

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Assemblymember Ira Ruskin, Chair

**WEDNESDAY, MARCH 14TH, 2007
STATE CAPITOL, ROOM 447
1:00 PM**

Hearing Items

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CONSENT CALENDAR

ITEM	DEPARTMENT	SUMMARY
3340	Conservation Corps	Capital Outlay: \$184,000 for the Greenwood Fire Alarm System
3340	Conservation Corps	Capital Outlay: \$3.4 million for Placer Center municipal sewer connection and water tie-in
3720	Coastal Commission	\$252,000 (License Plate Revenues) for coastal and marine education program grants
3540	Forestry and Fire Prevention	\$2.9 million (Proposition 40) for continued funding for urban forestry grant program
3540	Forestry and Fire Prevention	\$219,000 (Proposition 50) for Sierra Nevada Watershed Health and Fire Risk modeling
3540	Forestry and Fire Prevention	\$4.2 million (Reimbursements) for Bargaining Unit 8 changes for Firefighter I contract expansions
3540	Forestry and Fire Prevention	\$1.8 million (Proposition 12) for an urban forestry grant program
3540	Forestry and Fire Prevention	\$184,000 (Reimbursements) for the CALFED Bay Delta program administrative services
3600	Fish and Game	\$3.3 million (Preservation Fund) for the second year of funding for the Automated License Data System to replace the current paper based licensing system
3600	Fish and Game	Position authority for .9 PY to be funded through reimbursements from the SFPUC for water system improvement projects
3600	Fish and Game	\$185,000 (Reimbursements) to increase lab capacity for Pelagic Organism Investigations
3600	Fish and Game	\$415,000 and 2.0 positions (Oil Spill Prevention Administration Fund) to make improvements to the readiness and prevention elements of the OSPR Spill Response Program
3600	Fish and Game	\$395,000 one-time, \$305,000 on-going (reimbursement authority) to staff and perform the role of lead agency to prepare the California Environmental Quality Act (CEQA) for the Newhall Ranch Resource Management and Development Plan
3600	Fish and Game	\$7.4 million from (Proposition 13) to meet the mandates for environmental mitigation, enhancement, and restoration for the Yuba Feather River Flood Control projects
3600	Fish and Game	A shift of four temporary help positions to four permanent positions (3.8 personnel years) to meet the provisions of AB 7, Cogdill
3600	Fish and Game	\$56,000 re-direction and one half-position (0.5 PY) beginning July 1, 2007, from the Fish and Wildlife Pollution Account to the Oil Spill Prevention Administration Fund
3600	Fish and Game	7.0 positions (6.6 personnel years) and \$843,000 (Oil Spill Prevention Administration Fund) to create a new Drills and Exercises Program to address deficiencies noted by the Department of Finance
3600	Fish and Game	\$132,000 and the redirection of two half-time positions from the Fish and Wildlife Pollution Account to Reimbursements for continued technical oversight at contaminated military bases in California
3790	Department of Parks and Recreation	Capital Outlay: \$9.9 million of previously appropriated funds for the Crystal Cove State Park Conversion
3790	Department of Parks and Recreation	Capital Outlay: \$2.0 million of previously appropriated funds for the Fort Ross State Historic Park

3790	Department of Parks and Recreation	Capital Outlay: \$3.8 million for the Milerton Lake State Recreation Area to rehabilitate day use area
3790	Department of Parks and Recreation	Capital Outlay: \$5.9 million of previously appropriated funds for Pfeiffer Big Sur State Park improvements
3790	Department of Parks and Recreation	Capital Outlay: \$4.2 million reversion from uncompleted Malibu Creek State Park projects
3790	Department of Parks and Recreation	Capital Outlay: \$26.8 million reversion from unencumbered balances of the Riverside OHV Park Project
3790	Department of Parks and Recreation	Capital Outlay: \$26.8 million OHV Trust Fund reversion from the Riverside OHV Park
3790	Department of Parks and Recreation	Capital Outlay: \$2.2 million reversion and reappropriation for Silverwood Lake State Recreation Area Improvements
3790	Department of Parks and Recreation	Capital Outlay: \$450,000 for Sediment Reduction Projects at D.L Bliss State Park

3340 – CALIFORNIA CONSERVATION CORPS

ISSUE 1: PROPOSITION 84 IMPLEMENTATION

Governor's Budget. The Governor's budget is proposing a total of \$1.52 million (Proposition 84) and three positions over six years, to implement, administer and ensure proper oversight of \$32.5 million in grant funds for non-profit local conservation corps and \$12.5 million identified for the California Conservation Corps (CCC) through Proposition 84.

Background. Proposition 84 specifies that \$45 million would go to the CCC for Resource conservation and restoration projects, facilities acquisition, development, restoration, rehabilitation, and for administrative costs. Under this section, the \$45 million would be divided into three categories as follows:

- \$12.5 million in grants to local corps for projects to improve public safety and improve/restore watersheds, including regional and community fuel load reduction projects on public lands, and stream and river restoration projects.
- \$12.5 million to the CCC for projects to improve public safety and improve/restore watersheds, including regional and community fuel load reduction projects on public lands, and stream and river restoration projects.
- \$20 million for grants to local corps for acquisition and development of facilities to support local conservation corps programs, and for local resource conservation activities.

