

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Assemlbmember Fran Pavley, Chair

WEDNESDAY, MAY 10, 2006
STATE CAPITOL, ROOM 447
8:30 A.M.

Hearing Items

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CONSENT CALENDAR

ITEM	DEPARTMENT	SUMMARY
3110	Special Resources Programs	Finance Letter - \$572,000 (ELPF) to replace the Tahoe Regional Planning Agency's Land Records Management System.
3340	California Conservation Corps	Capital Outlay
3340	California Conservation Corps	Finance Letter - \$131,000 (Prop 40) for resource conservation activities and \$106,000 (Prop 40) for local conservation corps funding
3600	Department of Fish and Game	Finance Letter - Enforcement Program
3600	Department of Fish and Game	Finance Letter - \$216,000 (Reimbursements) for restoration activities for the Bolsa Chica wetlands.
3640	Wildlife Conservation Board	Finance Letter - Reappropriation of \$25 million (Prop 40) for land acquisition and recreation
3790	Department of Parks and Recreation	Open Issue - OHV Minor Capital Outlay Projects with the following Budget Bill Language: <i>3790-301-0263—1. Notwithstanding any other provision of law, projects funded in Schedule (1) of this appropriation shall not be subject to the provisions of subdivision (e) of Section 5090.24 of the Public Resources Code.</i>
3790	Department of Parks and Recreation	Open Issue – Approve concession proposal for Pismo State Beach upon completion of FSR by the Department.
3810	Santa Monica Mountains Conservancy	Finance Letter - \$47,000 increase in expenditure authority for unanticipated donations
3810	Santa Monica Mountains Conservancy	Finance Letter – Allow SMMC to issue grants funds for non-capital outlay activities and add BBL to require SMMC to report annually on donations received.
3835	Baldwin Hills Conservancy	Finance Letter – Reappropriation of 40 million (Prop 40) for land acquisitions.
3855	Sierra Nevada Conservancy	Finance Letter – Reappropriation of \$3.67 (ELPF) from the 2005 budget act.
3850	Coachella Mountains Conservancy	Finance Letter – 1) Reappropriation of \$211,000 proposition 40 funds for capital outlay. 2) Reversion of the unencumbered balance of 3850-001-6029; 3) Re-appropriation of \$577,000 (Prop 40 for land acquisitions.
3960	Department of Toxic Substances Control	Finance Letter – Reappropriation of \$4 million for acquisition and construction of a new Stringfellow site.

3110 TAHOE REGIONAL PLANING AGENCY

ISSUE 1: FINANCE LETTER - PERMIT TRACKING SYSTEM

The Tahoe Regional Planning Agency is requesting \$572,000 to provide one-time funding for the State's share of replacing the Tahoe Regional Planning Agency's (TRPA) Permit Tracking System (PTS). In subsequent years, TRPA expects ongoing software maintenance costs to be \$36,000 annually.

The PTS will be replaced by a new land records management system which will streamline TRPA's permitting process, make the permitting process more accessible to the general public and improve the exchange of information with partner agencies and the general public. TRPA is a bi-state compact agency funded by California and Nevada. Nevada is required to approve one-third of the total proposed project costs (approximately \$320,000) and has approved the funding in the 2006-07 budget.

Comments. Staff understands that the Feasibility Study Report for this proposal has been approved by the Department of Finance. Additionally, staff understands that because this proposal is funded by both the State of California and Nevada, 2/3:1/3 respectively, and Nevada has included funding for this proposal in their budget, a failure to approve California's share of funding would force the TRPA to be required to initiate the bi-state information technology approval process again.

STAFF RECOMMENDATION: Approve as budgeted

3480 DEPARTMENT OF CONSERVATION

ISSUE 1: FINANCE LETTER: ACUTE ORPHAN WELL ACCOUNT

The Department of Conservation (DOC) is requesting an augmentation of \$1.5 million from the Acute Orphan Well Account to enable the DOC to conduct emergency response activities related to oil and gas wells for which a responsible party cannot be identified. The Account was established by Chapter 336, Statutes of 2005 and receives revenue from annual fees imposed on owners and operators of oil or gas wells in California.

STAFF RECOMMENDATION. Staff has no issues with this proposal, approve as Budgeted

ISSUE 2: FINANCE LETTER: ABANDONED MINE INVENTORY

The DOC is requesting an augmentation of \$561,000 (Surface Mining Reclamation Account) and two two-year limited term positions to provide funding to coordinate efforts by state agencies to inventory abandoned mines on state-owned lands. Toxic materials remaining in abandoned mines present numerous threats to water quality, wildlife habitat, and human health. Many of these abandoned mines exist on lands accessible to the public. This proposal will provide the state with the information needed to assess the threat presented by abandoned mines on state lands and develop plans for remediation of particularly hazardous sites.

