

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 3
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION****Assemblymember Ira Ruskin, Chair****WEDNESDAY, MARCH 25TH, 2009
STATE CAPITOL, ROOM 447
9:00A.M.**

<u>Item</u>	<u>Description</u>	<u>Page</u>
3790	Consent Calendar	
Issue 1	Department of Parks and Recreation	2
	Concession Proposals for State Parks	2
	Items to be Heard	
3340	California Conservation Corps	4
Issue 1	Federal Stimulus	4
3790	Department of Parks and Recreation	6
Issue 1	Implementation of Existing Bond Funded Program	6
Issue 2	Proposition 84 Budget Change Proposals	7
Issue 3	Diesel Vehicle Emission Retrofit	9
Issue 4	Support and Staffing for Completed Capital Outlay Projects	10
Issue 5	Americans with Disabilities Projects: Fund shift to Prop 84	11

CONSENT CALENDAR

ISSUE 1: CONCESSION PROPOSALS FOR STATE PARKS

Under current law, the Legislature is required to review and approve any proposal or amended concession contract that involves total investment or annual gross sales over \$500,000. In past years, the Legislature has provided the required approvals in the *Supplemental Report of the Budget Act*.

The Department of Parks and Recreation has included four concession agreements that require legislative approval:

1. Ferry Service from San Francisco to Angel Island
2. Hollister Hills State Vehicular Recreation Area — Park Store Concession
3. Oceano Dunes State Vehicle Recreation Area — Camp Trailer Rental Service
4. Santa Monica State Beach — Food Service Concession Stand

Following the LAO's review of the proposed concession agreements, the LAO found that all of the proposals are warranted and are recommended to be approved by the Legislature.

Staff Recommendation. Approve the following supplemental report language

SUPPLEMENTAL REPORT LANGUAGE FOR CONCESSION AGREEMENT PROPOSALS FOR THE BUDGET ACT OF 2009

Item 3790-001-0001 --- Department of Parks and Recreation:

1. Concession Contracts. Pursuant to Public Resources Code Section 5080.20, the following concession proposals are approved as described below:

- a. Angel Island State Park --- Ferry Service Concession.** The department may bid a new concession contract to provide ferry service transportation exclusively between San Francisco and Angel Island State Park.

The proposed provisions of the new concession contract include a term of up to ten years; annual rent will be the greater of a guaranteed flat rate or a percentage of annual gross receipts. Proposers will be required to bid a minimum annual rent of up to \$50,000 or up to 15% of monthly gross receipts whichever is greater, and commit up to 2% monthly gross receipts for dock maintenance.

It is anticipated that the new concession contract will be implemented during the fall of 2009.

- b. Hollister Hills State Vehicular Recreation Area --- Park Store Concession.** The department may bid a new concession contract to operate, and maintain a park store concession with food service with Hollister Hills State Vehicular Recreation Area.

The proposed provisions of the new concession contract include a contract term of up to 10 years to maintain and operate a park store to sell sundry items, food, motorcycle parts and provide repair services. The new contract may consider the inclusion of rental equipment services. Annual rent to the State will be the greater of a guaranteed flat rate or a percentage of gross receipts. Proposers will be required to bid a minimum annual rent of up to \$48,000 or up to 8% of gross receipts whichever is greater. The contract will also include up to \$60,000 in capital improvements to the structure.

It is anticipated that the new concession contract will be implemented during the winter of 2010.

- c. Oceano Dunes State Vehicular Recreation Area --- Camp Trailer Rental Service Concession.** The department may bid a new concession contract to provide for camping trailer rental services for park visitors camping at Oceano Dunes State Vehicular Recreation Area.

The proposed provisions of the new contract will include a term of up to 10 years; annual rent will be the greater of a guaranteed flat rate or a percentage of monthly gross receipts. Proposers will be required to bid a minimum annual rent of up to \$36,000 or up to 10% of monthly gross receipts whichever is greater.

It is anticipated that the new contract will be implemented during the winter of 2010.

- d. Santa Monica State Beach --- Food Service Concession.** The department may authorize the City of Santa Monica, under their current operating agreement with the Department of Parks and Recreation, to solicit proposals from the public for a contract to operate a food service concession on Santa Monica State Beach.