Administrative costs totaling 3.5 percent will be deducted from the total \$45 million for administrative costs accrued by the Resources Agency and Department of Parks and Recreation leaving a total of \$43.4 million for department projects identified in the bond.

Proposition 84. Proposition 84 authorizes a total of \$45 million directly to the CCC for resource conservation/restoration projects and facility acquisition/development. These sections do not require, nor suggest, legislation prior to implementation. The CCC plans on rolling out authorized bond funds for conservation and restoration programs over a three year schedule. Funds for local conservation corps facility acquisition and development are planned to be expended in one year. For all funding, the CCC will need to adopt grant criteria and plans on beginning encumbrance of funds in 2008/09.

Staff Comments. In order to administer grants from funding provided in Proposition 84, the CCC will need to develop grant criteria and processes to ensure proper ongoing and final oversight of expended grant funds. The CCC has indicated that it is currently involved in two separate audits by the Department of Finance and the State Controller that are occupying a considerable amount of staff time. For the hearing, the CCC should be prepared to comment to the subcommittee on their expected completion of Proposition 84 grant criteria and if current audit related workload issues effect that timeline.

STAFF RECOMMENDATION. Hold open.

3720 COASTAL COMMISSION

ISSUE 1: INFORMATIONAL: COASTAL ENFORCEMENT

The California Coastal Commission (Commission) is responsible of permitting development along within the coastal zone. It is the mission of the Commission to issue permits for developments that do not harm and where possible, protect and enhance California's coastal zone. As a permitting entity, the Commission is also responsible for enforcement of coastal permit violations and unpermitted development. The Coastal Commission has enforcement responsibility for the entire Coastal Zone of California that generally extends 1,000 yards inland from the mean high tide line statewide.

To identify violations, the Coastal Commission primarily relies on public complaints. Once a complaint is made to regional office, Commission staff is responsible for investigating the complaint and pursuing enforcement actions. Examples of violations include blocked public access, impacts to environmentally sensitive habitat (e.g. wetlands and coastal bluffs) and species, grading or other development in open space areas dedicated to protect habitat and wildlife

Staff Comment. The Commission has seen a steady increase in annual enforcement cases, with the number of these cases remaining open and not being addressed increasing as well. This increase in enforcement responsibility has not been matched with enforcement staff. Currently there are a total of 754 cases open at the regional level. At state headquarters, there are 91 cases open, 27 of which have been waiting for more than three years for the Commission to issue an order on. To investigate these complaints, the Commission has two enforcement officers – one in the South Central district and one in the South Coast district. There are no current enforcement officers to investigate cases in the North Coast district that reaches from North of San Francisco to the Oregon Border.

STAFF RECOMMENDATION. None, item is informational.

ISSUE 2: LIVE VIDEO STREAMING OF COMMISSION MEETINGS

The 2006/07 Budget provided \$100,000 (General Fund) to the Commission for a pilot program to stream Commission hearings live via the internet that started in February 2007. The Governor's budget does not include funding to continue this pilot project in the 2007/08 budget.

Staff Comments. Coastal Commission meetings occur in different locations statewide. Without live streaming, staff has a concern that public access to the meetings will be restricted to those who have time and funding for travel. The Commission should be prepared to discuss what is needed to continue live streaming via the internet.

STAFF RECOMMENDATION. Hold open.

3540 – DEPARTMENT OF FORESTRY AND FIRE PREVENTION

ISSUE 1: LAO ISSUE- STATE WILDLAND FIRE COSTS

In the 2007/08 Governor's proposed budget, the Legislature is being asked to approve \$600 million in General Fund for CDF Fire Protection Services for California's timberlands, rangelands, and watershed lands known as "State Responsibility Areas" (SRA). In addition to the funding requested in the budget, the department has authority to augment their budget under emergency scenarios for fire suppression costs. In the current year it is expected that total costs for fire protection will exceed \$800 million. Over the last decade, costs to provide these services have increased by 83 percent which the LAO cites as being attributed to:

Changes in Wildland Fuel Conditions. Fire suppression activities over the last century have left much of the state's wildlands filled with fallen trees, standing dead trees, and heavy undergrowth. As these fuels have built up, the risk of catastrophic fires has grown. In addition, several years of drought followed by insect infestations in Southern California and the Sierras have killed many trees, increasing the risk of large, dangerous fires in these regions of the state.

Increasing development in the Wildland Urban Interface. Over the last several decades, the state has experienced significant housing development at the boundary between wildlands and urban areas, known as the wildland urban interface. While the total acreage in SRA has remained stable over the last 15 years, the number of housing units in SRA has increased by 15 percent over this period. As development increases, fire protection costs increase as increased populations equate to increased fire incidents. Also, the costs to fight fires when housing structures are at risk increase significantly.

Increasing Labor Costs. In the current year, the department's fire protection budget includes more than 4,000 full-time, year-round positions and more than 950 full-time equivalent positions for seasonal firefighters, a 30 percent increase from 2001-02 through 2005-06. In addition to an increase in the number of positions, total labor costs have increased due to wage and benefit increases that are based on terms included in the MOU between the firefighters' union and the state. Additionally, because of compensation increases for planned overtime, between 2001-02 and 2005-06 the cost of planned overtime increased by 71 percent. In the current and budget year, this will increase compensation costs by approximately \$36 million annually.