STAFF RECOMMENDATION. Approve as Budgeted

3540 – DEPARTMENT OF FORESTRY AND FIRE PREVENTION

ISSUE 1: CAPITAL OUTLAY

Real Estate Design Construction. Under Current Law, the Department of General Services (DGS) is responsible for managing most of the Department of Forestry and Fire Prevention's (CDFFP) capital outlay real estate design and management activities. In recent budget acts, however, some of this authority has been granted to CDFFP to conduct these activities for minor capital outlay projects costing less than \$500,000.

Governor's Budget. The Governor's budget is proposing to double the department's capital outlay staff from 15 positions to 30 positions over a two-year period in order to allow CDFFP to manage an additional six to eight capital outlay projects annually out of a total of about 45 projects on an ongoing basis (The remainder of the projects would continue to be managed by DGS). This proposal is intended help address an ongoing Capital outlay backlog in DGS – managed projects by assisting DGS with project management services for a number of major capital outlay projects on an ongoing basis. Currently, the department's capital outlay staff involvement is generally limited to minor capital outlay projects (such as landscaping, water system improvements, and equipment storage buildings) and providing assistance to DGS on major capital projects. As Figure 1 shows, this proposal will considerable widen the scope of CDFFP's involvement in the capital outlay process.

<p>Figure 1 California Department of Forestry and Fire Protection Real Estate Design and Project Management Activities</p>
<p>Planning and Design</p> <ul style="list-style-type: none"> • Development and review of preschematic documents. • Development and review of environmental documents. • Development, review, and administration of architectural and engineering service contracts. • Project cost estimating. • Development and review of preliminary plans (design documents). • Development and review of working drawings (construction documents).
<p>Construction</p> <ul style="list-style-type: none"> • Development, review, and administration of construction contracts. • Coordination of designers, special consultants, contractors, and inspectors. • Change order analysis and estimating. • Manage project schedules, costs, and scope. • Oversee on-site construction operations. • Preparation of project progress reports. • Analysis and settlement of construction claims and disputes. • Preparation of project completion reports. <p>Source – LAO Analysis of the 2006-07 Budget</p>

Comments: In prior subcommittee meetings, staff requested CDFFP to provide additional information on the projects managed by CDFFP over the past five years, including the number of years delayed and reason for delay and additional information on how CDFFP is addressing or can address delays caused by expanded review requirements for lease revenue bond financing, bids coming in over budget, project scope changes, and environmental studies that dictate project changes.

In total, CDFFP estimates that there are about 300 projects including non-major fire suppression facilities that are currently backlogged. The Department has indicated that increases in construction costs, increased due diligence requirements resulting from shifting funding from General Fund to Lease Revenue Bonds; and inabilities by DGS to qualify certain state properties for Lease Revenue bond financing.

To respond to project delays, the CDFFP has initiated the following:

- **Lease Revenue Bond (LRB) Financing Criteria:** CDFFP has established LRB financing criteria to help avoid financing projects that do not qualify for debt financing. Projects are now screened for consistency with these standards in the early stages of budget development which has proven to reduce certain project delays and should continue to improve program delivery.
- **LRB Due Diligence Conducted Earlier:** CDFF is conducting LRB Due Diligence earlier to avoid projected delays. For example, due diligence for new bond funded projects in the past few years has been conducted concurrently with the design phases of the project and are usually completed prior to the start of construction. By starting due diligence in the early stages of a project, these increased due diligence requirements should not result in future project delays.
- **Market Based Budgeting Approach:** Approximately two years ago project estimates, primarily the unit cost for the structures, for Fire Station projects were standardized based on actual market conditions that were reflected in the bids being received.
- **Capital Outlay Program Delay Meeting with DGS, DOF and CDF:** CDF initiated a monthly meeting with DGS and DOF at the executive management level to specifically address projects that have been delayed.

LAO Concerns. The LAO has raised two primary concerns with the Department's approach to resolving their ongoing backlog and delays of capital outlay projects:

- **Inefficient to Establish New Duplicative State Function, Rather Than Fix Existing Function.** By expanding the project management function for major capital outlay projects at CDFFP, the budget proposal does not directly address the underlying issues with project delay and instead creates potential inefficiencies. The statutory policy to consolidate project management authority in a single agency-DGS-reflects the potential efficiencies from consolidating what would otherwise be similar functions performed by multiple state agencies. Additionally, there would likely be significant

“start-up” costs at CDFFP to build expertise and it would take eight to ten months, according to the department, to hire staff to perform the expanded function.

