMMENTS:

During the 2001-02 Subcommittee process, the Assembly reduced the Department's budget by \$300,000 (unallocated) in response to 1 late report. These funds were eventually restored after the report was received. The Subcommittee should consider a similar action for each of these late reports.

Issue 4: "Fishing in the City" Program

The Governor's proposed 2002-03 budget does not provide funding for the continuation of the Urban Fishing Program, commonly referred to as the "Fishing in the City" program. The Current Year budget provides \$ 927,000 (Fish and Game Preservation Fund). The program also receives approximately \$77,000 in federal matching funds (Federal Trust Fund).

BACKGROUND:

The Urban Fishing Program, which was started in 1993, serves Californians living in the Sacramento, San Francisco and Los Angeles metropolitan areas.

The program's Fishing in the City Clinics gives city dwellers an opportunity to learn how to fish, and to fish close to home. It also gives participants an opportunity to borrow rods, bait and tackle through the Tackle Loaner Program. Ponds are stocked with trout in winter and catfish the rest of the year.

COMMENTS:

The Subcommittee may wish to continue funding for this program in the Budget Year at the same level as in the Current Year. The Department of Finance should update the Subcommittee on the status of the Fish and Game Preservation Fund.

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:

- a) 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;
- b) 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;
- c) Enhance natural and scenic values threatened by dredging or filling, improper location of improvements and other conditions;
- d) Preserve significant coastal resource areas until other public agencies are willing or able to acquire such sites; and,
- e) Acquire and develop coastal public access trails and rights-of-way.

Issue 1: Administration Proposed General Fund Reductions

The Governor's proposed 2002-03 budget requests a \$379,000 General Fund reduction to expenditures in the Conservancy's budget. Of the \$379,000 General Fund, \$300,000 has been diverted to other funds for a total reduction to programmatic spending of \$79,000.

BACKGROUND:

The Administration has requested that State agencies and departments reduce their General Fund expenses to help address the current decline in the State's revenues. The Coastal Conservancy has reduced General Fund expenditures by \$379,000.

Issue 2: Capital Outlay Proposals

The Administration proposes \$7.75 million in Proposition 12 bond funds for the Coastal Resources Enhancement Program (\$5.0 million) and the Salmon Habitat Restoration Program (\$2.75 million).

COMMENTS:

These appropriations are in support of basis Conservancy activities as well as the intent of Proposition 12, approved by the voters in March of 2000.

3790 DEPARTMENT OF PARKS AND RECREATION

The mission of the California 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 and cultural resources, and creating opportunities for high-quality outdoor recreation. An ever-increasing population in California has resulted in accelerated urbanization which necessitates the establishment of park units and recreation areas accessible to the major population centers of the State. It is necessary to provide for the wise and constructive use of the State's natural resources for recreational uses and to preserve the State's cultural, historical, and natural heritage for future generations to enjoy.

Issue 1: Administration Proposed General Fund Reduction

The Governor's proposed 2002-03 budget requests General Fund reductions totaling \$19.8 million. These reductions are partially offset by \$15.0 million in additional support from the State Parks and Recreation Fund, for a total programmatic reduction of \$4.8 million. This proposal also seeks \$10.0 million in Proposition 40 funds to backfill the State Parks Deferred Maintenance Account.

BACKGROUND:

The Department states in its proposal that, of all options considered, this proposed reduction will have the least impact on the public, and the natural and cultural resources of the State Parks System. The reductions proposed in this item will result in a reduction of hours and days open at some State Parks facilities.

COMMENTS:

The Subcommittee has been withholding on actions relating to the expenditure of Proposition 40 and may wish to consider the same for the \$10.0 million expenditure in this item.

Issue 2: Additional Administration Budget Change Proposals

The Administration proposes three additional changes to the 2002-03 budget. These include:

- \$329,000 (Proposition 12) for staff, operating expenses and equipment to audit activities associated with Proposition 12, passed by the voters in March of 2000.
- \$1,000,000 (Off-Highway Vehicle Account) for support of the Department's snow-park snow grooming activities.
- Conversion of 9.7 PYs from temporary help to permanent positions. This proposal contains no additional cost.

COMMENTS:

These proposals are consistent with activities of the Department and are appropriate for support of Departmental activities.

Issue 3: Concession Proposals

The Governor's proposed 2002-03 budget includes three concession renewal proposals. These include a marina complex at Millerton Lake State Recreation Area, a jewelry store at Old Sacramento State Historic Park, and the Big Sur Lodge at Pfeiffer Big Sur State Park.

Of the three proposals, the LAO has "signed off" on only one, a jewelry shop at Old Sacramento State Historic Park, noting that the two other proposals lack sufficient detail on the appropriate rent to be charged and the amount of capital outlay investment that will be required.

In its *Analysis of the Budget Bill, 2002-03*, the LAO recommends that the Legislature withhold authorization to solicit proposals for a new concession contract for Millerton Lake State Recreation Area and Pfeiffer Big Sur State Park until the department provides information on the terms of the proposals.

BACKGROUND:

Under current law, the Legislature is required to review and approve any proposed or amended concession contract that involves a total investment or annual gross sales over \$500,000. In past years, the Legislature has provided the required approval in the supplemental report of the budget act.