LAO recommendations. In order to control rising costs, the LAO makes three recommendations:

1. *State fire protection role needs clarification.* The LAO recommends that the Legislature clarify the roles of the state and local government for emergency services in SRAs.
2. *A Fire Protection Fee needs to be enacted.* The LAO recommends that the legislature enact a fire protection fee levied on private landowners in SRA, so that the beneficiaries of state fire protection pay a portion of its cost.

3. *Current SRA criteria needs modification.* The LAO recommends that the Legislature consider modifying the current criteria for designating SRA, such that local governments take more responsibility for fire protection on lands where locally-approved development is occurring.

Staff Comments. Staff understands that the state had difficulties assessing this fee when it was approved last. The LAO or administration may want to comment on what technical difficulties the state might face in implementing this fee.

STAFF RECOMMENDATION. Hold open.

ISSUE 2: LAO ISSUE –CAPITAL OUTLAY PROJECT MANAGEMENT

In their analysis of the 2007/08 budget, the LAO raises concern that some of the department's capital outlay workload may need to be redirected to the Department of General Services (DGS). The LAO cites as a main rational for this proposal a general lack of a track record of completing capital outlay projects. In particular, since the department has not yet developed a track record of managing fire station replacements (fairly prototypical projects) the LAO writes that it would be premature to expand the department's project management authority to larger, more complicated projects, such as the Red Bluff/Tehama Glenn Unit Headquarters replacement project.

The LAO therefore recommends revising the proposed budget language in order to exclude the Red Bluff/Tehama Glenn Unit Headquarters replacement project from the list of projects to be managed by the department. This particular project would instead be managed by DGS. The LAO additionally recommends the adoption of budget bill language would retain the authority for the department to manage the four fire station replacement projects, as proposed by the budget.

Staff Comments. From discussions with the LAO and department staff, it appears that there is agreement on the recommendation to transfer capital outlay responsibility from the CDFFP to DGS.

STAFF RECOMMENDATION. Approve capital outlay budget with LAO recommendations.

ISSUE 3: PROPOSITION 84 – URBAN GREENING

The budget proposes \$5.1 million in Proposition 40 and Proposition 84 funds to be spent by the department and the California Tahoe Conservancy for projects to reduce the hazards of large wildfires in the Lake Tahoe area. The department and the conservancy propose to use about \$1 million for support staff to implement fuels reduction (removal of dead and fallen trees and excessive undergrowth) and biomass use programs (burning these removed fuels to generate energy). The bulk of the request (\$4.1 million, Proposition 84 funds) is proposed for grants to local governments to support projects using biomass waste to generate heat and/or electricity.

Specifically, the department proposes to grant (1) \$3.5 million to a local public agency for the development of a biomass facility in the Lake Tahoe basin that would use recovered biomass from forest thinning projects to generate electricity, (2) \$400,000 to support a cogeneration facility that would use recovered biomass to heat local school buildings, and (3) \$200,000 to support a Placer County program to subsidize the use of biomass for electricity generation.

Proposition 84. Funding for this proposal is being provided directly out of section 75065 (a) which is broadly authorized for statewide urban greening projects. Proposition 84 specifically requires that implementing legislation be approved prior to expenditure of fund from this section.

LAO Recommendations. The LAO believes that the Energy Commission should be the lead agency for supporting renewable energy projects, including biomass utilization projects, based on its longstanding technical expertise and established programs in this subject area. Therefore the LAO recommends that the Legislature delete the proposed funding of \$4.1 million from Proposition 84 for these biomass utilization projects. Given the significant, existing resources at the Energy Commission potentially available to support such projects, the LAO believes the commission should evaluate whether the proposed projects should be supported from existing funds, in the context of other funding priorities.

Bond Funds Not an Appropriate Fund Source for Regulatory Activities. The department proposes to use \$296,000 in Proposition 40 bond funds to support two limited-term foresters. These new positions would support the department's fuel reduction proposal by enforcing the Forest Practice Act (as it relates to fuel reduction activities) and implementing other forestry-related activities. The LAO believes these activities are regulatory in nature and should be funded out of the department's base budget, rather than using bond funds and therefore recommend denial of this component of the budget request.

STAFF RECOMMENDATION. Because this is funding from Proposition 84, hold open.

ISSUE 4: FIRE SUPPRESSION EQUIPMENT

Fire Engines and other Equipment. In the approved 2005-06 budget, \$10.8 million was provided to the department to procure new wildfire engines and equipment. In last year's budget, a reappropriation was provided to extend the availability of this funding because the department did not know if it was going to be able to complete procurement by the end of the year. For the subcommittee hearing, the department should be prepared to provide an update on whether these procurements have been completed.

Fire Fighting Helicopter Needs Study. Included in their 2005/06 budget change proposal for new equipment, the department originally included funding for the procurement of fire suppression helicopters. In the final budget, the legislature directed the department through supplemental report language to conduct a needs assessment of helicopters that included an examination of the different financing mechanisms that are available to purchase such aircraft. This report was due on January 10, 2007 and has not been received by the legislature.

DC-10 Water tanker. In 2006, the department subcontracted services of a DC-10 water tanker that is available to the state on an as needed basis at an hourly rate of \$26,500. The DC-10 is capable of dropping as much as 12,000 gallons of water or fire retardant within a time period of 8 seconds. In 2006, the state contracted the DC-10 for a total of 6 California fires in the southern region of the state.