- **Proposal Is Inconsistent With Current Statutory Policy.** Under current law, DGS is generally delegated with project management authority for state agency capital projects. This budget proposal is inconsistent with this statutory policy in that it provides for a major project management function outside of DGS. As discussed above, the budget proposal raises fundamental policy issues about the role of DGS as the delegated authority for real estate management in statute. As such, the LAO feels that changes to existing statutory policy should be evaluated by the Legislature in the policy committees before approving the creation of a project management unit in CDFFP.

STAFF RECOMMENDATION. Adopt LAO recommendation to reject proposal

ISSUE 2: URBAN FORESTRY GRANTS

The mission of the California Department of Forestry and Fire Protection's Urban Forestry Program is to develop a regional and statewide cooperative effort to advance the development of sustainable urban and community forests. Trees provide energy conservation, reduction of storm-water runoff, extend the life of surface streets, improve local air, soil and water quality, reduce atmospheric carbon dioxide, provide wildlife habitat and increase property values.

Through this program, the CDFFP offers grants of over \$1 million dollars a year to plant trees in urban communities throughout California. Currently, the Department has \$4.1 million in Proposition 12 funds for urban forestry grants. Under Proposition 12, these funds can be used for tree planting and up to 3 years of follow-up maintenance. Under proposition 40, the Department was allocated \$9.1 million for urban forestry programs. These funds can be used for any of the many uses spelled out in the CA Urban Forestry Act of 1978. Though these proposition 40 funds were designated for use in urban forestry programs, they have not been appropriated to the Department for urban forestry grant programs.

Staff Comments. The Department has indicated that although it is in the process of closing out its Proposition 12 grants, it expects to be able to handle ramping up Proposition 40 grants if the legislature takes actions to do so. Given a 5 percent administration cap on Proposition 40 grants, the Department feels it can handle potential grant workload by placing an emphasis on awarding larger grants that support regional urban forestry planning and providing large grants to non-profits that would in turn use grant funds to administer smaller grants to other nonprofits or government entities. Additionally, when looking at these programs, staff finds that it is important that best management practice (BMP) be established to guide the expenditure of bond funds so that certain statewide public benefits can be achieved such as increased energy savings, improved water quality and storm water control, increased air quality, fire protection, carbon sequestration, etc.

STAFF RECOMMENDATION. Approve appropriation of \$3.0 million (Prop 40) for urban forestry grants in 2006-07 and the following budget bill language:

Provisions:

1. It is the intent of the legislature that the funds appropriated by this item shall be prioritized to administer grants for the development of best management practices in accordance with Section 4799.11(a) (5) of the Public Resources Code.

3600 DEPARTMENT OF FISH AND GAME

ISSUE 1: FINANCE LETTER – FISH AND GAME PRESERVATION FUND

The Department of Fish and game is requesting an augmentation of \$1,915,000 (General Fund) to provide funding for the Department to continue public trust activities. The Fish and Game Preservation Fund (FGPF) receives revenues from fishing and hunting licenses, and supports both species-specific and general public trust programs. In response to FGPF revenue shortfalls in recent years, this proposal provides General Fund resources to sustain critical public trust programs administered by the Department.

Staff Comments. Staff understands that \$1.2 million of this proposal was intended to aid the partial federal closure of the commercial and sport Salmon fishing season. The Department has commended that although the sport Salmon will not be 100 percent closed this year, they continue to expect an annual shortfall of fish license revenue due to decreased fishing levels and more stringent catch and release requirements along the Klamath River.

STAFF RECOMMENDATION. Staff has no issues with the proposal but recommends that it be held open due to General Fund impact.

ISSUE 2: FINANCE LETTER - EARLY DETECTION OF AVIAN INFLUENZA

It is requested that Item 3600-001-0001 be increased by \$1,088,000 to provide funding for a program to detect avian influenza in wild birds in California. A particularly virulent strain of avian influenza virus has been detected in birds in several regions of Asia, Africa, and Europe, raising concerns that the virus could be carried to the state by migratory birds. Of particular concern is the possibility that the virus could mutate into a form easily transmittable among humans. This funding will complement other efforts by local, state, and federal agencies to develop a comprehensive program to detect and respond to a possible outbreak of pandemic influenza among humans.

STAFF RECOMMENDATION. Staff has no issues with the proposal but recommends that it be held open due to General Fund impact.

3790 DEPARTMENT OF PARKS AND RECREATION

ISSUE 1: CALIFORNIA MAIN STREET PROGRAM

Originally housed in the Technology, Trade, and Commerce Agency for almost 17 years, The California Main Street Program was transferred to the Office of Historic Preservation by Senate Bill 1107, signed by Governor Arnold Schwarzenegger on August 16, 2004. The Main Street Program organizes a district's comprehensive revitalization efforts into a four-point framework: organization, promotion, design, and economic restructuring. This framework ensures the district's place as the heart of a community. California presently has 39 Main Street Program participants including cities such as Arcata, Oceanside, Salinas, Hanford, Grass Valley, and San Diego.