The proposed provisions of the new contract include a contract term of up to 10 years. Annual rent will be the greater of a guaranteed flat rate or a percentage of gross receipts. Proposers will be required to bid a minimum of up to \$75,000 per year or up to 15% of gross receipts, whichever is greater. In addition, limited one-time capital improvements to the facility of up to \$20,000 may be a consideration.

It is anticipated that a new concession contract will be issued during the summer of 2009.

ITEMS TO BE HEARD

3340 – CALIFORNIA CONSERVATION CORPS**ISSUE 1: FEDERAL STIMULUS FUNDING**

The California Conservation Corps is potentially eligible for millions of dollars in federal stimulus funding in three major categories: Land Management/Building Rehabilitation; Workforce Training; and Energy Efficiency Related Activities. The figures below represent a very broad summary of the programs included in the American Recovery and Reinvestment Act (ARRA). It is unknown how much of this funding the Corps will be eligible for until guidelines are finished and programs are in place. However, the breadth of Agencies administering funds and the size of appropriations in Figure 1 underscore both the unique opportunities that the Corps has been given and the complexity of pursuing these funds that they will face.

Figure 1.**American Recovery and Reinvestment Act Funding Cross-Cut****Land Management and Building Rehabilitation****Total Combined Appropriation - \$8.962 billion**

Agencies Administering Funds - Natural Resources Conservation Service; US Forest Service; National Oceanic and Atmospheric Administration; Bureau of Land Management; US Fish and Wildlife Services; Army Corps of Engineers; Bureau of Reclamation; National Parks Service; and US Geological Services.

Programs/Activities funded - Watershed rehabilitation; flood prevention; road and bridge rehabilitation/decommissioning; ecosystem enhancements; federal facilities improvements; abandoned mine clean up; trail maintenance; land management; wild land fire fuels management; and Federal Public Land Corps

Workforce Training**Total Appropriation - \$12.912 billion**

Agencies Administering Funds – Employment and Training Administration; and Corporation for National and Community Service.

Programs/Activities Funded - Youth activities; summer jobs for youth; adult employment and training; dislocated worker and employment training; "green economy" worker training; Youthbuild; Americorps; and National Service Trust.

Energy Efficiency Related Activities**Total Appropriation – \$5.161 billion**

(Known Allocation to California - \$411.9 million)

Agencies Administering Funds – Department of Energy; California Energy Commission; General Services Administration; and Department of Housing.

Programs/Activities Funded – weatherization; energy efficiency and conservation block grants; greening of federal buildings; and energy retrofits.

Staff Comments

The California Conservation Corps was created to give youth the opportunity to develop valuable workforce and life skills through demanding hands-on work experiences that help restore and protect California's natural resources. Key to the success of this mission is a commitment by the corps to provide cadets with opportunities to succeed in multiple sectors of the economy through practical experience and an emphasis on continued education and professional training both in the classroom and in the field.

Due to budget reductions in recent years, the primary funding source for the Corps has been increasingly shifted away from the general fund to being more dependent on fee-for-service activities. While the Corps have continued their commitment to meet their mission with reduced resources, this fiscal shift has forced the Corps to increasingly make program planning decisions based on which work performed by cadets will earn revenue to support the Corps, rather than which activities truly give cadets job training and real life benefits that will carry with cadets beyond graduation. One example of this, the Corps at one time operated three regional energy centers that provided cadets with training and work experience in area such as energy efficiency audits, weatherization, solar water heater installations and building rehabilitation. Due to budget cuts, the corps was forced to close these centers and shift that workforce to land management activities -- such as forest fuels reduction, litter removal, conservation work, and trail maintenance -- that generally provide more revenue to the corps from local, state and federal partners.

In the Federal Stimulus, the Corps is presented with a unique opportunity to take advantage of new funding to realign program goals and bring new opportunities to the youth enlisted in the Corps. There is a significant amount of federal stimulus funding that the Corps may be eligible for that could bolster existing programs in land management and building rehabilitation while reinvigorating programs in energy efficiency assistance and workforce training that have been reduced by prior budget reductions.

Federal Stimulus funding that is potentially available for the Corps will be distributed through a multitude of different federal, state and local agencies and organizations. Timing for these programs is unknown at the moment because each implementing agency must develop programs and guidelines prior to the disbursement of funds.

Because the Corps will be applying for many different grants at the federal, state, and local federal agencies in a short amount of time, the Corps should be prepared to discuss with the subcommittee how limited resources will be utilized, and what strategies will be engaged to pursue maximum federal stimulus funds.