Staff Comments. For the hearing, the department should be prepared to give the subcommittee an update on its procurement of fire engines and other mobile fleet. As the report on helicopter needs continues to be late, the department should provide the subcommittee with a report on its progress as well with other reports that are late. Lastly, the department should give the subcommittee a report on the California's existing water tanker contract and after one year of use, what are the department's opinions on the usefulness of the DC-10 or other water tanker programs as a tool in for fire suppression.

STAFF RECOMMENDATION: None, item is informational.

3600 – DEPARTMENT OF FISH AND GAME

ISSUE 1: WILDLIFE CORRIDOR PLANNING/VEGETATION MAPPING

As part of their mission, the Department of Fish and Game (DFG) is responsible for identifying, developing and managing wildlife corridors for game and non-game animals statewide. One strategy in particular that the Administration has discussed as a successful tool for identifying corridors is statewide vegetation mapping.

Vegetation Mapping. The Department of Fish and Game Biographic Data Branch has been creating detailed GIS mapping of vegetation/habitat maps. Vegetation/habitat mapping uses precise aerial photography combined with on the ground data gathering to develop pinpoint maps of land vegetation. Vegetation is a cornerstone data set for identifying critical habitats for game and non game species. Once vegetation data is gathered for an area, local planners can then overlay other information such as land use to prioritize land development and conservation activities.

In a showing of commitment to the importance of vegetation mapping, a Statewide Vegetation MOU Group was formed in 2000 that includes the Resources Agency, federal, local and public partners. The agreed upon MOU established specific vegetation mapping criteria and a general commitment that when possible, partners and stakeholders of the group would pursue mapping in their respected areas.

To date, non-state funding opportunities have dictated where the department has developed vegetation maps. Despite a scarcity of resources, the program has been able to slowly grow and refine itself with maps successfully being developed for federal parks, some regional conservancies and some Natural Community Conservation Plan (NCCP) Lands. The department indicates that they are now prioritizing vegetation maps as a baseline preference in NCCP negotiations and through a grant from the USGS, the Department of Fish and Game is developing a Strategic Plan to develop a statewide Vegetation Layer map which is expected for next year.

Staff Comments. Proposition 84 allows 10 percent of all allocations to be used for necessary planning and administrative activities. It is the opinion of staff that as the state embarks on extended land acquisition plans, we should have the tools to identify highest priority conservation needs that promote Agency agreed upon priorities of connectivity and wildlife corridors. At first glance, vegetation mapping appears to be an important tool that we should promote agency wide and where possible, make new bond funds available for.

STAFF RECOMMENDATION. None, item is informational.

ISSUE 2: THE WILDLIFE ACTION PLAN

In 2000, Congress enacted the State Wildlife Grants Program to support state programs that broadly benefit wildlife and habitats, particularly those addressing “species of greatest conservation need.” As a requirement for receiving federal funds under this program, state wildlife agencies were to have submitted a state wildlife action plan to the U.S. Fish and Wildlife Service by October 2005. The action plan was required to include statewide information on natural diversity, species at risk, stressors, conservation actions, monitoring, and conservation capabilities. Additionally, the wild life action plan required that the department conduct a review of the major threats to wildlife and habitats and conservation needs on a regional level. The project divided the state into nine regions: 1) Mojave Desert; 2) Colorado Desert; 3) South Coast; 4) Central Coast; 5) North Coast – Klamath; 6) Modoc Plateau; 7) Sierra Nevada and Cascades; 8) Central Valley and Bay-Delta; and 9) Marine.

California Wildlife: Conservation Challenges, the state’s wildlife action plan, was developed and produced as a collaboration between the department and the Wildlife Health Center at the University of California, Davis. The Wildlife Health Center managed scoping meetings, expert consultations, conservation workshops, and prepared the report and web publications. Fish and Game provided guidance, technical analyses, and critical review and editing.

Staff Comments. Staff understands that the wildlife action plan is to be released shortly by the department. At the hearing, the department should be prepared to comment how it plans to implement the plan and more specifically, how it will prioritize the various recommendations that it makes.

Because the broad scope of recommendations that the wildlife action plan may exceed the fiscal resources of the department, staff feels that will be necessary to prioritize recommendations made by the report to maximize the return for what funding is available. To do this, the subcommittee may wish to consider developing supplemental report language that directs the department to develop and report back to the Legislature on a list of clear priorities for the plans implementation.

STAFF RECOMMENDATION. Hold open.

ISSUE 3: COASTAL WETLANDS MANAGEMENT

The Governor's budget is requesting one position (.9 PY) and \$136,000 from the Coastal Wetlands Account in support of Senate Bill 1125 (Chesbro) to manage and maintain coastal wetlands properties owned and/or managed by the department in Southern California. Coastal wetlands that will benefit from this position will be within Santa Barbara, Ventura, Los Angeles, Orange, and San Diego Counties.

Background. In the 2006/07, the Budget Act transferred \$5 million from the General Fund to a newly created Coastal Wetlands Management Fund. Under the statutory direction of the trailer bill, 60 percent of all interest earned from the Coastal Wetlands Management Fund

Balance is to be used to manage and maintain coastal wetlands properties. On average the interest earned is expected to be around \$150,000 annually.

Staff Comments. Coastal wetlands are of vital ecological and socio-economic significance. Wetlands filter contaminants from waters, store large volumes of water thereby reducing the threat of flooding, and provide nursery services that help ensure the productivity of marine life. Coastal wetland plants also help prevent erosion, stabilizing the shoreline. The tidal, sheltered waters of coastal wetlands support unique ecosystems upon which several endangered species are entirely dependent for their survival.

