

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 3  
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION****Assemblymember Fran Pavley, Chair****WEDNESDAY, MAY 17, 2006  
STATE CAPITOL, ROOM 447  
9:30 A.M.****Hearing Items**

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## CONSENT CALENDAR

ITEM	DEPARTMENT	SUMMARY
0540	Resources Agency	<b>May Revise:</b> Extension of liquidation for Federal Funds
3340	California Conservation Corps	<b>Jan. 10 Proposal:</b> \$8.2 million General Fund Shift to the Collins Dugan Account to maintain current CCC operations
3340	California Conservation Corps	<b>May 1 Letter:</b> Various Technical Capital Outlay changes
3540	Department of Forestry and Fire Prevention	<b>May Revise:</b> \$7 million (General Fund) for increased workers' compensation and unemployment insurance costs.
3540	Department of Forestry and Fire Prevention	<b>May 1 Letter:</b> Various technical Capital Outlay changes
3600	Department of Fish & Game	<b>Jan. 10 Proposal:</b> Fish and Game Preservation Fund Revised Expenditure Estimates
3600	Department of Fish & Game	<b>Jan. 10 Proposal:</b> \$448,000 (FGPF) Automated license Data System
3600	Department of Fish & Game	<b>Jan. 10 Proposal:</b> \$4.0 million (General Fund) for Fisheries Restoration Grant Program
3600	Department of Fish & Game	<b>Jan. 10 Proposal:</b> \$1.5 million (Fish and Game Preservation Fund) for Bay-Delta Sport Fishing Enhancement Stamp Project Implementation
3600	Department of Fish & Game	<b>April Finance Letter</b> Various (3) Minor Capital Outlay Fish Hatchery Projects for AB 7
3600	Department of Fish & Game	<b>April Finance Letter</b> \$216,000 (Reimbursement) for Bolsa Chica Land Management activities
3600	Department of Fish & Game	<b>April Finance Letter</b> \$1.1 million (General Fund) for Early Detection of Avian Influenza
3600	Department of Fish & Game	<b>May Revise:</b> \$8.8 million one time (General Fund) for levee and other structural repair on DFG lands created by this year's storms.
3680	Department of Boating and Waterways	<b>January 10 Proposal:</b> Capital Outlay Proposals
3680	Department of Boating and Waterways	<b>May 1 Letter:</b> Reduction of \$3.4 million to reflect a delay of construction of Channel Islands Boating Instruction Safety Center.
3680	Department of Boating and Waterways	<b>April Finance Letter:</b> \$1.4 million (Federal Funds) ongoing increase for boating safety education and media.
3680	Department of Boating and Waterways	<b>April Finance Letter:</b> \$525,000 (Federal Funds) for law enforcement and boating trails local assistance programs.
3790	Department of Parks & Recreation	<b>Jan. 10 Proposal:</b> \$5 million (General Fund) for implementation of Empire Mine SHP Remediation Measures
3790	Department of Parks & Recreation	<b>April Finance Letter:</b> \$500,000 (prop 12) for Natural Stewardship Project-Reappropriation
3790	Department of Parks & Recreation	<b>April Finance Letter</b> Reappropriation: Disaster Relief Funding
3790	Department of Parks & Recreation	<b>May 1 Letter:</b> Various changes and reappropriations for ongoing Capital Outlay projects.
8570	Department of Food & Agriculture	<b>April Finance Letter:</b> \$3.5 million for a two-year Diaprepes Root Weevil - Eradication Program.
8570	Department of Food & Agriculture	<b>April Finance Letter:</b> Conversion to CALSTARS
8570	Department of Food & Agriculture	<b>May 1 Letter:</b> Reappropriation of funding for Yermo Agricultural Inspection Station.

## 3480 – DEPARTMENT OF CONSERVATION

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### ISSUE 1: FINANCE LETTER: ABANDONED MINE INVENTORY

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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 Comments:** On May 10<sup>th</sup>, the subcommittee heard this issue and requested that staff look at options for addressing remediation of abandoned mines as well as mapping. The Department has indicated that, aside from General Fund augmentations, there is little funding available for the activities that remediation of abandoned mines would require. In the Senate, this proposal was approved as budgeted however the Department was directed to evaluate current known needs and examine other potential funding sources for remediation.

At the Hearing, the Department should be prepared to comment on current programmatic responsibilities for mine remediation.