COMMENTS:

It is the understanding of the Subcommittee that the Department and the LAO have been meeting to attempt to resolve the concerns of the LAO. The LAO should present on this item and give the Subcommittee an update on the status of

Issue 4: LAO: Land Acquisition and Planning

In its *Analysis of the Budget Bill, 2002-03*, the LAO has raised several issues with the operating costs and planning activities associated with the State's land acquisitions. According to the LAO, in addition to the funding required to acquire the land, acquisitions can result in future development costs and ongoing operations costs. We find that the department has acquired land without addressing the future development and operating costs associated with these acquisitions

BACKGROUND:

Unfunded Obligations. The DPR acquires land when it is identified by the department or the Legislature as high priority. If it is identified by the department as such, then a budget proposal is submitted for that acquisition outlining its significance. Once land is acquired for a new state park or to significantly expand an existing state park, the department begins the planning process for that acquisition, called the park general plan process. During this process a plan is developed that serves as a guide for the future development, management, and operation of the park. The plan defines the proposed land uses, facilities, concessions, and operation of the park. However, the general plan does not include related cost information.

Planning. As a result of the land acquisitions, DPR will also incur ongoing operating costs to preserve habitat, cultural resources, and to provide recreational opportunities associated with the land acquisitions. These operating costs include trail maintenance, habitat restoration, brush management, and increased ranger patrol areas. These costs will be incurred for both new and expanded parks. The extent and magnitude of these operating costs are not known because they are not consistently identified for each acquisition as part of the budget process. Complicating matters is the fact that DPR has acquired several new parcels intended to be developed for urban park use. Since these acquisitions differ significantly from the department's

traditional acquisitions in the past, the operating costs for these acquisitions are even less certain. In total, the department has only provided estimates of operating costs for less than

one-third of the acquisitions made since 2000-01. These estimates total more than \$2 million in annual operating costs.

LAO Recommendations.

1. An assessment of the potential costs to develop each land acquisition acquired in 2000-01 and 2001-02 to its intended use and an estimate of the ongoing operations and maintenance costs of each acquisition.
2. An identification of potential funding sources to pay for the development and operating costs, and the department's plan for which funding sources it will seek.
3. Additionally the LAO proposes policy changes for the Legislature to consider, including:
 - Require DPR to submit funding plan for future costs with budget proposal
 - Require DPR to set aside bond funds for future development of bond-funded acquisitions
 - Require DPR to submit funding plan for discretionary acquisitions
 - Require general plans for parks to be approved by DOF
 - Set limits in future bond measures on new acquisitions

COMMENTS:

The LAO should present on these issues and the Subcommittee should ask the Department to respond.

Issue 5: Park Fees

In the 2000-01 Budget Act, the Legislature approved the Administration's proposal to provide \$26 million in General Fund to backfill the loss of revenue to the Department when various use fees were reduced and eliminated. The Governor's budget estimates a reduction in Current Year and Budget Year revenues, attributable to these reduced fees, of approximately \$14.0 million over revenues in 2000-01.

While not recommending such an action, the LAO identified in its *Options for Addressing the State's Fiscal Problems*, this area as a possible location for consideration should the Legislature find it necessary and/or appropriate to achieve greater General Fund revenues.

BACKGROUND:

Expanding Access to State Parks. At the time of these reductions, the Administration and the Legislature focused heavily on the desire to make State Parks more accessible to visitors and to attract greater numbers of urban visitors to State Park and Recreation facilities. According to the Department, since the reduction in fees, they have experienced an approximate 20% to 30% increase in day use visitors. Park fees are used to support the operation and maintenance of state park facilities, so a decrease in fees and an increase in visitors widens the gap relating to overall need.

Additionally, the schedule of reductions decrease significantly, fees that do not directly impact non-traditional park users such as the costs of additional vehicles at overnight camp sites, boat launching, and peak season rates. The Department should comment on the rationale of these reductions as they relate to the overall intent of the fee reduction.

Reductions to Non-Park Related Costs. In addition to the reductions in fees, the Department has been reducing the costs of overnight camping reservations by paying for the transaction fees charged by *Reserve America*, service provider that takes online and phone reservations. This transaction fee is a \$7.50 per reservation cost to the State. Similar to fees assessed for ticket purchases at sporting events, rock concerts and other events, this fee is to cover costs of the company issuing reservations. According to the Department, this fee costs the State approximately \$2.0 million annually.

The details of the reductions included:

Service	Pre-January 2001 Fee	Current Fee
Day use	\$5-\$6/vehicle	\$2-\$3/vehicle
Museums	\$2-\$5/person	\$1-\$2/person
Sno-Park Day Use	\$3/day	\$3/day
Boat launch	\$5/boat	no fee
Railroad Museum	\$6/person	\$3/person
Hearst Castle	\$14/person	\$10/person
Camp Site (1 vehicle)	\$14/site	\$12/site
Other Camp Fees		
Peak Season	\$3 additional/night/site	no fee
Fri./Sat. rate	\$1 additional/night	no fee
Premium site	\$5 additional/night	no fee
Additional Vehicle	\$5 addition/vehicle	1 add. no fee

COMMENTS:

Given the expected reduction in State revenues, the Subcommittee may want to discuss the logic and distribution of the Department's newly-reduced fees, as well as the State picking up the surcharge on reservations. The Department should provide the Subcommittee with current details relating to numbers of Park visitors and, at least anectdotally, the impact of the fee reduction on visitorship at near-urban park facilities.