With their ecological and flood protection benefits, wetlands are also valuable recreational open spaces for highly impacted urban areas and support local tourism and commercial fishing industries. As public spaces, coastal wetlands receive tens of thousands of visitors annually. In many cases, staff has concern, that coastal wetlands do not have adequate staff to manage California's wetlands to maximize both their ecological and recreational potential.

The proposal presented by the administration begins to address some of the management needs of our coastal wetlands. To fund the proposal, the state is earning interest from a \$5 million account balance that originated from the General Fund. Considering the needs of coastal wetlands, staff has concerns that \$5 million is not an adequate fund balance to warrant an endowment-style funding mechanism and this investment may be better applied directly towards coastal wetlands management staff or restoration projects.

Staff Recommendation. Hold open and direct staff to work with the department on developing a coastal wetlands priority list for this funding.

Issue 4: Land Management

Governor's Budget. The Governor's budget requests \$2.9 million (\$639,000 Proposition 12, \$825,000 Special Deposit Fund, and \$1,386,000 Reimbursement authority) and 18.5 positions (17.6 PYs) and 3.0 Temporary Help positions to meet basic management and maintenance needs for site security, resource management, and public use on lands administered by the DFG to satisfy agreements for maintenance and management of these lands; to provide incentives to private landowners for management activities that benefit important species and habitats; and to conduct programs for the control of invasive species on these lands and elsewhere in the state.

Background.

Proposition 12 Land Management. Proposition 12 authorized \$12 million for the department to manage its ecological reserves, wildlife areas and other lands it receives through donation. The department has used this funding to operate land management projects to both enhance its properties for their intended use and avoid causing a nuisance to private land owners or adjacent property owners.

Oroville Wildlife Area. As part of the FERC license renewal process for Oroville Dam, the state and participating parties signed an agreement identify critical habitat and ecological needs to protect and enhance the wildlife habitats and recreation within the Oroville Wildlife Area. The budget proposal would continue funding priorities of this plan.

Habitat Mitigation Lands Management Staff. The department receives lands to mitigate the harmful effects of various development projects. Under statute, the department is required to manage these lands in perpetuity for the unique species and habitat values that they support.

Landowner Incentive Program. The Landowner Incentive Program (LIP) is a federal program that requires a minimum of 25 percent non-federal match for to provide landowner grants for various conservation activities.

Staff Comments. This proposal will provided needed staff to the department to fulfill some of the department unmet land management needs. Additionally, this proposal does not use General Fund and accesses federal matching funds. Staff has no issues with this proposal.

STAFF RECOMMENDATION. Approve as budgeted.

ISSUE 5: ADMINISTRATIVE AUGMENTATION

Governor's Budget. The Governor's 2007-08 budget is requesting 12.0 positions for administrative support for various functions for new requirements and an increasing workload, which exceeds the scope and workload capacity of the current available resources. This proposal does not request any additional funding.

Background. The 2006/07 budget provided \$92 million dollars (\$51.8 million one-time; and \$31 million through 6/30/2009) in new funding and 139.1 new positions for the department. Funding augmentations for the department in last year's budget were spread widely throughout the department but larger actions were focused in the following areas:

- Salmon Steelhead Restoration Account: \$10 million one time General Fund for Salmon and Steelhead Restoration projects.
- Non-Game Fish and Wildlife Program: \$10 million one time General Fund for Non-Game Fish and Wildlife preservation activities. This funding was provided to the Legislature with requirements for a spending plan to be submitted to the legislature in January of 2007. The Legislature has not received this spending plan to date.
- Transfer of CALFED Ecosystem Restoration Program (ERP): The transfer of the CALFED ERP program included the transfer of more than \$70 million dollars and 90 contracts to the department.

- Marine Programs: Marine Life Management implementation was augmented by \$3 million General Fund. \$5 million (General Fund) in on-going funding was provided for implementation of Bottom Trawling legislation.

Staff Comments. Staff does not have any issues with this proposal but does have concerns that the spending plan for the Non-Game Fish and Wildlife Program augmentations has not been submitted to the legislature. When the Legislature appropriated \$10 million from the General Fund to the department for wide ranging non-game related activities, it was a priority of the subcommittee that the department submit a detailed spending plan for the funding in the budget year for legislative review. Before acting on this proposal, the legislature needs to have information on how funding has and will be spent.

STAFF RECOMMENDATION. Hold open until late reports have been received.

Issue 6: Environmental Review Program

Governor's Budget. The Governor's budget is requesting 34 permanent positions (32.3 PY) and \$4.5 million (Fish and Game Preservation Fund) to fund the California Environmental Quality Act (CEQA) review program. Thirty of these positions would focus on the review of environmental documents, writing comment letters, coordinating with county planners and other agencies, and negotiating with developers and CEQA lead agencies. The other 4 positions would be responsible for ensuring appropriate assessment, accounting and additional administrative duties.

Background. Under the CEQA program, statutory direction is that fee revenue be sufficient to fully fund the needs of the program. This includes funding for CEQA document review, local government coordination, consultation with lead CEQA agencies, and on the ground project review. Protracted litigation on the constitutionality of the fee, incorrect implementation by lead agencies, no inflation index for the fees, and a poor collection system have prevented the program from meeting statutory direction to fully fund the program with fee revenue.