Additionally, with a focus on workforce development, the subcommittee may wish to discuss which programs historically have given cadets the greatest job training for employment and how existing programs could be improved to maximize training and education opportunities for cadets beyond graduation.

Staff Recommendation. None, item is informational

3790 – DEPARTMENT OF PARKS AND RECREATION

ISSUE 1: IMPLEMENTATION OF EXISTING BOND FUNDED PROGRAMS

The Department of Parks and Recreation (Parks) is fairly unique in that it manages very large expenditures of bond funds for many different projects at both the statewide and local level. Currently, the Department of Parks and Recreation (Parks) is administering 1,553 bond projects through various programs to enhance state and local parks that have been impacted by the freeze of Pooled Money Investment Account (PMIA) funds. Due to the bond freeze, Parks reports that 579 projects have been stopped or substantially restricted, 509 projects are finished but have outstanding bills, and 378 projects are “not stopped” but are proceeding with local or federal funds.

Staff Comments

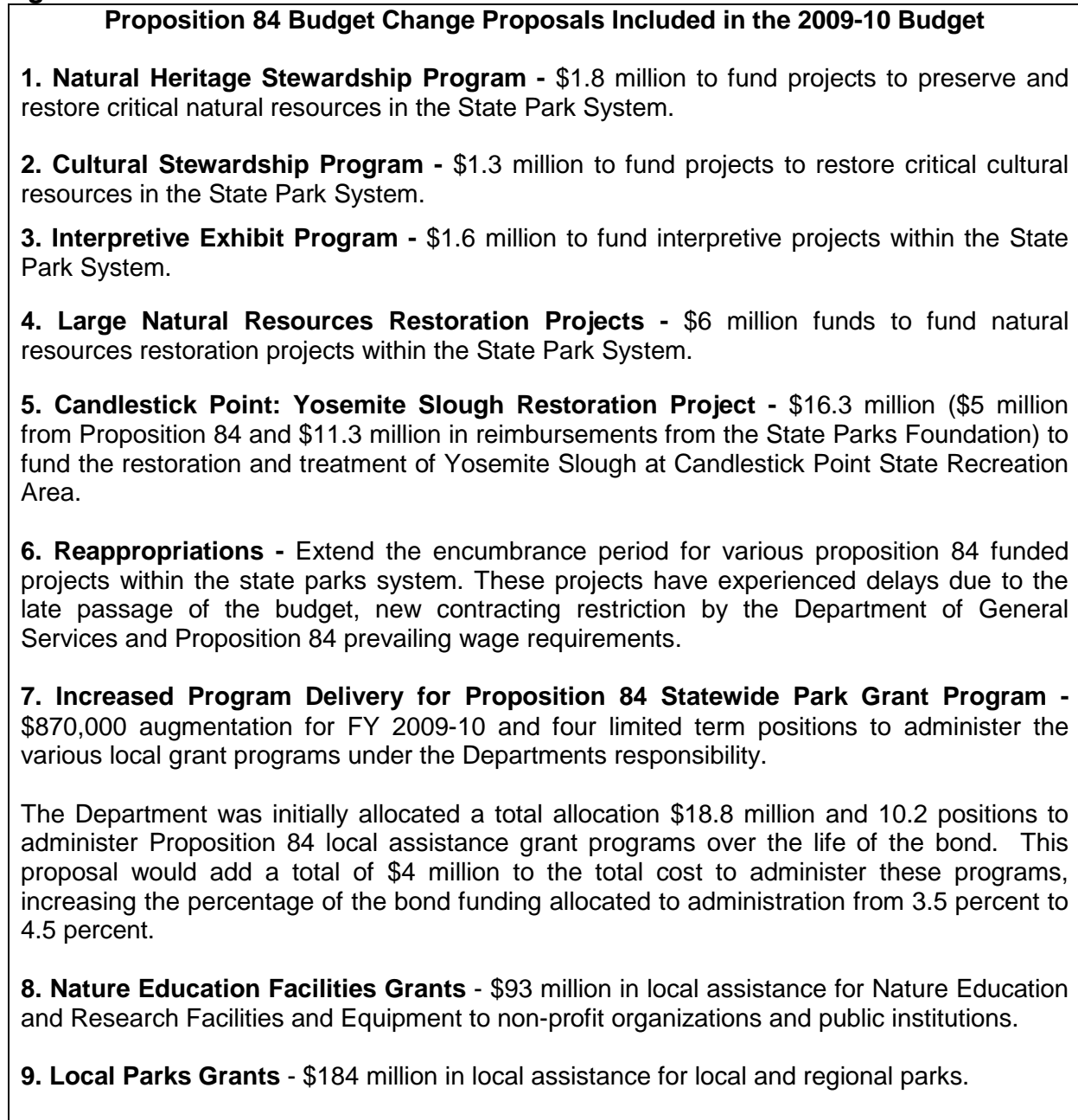
Staff has concerns that the bond freeze has placed enormous pressures on the Department’s capacity to manage a statewide inventory of diverse bond projects. The act of halting, slowing, stopping payments, working with contractors, finding alternative funds, and minimizing impacts of the freeze on projects creates substantial unforeseen administrative workload. Additionally, because project costs could potentially be increased due to the stoppage, moving forward the Department will face acute challenges in the fiscal planning for and prioritization of bond projects expenditures.