To be certified as a local Main Street program, a city must meet stringent criteria set forth by California Main Street as well as complete an application and pass an on-site assessment conducted by the state program. California Main Street does not provide funding; the program provides training; information, research, and referral services, and technical assistance.

Current Funding. Currently, the Main Street Program does not receive any state funding. Upon closure of the Technology Trade and Commerce agency, statutory authority for the Main Street Program was transferred to the Office of Historical Preservation because the program has a core focus in protection of historic central business district statewide.

STAFF RECOMMENDATION. None, Item is informational.

8570 DEPARTMENT OF FOOD AND AGRICULTURE

ISSUE 1: BUDGET BILL LANGUAGE

In the Governor's budget, there are various suggested changes to the Department of Food and Agriculture's Budget Bill language (BBL). These changes have considerable effects on the CDFA processes by which they receive, and expend funds for pest infestations. Below are the proposed BBL changes for CDFA:

Description

LAO Comments

8570-001-0111

1. Moved/ revised DOF can authorize an augmentation up to \$2.8 million for emergency detection and eradication activities (plants or animals) from F&A code 224(c) funds. Any unused amount from such an augmentation rolls over to this item for 07-08 and is available for local assistance in 08-09. Exemption from sections 26, 28, 28.5. This BBL intends to build a 2-year emergency fund outside the GF; after 2 years, unspent money reverts back to local assistance.

Conceptually, it makes sense to build an emergency fund (outside of GF), but there should be some legislative oversight via JLBC.

2. New Any increases in **amt** transferred from Motor Vehicle Fuel Account to the Agriculture Account shall be held in reserve for funding eradication efforts as approved by DOF. [Note: DOF sent additional revision on 3/23 to remove restriction on use of funds for eradication only; allows funds to be used for any activities pursuant to Provision 1.] Additional revision (requested 3/23) removes restriction on use of funds for eradication only, giving dept more flexibility to spend \$\$ for emergency detection

See above regarding need for legislative oversight.

3. New Requires Secretary to produce quarterly reports on all expenditures for emergency detection and eradication activities (plants or animals) to DOF.

Recommend adding requirement to report to JLBC.

8570-405

New. Defines an emergency, and gives Secretary the ability to declare such a state. Definition: "an emergency detection and eradication activity of an agricultural plant or animal pest or disease (a) for which no other program funds may be used, (b) which infest or infect plants or animals known to be raised commercially, and (c) if not detected pose a significant risk to commercial agricultural production.

Recommend there should be some mechanism for providing oversight of (1) when/how an emergency is declared and (2) how funds are spent.

8570-001-0890

1. Revised Permits DOF to authorize an augmentation up to \$1.5 Million if CDFA has a valid grant/contract. Exemption from sections 26, 28, 28.5 [Note: DOF sent additional revision on 3/23 to remove restriction on — and thus permit — use of funds for eradication of fruit fly.] Additional revision (requested 3/23) removes restriction on use of funds fruit fly eradication; therefore, funds can be used for such a purpose.

LAO Comments

Recommend against control section exemptions; require standard 30-day JLBC review.

8570-002-0001

1. New Requires Secretary to produce quarterly reports on all expenditures for emergency detection and eradication activities (plants or animals) to DOF.

Recommend adding requirement to report to JLBC.

2. New Requires Secretary to produce quarterly reports on all expenditures for emergency detection and eradication activities (plants or animals) to DOF.

Recommend adding requirement to report to JLBC.

2. New Requires Secretary to produce quarterly reports on all expenditures for emergency detection and eradication activities (plants or animals) to DOF.

Recommend adding requirement to report to JLBC.

STAFF RECOMMENDATION. Approve LAO recommendations

ISSUE 2: FINANCE LETTER – DIAPREPES ROOT WEEVIL

The California Department of Food and Agriculture is requesting funding and positions to implement a two year limited term project to eradicate the Diaprepes Root Weevil (DRW). The Diaprepes Root Weevil is infesting the residential landscaping and environs in the city of Newport Beach and the City of Long Beach. This project will require \$3.5 million General Fund in fiscal year 2006-07 and \$3.5 million General fund in 2007-08 and three permanent positions and 31 temporary help personnel years.

To monitor Diaprepes Root Weevil infestation, the CDFA plans on monitoring the movement of green waste, soil, and nursery stock; enforce the exterior quarantine to prohibit the spread of the Root Weevil. Additionally, CDFA will continue to conduct trappings and visual surveys to track the size of the infestation.

To eradicate the Diaprepes Root Weevil and prevent its spread to the agricultural sector, the CDFA will work with the Department of Pesticide Regulation to have insecticides applied to plant foliage and a chemical barrier to the soil.

STAFF RECOMMENDATION. Hold Open due to General Fund impact.