In September of 2006 SB 1535 (Kuehl) was signed by the Governor and implemented various measures to improve fee collection and increase CEQA revenue to generate \$4.5 million in new fee revenue annually.

Staff Comments. For the hearing, Fish and Game should be prepared to give the subcommittee an update on the implementation of SB 1535 (Kuehl).

STAFF RECOMMENDATION. Approve as budgeted.

ISSUE 7: CALTIP

Governor's Budget. CalTIP. The Department of Fish and Game requests \$75,000 of additional spending authority (\$9,000 overhead) from the Fish and Game Preservation Fund--Dedicated Secret Witness Account (Account 0200.28) to match spending authority with revenue and better utilize the \$600,000 currently in the Account.

Staff Comments. Staff does not have any specific issues with this proposal but has received some concern from others about the use of increased funds for these purposes.

STAFF RECOMMENDATION. Approve as budgeted.

Issue 8: Commercial Salmon Fee Account

Governor's Budget. The Governor's budget is requesting a one-time augmentation of \$282,000 (General Fund) to replace commercial salmon vessel and salmon stamp fees waived by the Governor in response to a closed Salmon Fishing Season in 2006/07.

LAO Issue. The LAO has concerns that the department has failed to reduce projected fee revenues relating to salmon fishing in several FGPF subaccounts. While the department was given an ongoing General Fund augmentation intended to offset lost revenues in the budget year, its revenue projections do not seem to take into account reduced salmon fishing and its impacts on department revenues. Specifically, the LAO finds that revenue projections for the following four accounts are too high: the Commercial Salmon Stamp Account, by \$62,000; the Commercial Augmented Salmon Stamp Account, by \$210,000; the Commercial Salmon Vessel Permit Account, by \$48,000; and the nondedicated account, by about \$900,000.

The LAO recommends the department prepare updated fund condition statements for these four accounts that more accurately reflect projected revenues. The LAO also recommends the department report at budget hearings on its long-term plans for managing these four accounts, since we project that the revenue adjustments will put the three dedicated accounts in deficit beginning in 2008-09, absent corrective action.

Staff Comments. The department should be prepared to comment on the LAO concerns.

STAFF RECOMMENDATION. Approve as budgeted if LAO concerns are resolved by the department.

Issue 9: Anadromous Fish Management

Governor's Budget. The Governor's budget is requesting 9 new permanent positions (8.5 PYs), 6 Temporary Help positions, and \$11.5 million for year 1 of 4 from the following fund sources: \$598,000 (Fish and Game Preservation Fund-Steelhead Trout Dedicated Account), and \$10,856,000 (Proposition 84). This proposal will require the department to implement the

following programs over four years: Coastal Salmonid Monitoring Plan Implementation; Coho Recovery Plan Implementation; Steelhead Report Card Augmentation; Coastal Steelhead and Chinook Recovery.

Coho Salmon Recovery Plan. In 2004, the Fish and Game Commission adopted a Coho Salmon Recovery Strategy Plan and directed the Department to adopt regulations to logging practices designed to prevent "take" of Coho Salmon, a California endangered species. In response to the Fish and Game Commission's plan, the department has relied on the State Board of Forestry to adopt forest practice reforms that would reduce the impact of commercial logging practices on 14 species of state and federally listed salmon and aid in their collective recovery. To date, the Board of Forestry has not adopted new logging reforms. Additionally, the first set of regulations that were adopted by the board in 2000 are going to expire in 2007.

Staff Comments. Over the last 10 years, the department's Fishery Grant Restoration Program has governed the spending of state and federal funds for salmon restoration projects. From discussions with the department, though it is not required by statute, it appears that most of the funding in this proposal will be expended using existing statutory criteria of the Fisheries Restoration Grant Program. The Legislature may want to consider developing budget bill language that would encourage that Fisheries Restoration Grant program grant criteria be used when expending these funds.

Directly concerning the Coho Salmon Recovery plan, staff has received public concern regarding the Board's ability to extend existing and adopt new reforms. At the hearing, the department should be prepared to speak to the state of the Coho Salmon Recovery plan and any progress that is being made with new regulations at the Board of Forestry. Additionally, the department should be prepared to comment how it intends to implement the Coho Recovery plan in lieu of a Board that is unable to adopt necessary logging regulations

STAFF RECOMMENDATION. Because this is a Proposition 84 issue, staff recommends that it be held open.

Issue 10: Proposition 84: Bay Delta Habitat Conservation Plan

Governor's Budget. The Governor's budget for CALFED includes \$1.7 million in Proposition 84 bond funds and continuation of 16 existing positions for the development of a Natural Communities Conservation Plan (NCCP) for the delta. The budget request represents the first year of a \$20 million, six-year plan for spending Proposition 84 funds to develop the conservation plan. The budget proposal also includes shifting the fund source for 16 existing positions from user contributions to bond funds.

Background. An NCCP is a regulatory tool used to comply with the California Endangered Species Act. Essentially, the development and implementation of an NCCP allows project proponents (in this case, delta water exporters relying on the delta pumps for water deliveries) to "take" (incidentally harm) endangered species, provided that the overall health of the ecosystem is protected.