For the hearing, the Department should be prepared to discuss with the subcommittee what overall impacts the bond freeze will have on the different programs that it manages at the state and local level. Specifically, the Department should be prepared to present how it is managing the crisis and what impacts the bond freeze will have on overall costs and construction timelines for the projects.

Staff Recommendation. None, item is informational

ISSUE 2: PROPOSITION 84 BUDGET CHANGE PROPOSALS

The 2009-10 budget that was approved in February appropriated over \$290 million in Proposition 84 funding (Figure 2) for projects at state park facilities and local assistance grant programs. Generally, these programs are in year 2 of a 5-6 year appropriation schedule with exception of local assistance programs that were preparing for their first year of grants in 2010.

Figure 2.

Staff Comments

In light of the statewide freeze on bond funded projects, staff has concerns that the current expenditure plans under which the 2009-10 budget proposals were developed did not take into account significant potential increases in project costs due to the stopping and restarting projects. Additionally, staff has concerns that while bond expenditure plans assumed that the state would be able to sell and subsequently expend the entirety of statewide bond expenditure plans, it is unclear whether the current and future bond markets will be able to support this commitment.

Considering that the total amount of funds that are available for statewide bond expenditure plans will be reduced due to unforeseen costs due to the bond freeze, and recognizing that there is potential that in the short term, the state will not be able to sell all of the bonds that are needed to support statewide bond expenditure plans, staff has concerns that departments will be forced to reevaluate and reprioritize bond fund expenditures in the budget year and out years.

On a statewide level, a reduction in bond funds and an increase in costs will force the legislature and the administration to prioritize which programs receive funding from a shrinking resource. Staff feels that the subcommittee may want to discuss whether it is prudent to move forward with bond expenditure proposals as proposed at this time considering the unlikelihood that they will go unspent in the budget year. Depending on the length of delays and their costs, the subcommittee may want to look at how the department should proceed with expenditure plans from this point forward.

Additionally, while many of these programs are in their second year of a five-six year expenditure schedule, most of the local assistance funding has not begun to be expended. At the same time, the Department has been supporting administrative staff to develop and run these programs. In Proposition 84, there is a cap of 5 percent that can be allocated for administrative services. At the hearing, the subcommittee may want to discuss how the Department is planning on maintaining experienced staffs that run complex local assistance grant programs while meeting 5 percent cap requirements of the proposition and insuring that they will be able to fulfill administrative staffing requirements for local assistance programs throughout the entirety of a 8-10 years bond program.

Lastly, because of increasing unlikelihood of budget year bond fund expenditures, staff has concerns that moving forward the Department will be in a position of revolving reappropriations for all of its bond programs. This is a pertinent issue for all bond funded programs statewide and further lends to the question of how budget year appropriations and ongoing bond expenditure plans should be amended to account for the bond stop work orders.

Staff Recommendation

None. (The legislature should consider for future action either limiting appropriations of bond funds in the budget year, changing encumbrance dates to account for bond project delays, or requiring the administration to reevaluate bond implementation plans in order to account for the stop work orders.)

ISSUE 3: DIESEL VEHICLE EMISSIONS RETROFIT AN REPLACEMENT

The Governor's budget proposes a \$1.64 million augmentation from the General Fund and 1 position to retrofit the Department's heavy-duty diesel vehicles fleet to meet Air Resources Board (ARB) on-road heavy duty diesel fueled vehicles.