LAO Recommendation. In their analysis of the governor's budget, the LAO cites that when the proposal for developing an NCCP for the delta was first presented to the Legislature at hearings on the 2006-07 budget, the administration indicated that water users (primarily SWP contractors) would pay for such an NCCP. Because the water users are the primary beneficiaries of water diversions from the delta and must comply with the California Endangered Species Act, the LAO feels that it is appropriate that they pay for such an NCCP. The recovery of state costs to develop and implement NCCPs from fees is also authorized in state law.

While Proposition 84 authorizes up to \$20 million for the development of an NCCP for the delta, the LAO thinks that the availability of bond funds does not relieve the water users from the responsibility for paying for projects that benefit them. The LAO therefore recommend denying the budget request on the basis of the proposed funding source, but would recommend its approval if the water user contribution were to be reinstated.

Staff Comments. In addition to addressing the LAO's concerns, the department should be prepared to clarify for the committee what is being agreed upon in the Bay Delta Conservation plan and if it will define, by agreement of all participants, a delta policy course that will be difficult for the legislature to divert from.

STAFF RECOMMENDATION. Hold open due to use of Proposition 84 bond funds.

Issue 11: CALFED Ecosystem Restoration Program Implementation

Governor's Budget. The Governor's budget is requesting to continue current funding for the CALFED Ecosystem Restoration Program (ERP) with \$115 million from Proposition 84. With funding, this proposal would also shift 40.5 existing positions to Proposition 84 (currently funded through Proposition 50) annually through 2012-13. The department also requests a reappropriation and extension of expenditure authority of the remaining ERP Proposition 50 project funds for an additional six years through June 30, 2013, or until funds are exhausted.

Staff Comments. The CALFED ERP is dedicated to the improvement of the overall health of the delta ecosystem through its various programmatic components. As discussed in prior hearings, CALFED is currently involved in three distinct major policy developing processes. For the hearing, the department should be prepared to comment how early actions by the program have and will continue to improve the health of the delta. Additionally, the department should comment how planning and project selection of the Ecosystem Restoration Program is being coordinated with the Delta Vision, End of stage 1 review and the Bay Delta HCP/NCCP.

STAFF RECOMMENDATION. Hold open due to use of Proposition 84 bond funds.

ISSUE 12: SAN JOAQUIN RIVER RESTORATION

Governor's Budget. The Governor's budget is requesting the first year of funding of \$1.18 million out of a total spending plan of \$40 million from Proposition 84 reimbursements to move forward on restoration activities on the San Joaquin River. This proposal is part of a joint effort with the Department of Water Resources and the Resources Secretary to expend \$100 million that Proposition 84 authorizes exclusively for San Joaquin River Restoration activities and includes additional partnerships with federal and private stakeholders.

Background. Friant Dam is located on the San Joaquin River in Fresno County and is used to store water primarily for agriculture. In 1988, the Natural Resources Defense Council sued the Federal Bureau of Reclamation (the operator of Friant Dam) and the Friant Water Users Association (FUWA), alleging that the operation of Friant Dam violated the state's Fish and Game Code with respect to historic fish populations in the river. In August 2006, the parties reached a settlement agreement, the goal of which is to "restore and maintain fish populations" in the San Joaquin River below Friant Dam. The settlement specifies actions that will be taken to restore the San Joaquin River over the next 20 years. Under the agreement, the federal government will provide funds to restore the river, while FUWA agreed to actions that will increase flows in the river. While the total cost of the restoration is unknown, early estimates indicate that the total cost could be over \$700 million over the next 20 years.

Staff Comments. When heard during the Subcommittee 3 hearing for the Secretary for Resources, there were concerns raised by the LAO about the timing of state involvement in this restoration project. From the hearing, staff interpreted that there was a clear direction of support from the subcommittee for moving forward with restoration activities in the budget year. For this hearing, the department should be prepared to give the subcommittee members a brief review of first stage priority elements of their San Joaquin River ecosystem restoration plan now that flows will be returning to the river.

STAFF RECOMMENDATION. Because this proposal includes Proposition 84 funds, hold open.

Issue 13: Proposition 84: Lower Colorado River Habitat Conservation Plan

Governor's Budget. Proposition 84 authorizes \$5.3 billion in general obligation bonds to fund projects and expenditures, of which "Not more than \$7,000,000 shall be available to the Department of Fish and Game for projects to implement the Lower Colorado River Multi-Species Habitat Conservation Plan.

Staff Comments. Staff has no issues with this proposal but recommends holding it open because of Proposition 84 funding.

STAFF RECOMMENDATION. Hold open.

Issue 14: Game Wardens

Game Wardens are California's only law enforcement entity responsible for patrolling our states wild lands and waterways. In total, wardens are responsible for protecting over 1,700 square miles of California Lands and Waterways from poaching, pollution, and destruction of natural lands and providing public safety, homeland security and disaster response statewide. Through budget reductions in the Department, Fish and Game has lost about 25 percent of its game warden force and currently there are about 200 game wardens on patrol statewide, a workforce that equals that of the 1950's. These losses have dismantled our state's presence in our open spaces and has spread game warden presence dramatically thin over vast areas of responsibility.

Staff Comments. In last year's budget, the legislature evaluated various proposals to increase compensation levels of Fish and Game Wardens. Throughout subcommittee deliberations, the Department of Finance stressed that game warden compensation is an issue that is more appropriately dealt with in the state's collective bargaining process rather than through the budget. As a priority of last year's subcommittee membership, \$10 million in General Fund was appropriated to the Department to increase recruitment and retention of Fish and Game enforcement personnel. In the budget conference committee hearings, this action was rescinded and a larger statewide proposal was approved that provided \$30 million General Fund and direction to the administration to work out a collective bargaining agreement on game warden compensation and other state employees that have similar compensation issues.