Background

In FY 2008-09 the Department requested a one-time augmentation of \$910,000 from the General Fund to establish a heavy duty diesel retrofit and replacement program. In the final 2008-09 budget, this proposal was shifted by the Legislature from the General Fund to the Motor Vehicle Account (MVA). The Governor subsequently vetoed this appropriation, stating that the MVA was not an appropriate fund source for the program.

Staff Comments

In total, the Department has identified 131 vehicles that need to be brought into compliance by December 11, 2009. This compliance schedule was spread over 5 years and contains periodic deadlines that the Department must meet. Because the Department has not been able to move forward with any retrofits, they have missed compliance targets set by the ARB and may have difficulties meeting final compliance requirements.

The Legislative Analyst has identified Federal Stimulus funds that may be available to the state for these purposes. At the hearing, the LAO and Department should discuss the availability of these funds for this program.

It is noted by staff that this issue was taken out of the 2009-10 budget without prejudice and requires approval by the legislature to go into effect.

Staff Recommendation

Approve as budgeted. (If federal stimulus funds become available, the subcommittee may reconvene and take appropriate alternative actions.)

ISSUE 4: SUPPORT AND STAFFING FOR COMPLETED CAPITAL OUTLAY PROJECTS

The 2009-10 budget includes a \$2.5 million augmentation in FY 2009-10 and \$2.76 million and 15.5 positions in 2010-11 from the State Parks Recreation Fund for staffing and operating expenses to support the following eight parks projects that were expected to be completed at the time the budget was developed:

- Angel Island Immigration Center;
- Año Nuevo Marine Education Center;
- Crystal Cove's El Moro campground and day use facility;
- Kenneth Hahn's Baldwin Hills scenic overlook;
- Kings Beach SRA;
- Malibu Creek restoration of Sepulveda Adobe as a house museum;
- Prairie Creek day use and campground improvements; and,
- Silverwood Lake day use and campground improvement.

Staff Comments

When preparing the budget, Parks was anticipating \$2.97 million in new revenue would be generated by bringing these eight new facilities on line in 2009-10. Due to the bond freeze, staff understands that Parks only expects to open three of the eight facilities (Kings Beach, Kenneth Hahn, Angel Island) in 2009-10.

At the hearing, the Department should be prepared to discuss with the subcommittee whether the original request of 15.5 positions is still needed due to the fact that five park opening may not occur in the budget year.

Additionally, the Department should be prepared to update the subcommittee on anticipated park attendance and fee revenue collection estimates for the current year and budget year and whether or not the current fiscal situation impacted attendance.

Staff Recommendations.

Hold open. (The subcommittee may need to take later actions to reduce appropriation and staffing allocations if the bond freeze extends and new facilities are not opened in the budget year.)

ISSUE 5: AMERICANS WITH DISABILITIES ACT

The 2009-10 budget included a shift \$11 million in FY 2008-09 and \$8 million in FY 2009-10 from the General Fund to Proposition 84 funds for implementation of the court ordered Americans with Disabilities Act (ADA) multi-year compliance plan. In total, this fund shift will save \$51.5 million in General Fund through FY 2014-2015.

Background

As a result of a lawsuit brought by disability rights stakeholders, the Department was required to develop and get approved by the courts a comprehensive plan to bring the state park system into ADA compliance. In 2002-03, a budget change proposal was approved to begin the implementation of the plan that distributed total annual costs to the state between the General fund (94 percent) and Off-Highway vehicle Trust Funds (6 percent). The in total, the Department's ADA compliance plan will be a 13-year process that is anticipated to cost \$111.8 million dollars.

Staff Comments

Staff has concerns that stop work orders on bond funds may impact the Department's ability complete court ordered projects. Recently, the Pooled Money Investment Board voted to allocate \$500 million funds for General Obligation bond projects. Expenditure of these funds will be prioritized by the Department of Finance. At the hearing, the Department and Finance should be prepared to comment on whether these projects are moving forward and being prioritized to receive funding from limited pooled money investment account funds. Additionally, Parks and Finance should comment on whether Bond funds are now an appropriate funding source considering potential future instabilities of bond funds and the fact that implementation of this plan is directed by the courts.

Staff Recommendation

No action at this moment. (The subcommittee may wish to consider shifting this program to other funding sources when more is known about the bond project freeze.)