For the hearing, the department should be prepared to discuss how many game wardens the state currently has and if recruitment and retention has improved since last year's budget actions.

STAFF RECOMMENDATION. Item is informational, no action needed.

3760 – DEPARTMENT OF PARKS AND RECREATION

ISSUE 1: DEFERRED MAINTENANCE

Governor's Budget. The Governor's budget proposes to increase staffing by 41.0 positions to administer a multi-year expenditure of deferred maintenance funding (\$90 million) provided in 2006-07. In total, the Legislature approved \$250 million to Parks to begin to address nearly \$1 billion in unmet deferred maintenance needs. In the Governor's proposed 2007/08 budget, \$160 million of this funding is being reverted back to the General Fund.

LAO Recommendation. In their analysis of the 2007/08 budget, the LAO writes:

Despite a growing backlog of deferred maintenance projects in state parks—totaling over \$900 million—the budget proposes essentially no funding for this purpose in the budget year. In fact, the budget proposes to revert \$160 million of funding appropriated in the current year for deferred maintenance back to the General Fund. To address this issue, the LAO recommends that the Legislature:

1. appropriate \$160 million from Proposition 84 bond funds, and adopt related budget bill language, to backfill the General Fund reversion;
2. withhold approval of request for staffing to administer existing appropriation for deferred maintenance;
3. adopt supplemental report language requiring the department to develop a strategy to use outside funding sources to help fund deferred maintenance projects; and
4. augment the department's support budget by \$15 million and adopt budget bill language directing the department to raise fees by a similar amount, in order to fund ongoing maintenance in the state park system. (Increase Item 3790-001-6051 by \$160 million and increase Item 3790-001-0392 by \$15 million.)

Staff Comments. Proposition 84 authorizes \$500 million to state parks for infrastructure deficiencies and acquisition needs. While in Proposition 84 statute is very broad to how parks can use this funding, however, general obligation bond law usually requires that bond expenditures be for projects that have a roughly a 20-30 year life expectancy. This is largely to ensure that the state is making an investment of state taxpayer money into projects that will extend beyond the expected time for repayment of the bond.

From discussions with the department, Parks has expressed that the \$90 million in General Fund that remains in the department's budget for deferred maintenance is sufficient to provide for the most pressing deferred maintenance needs to address public safety and public health issues. The department should be prepared to discuss how it plans on prioritizing these funds and how deferred maintenance needs will be addressed with Proposition 84 funds.

Staff Recommendation. Staff recommends the following three actions: 1) Approve deferred maintenance staffing proposal as budgeted. 2) Approve LAO recommended supplemental report language. 3) Hold open reversion of \$160 million from Proposition 84 to the General fund.

ISSUE 2: IMPLEMENTATION OF EMPIRE MINE SHP REMEDIATION MEASURES

Governor's Budget. The Governor's budget is proposing \$5 million (General Fund) to continue toxic remediation efforts at Empire Mine in Nevada City, California.

Background. The Empire Mine State Historic Park was the site of major mining activities for over 100 years. There are various contaminants present on the site, including asbestos, radon, and various heavy metals.

The department was allocated \$500,000 from the Surface Mining and Reclamation Act Fund in 2005 to fund a human health risk assessment and storm water pollution prevention plan to begin to address the pollution caused by the Empire Mine.

In the 2006/07 budget, the legislature approved \$5 million in General Fund monies for contamination remediation measures at the Empire Mine State Historic Park.

Deltakeeper Lawsuit. State Parks and the Deltakeeper entered into a Consent Decree in January of 2006 to settle a lawsuit brought by the Deltakeeper. This Consent Decree requires State Parks' full compliance with industrial and construction storm water permits. The department indicates that it already has a Storm Water Pollution Prevention Plan in place and is working on the necessary permits for implementing best management practices and a permanent pollution prevention strategy. The department also indicates that it is pursuing potential responsible parties that will share in the cost of the cleanup.

Staff Comments. Staff has no issues with this proposal. The department should be prepared to give the subcommittee a status report on remediation efforts at Empire Mine.

STAFF RECOMMENDATION. Approve as budgeted.

ISSUE 3: PROPOSITION 84: LOCAL ASSISTANCE GRANT ADMINISTRATION

Governor's Budget. The Governor's budget requests an augmentation of \$18.8 million (Proposition 84) and 10.2 million to administer \$525 million in new local grants for park projects. The criteria for which these local assistance park grants will be administered is currently being discussed in various policy bills.

Staff Comments. Through Propositions 12 and 40, the department has administered \$1.7 billion in local park grants and from Proposition 84, the department is authorized an additional \$525 million for local parks. From discussions with Parks, it is clear that most park funds from Proposition 12 and 40 have been encumbered and will be expended by locals by the end of their liquidation periods.

While the department does have existing local grant criteria that can be used to administer the funding authorized in Proposition 84, it is an issue that is currently being discussed in various policy bills in both the Senate and the Assembly. Staff has no issues with the funding

and positions outlined in this proposal but recommends that this stay open as it relates to Proposition 84 funding.

STAFF RECOMMENDATION. Hold open.