**STAFF RECOMMENDATION.** Staff recommends that the subcommittee:

- Approve Finance Letter as budgeted
- Approve \$2 million augmentation from the Surface Mining and Reclamation Account for activities that mitigate the harmful environmental impacts of abandoned mines.

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**ISSUE 2: WILLIAMSON ACT**

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**Governor's Budget.** The Department of Conservation requests a two year limited term augmentation of \$896,000 (Soil Conservation Fund, Proposition 12 and 40) and five two-year limited term positions for increased enforcement and other activities related to recent legislation for the Williamson Act and the Farmland Conservancy programs. Through an increase in penalties, cancellation fees, and audits this proposal assumes a General Fund Revenue increase of \$4.6 million.

**Legislative Changes.** In 2003, AB 1492 (Laird) enacted increased penalties for land involved in any improvements to that land that breach Williamson Act contracts. Though increased workload created by this legislation was initially within existing resources, the department has indicated that the program currently has insufficient staffing to meet actual workload demands and achieve General Fund revenue targets.

In 2004, SB 1820 (Machado) was enacted to allow cancellation petitioners to challenge the County Assessor's valuation of their cancellation penalty and authorized the DOC to challenge inadequate valuations. As with AB 1492, the Department was not provided additional funding to support these activities and the DOC has also indicated that these changes the proper maintenance and enforcement of the program cannot be absorbed.

In 2005, the legislature determined that the Williamson Act was being insufficiently enforced and added funding and positions to the Budget Bill for additional enforcement. This proposal was vetoed by the Governor because it was determined that justification was inadequate. This proposal is the Department's response to the Legislature's concerns raised in last year's budget discussions.

**Comments.** The subcommittee took action to approve this item as budgeted with supplemental report language requiring the Department to report at the end of the fiscal year on the number of cancellation fees, penalties and audits that were conducted by the Department. Because of concerns related to the appropriateness of using bond funds to support this ongoing program, the Senate took a different action than the Assembly and approved the identical funding levels, \$896,000, for this proposal from the Soil Conservation Fund. Staff agrees that Williamson Act enforcement should secure ongoing fund source and recommends that the subcommittee concur with the Senate's action.

**STAFF RECOMMENDATION.** Staff recommends that the Subcommittee rescind previous action and concur with the Senate's action to approve \$896,000 from the Soil Conservation Fund to fund the Governor's budget proposal.

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**ISSUE 3: DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES (SENATE ISSUE)**

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**Background.** The Division of Oil, Gas, and Geothermal Resources ensures the safe exploration and development of hydrocarbon and geothermal resources. The division ensures that operators use sound engineering practices to protect life, health, property, and natural resources. The division oversees all operations related to mineral extraction, from drilling to the plugging of abandoned wells.

**Governor's Budget and Finance Letter.** The Governor's budget proposes \$354,000 from the Oil, Gas, and Geothermal Administrative Fund to support four new positions to fill existing gaps in regulating geothermal resources in Northern California and oil and gas extraction in the San Joaquin Valley. These positions are funded by annual regulatory fees on the oil, gas, and geothermal industries.

The Finance Letter (dated March 30, 2006) proposes authorizing expenditure authority of \$1.5 million from the Acute Orphan Well Account established by recently enacted legislation AB 1471 (McCarthy). This account is funded by a one-time industry assessment that expires on January 1, 2008, and will be made available only if the department needs to plug an abandoned orphan well that poses immediate danger to human health and safety. The department also allocates \$1 million from the Oil, Gas, and Geothermal Trust Fund to plug orphan wells. The new Acute Orphan Well Account will be used only after the department has expended the \$1 million from the Oil, Gas, and Geothermal Trust Fund.

**Workload Justification.** Since 2001, the Division of Oil, Gas, and Geothermal Resources has lost 17 positions. This has negatively impacted the department's ability to meet its statutory obligation to regulate the oil, gas, and geothermal industries. Last year, the department added four clerical staff to allow engineers to be out in the field inspecting the oil and gas facilities. The department's proposal this year is to add four new inspection staff to slowly replace some of the positions lost over the last several years.

The department currently has no field engineer to regulate geothermal energy production in the northern portion of California. This budget proposal adds one position to regulate these facilities. The Coalinga District (Fresno County) currently has three field staff to regulate 5,339 active wells. The budget proposal adds one position so that each person is responsible for regulating approximately 1,330 wells. The Bakersfield district (Kern County) currently has 12 field staff to regulate 64,145 active wells. The budget proposal adds two positions so that each person regulates about 4,580 active wells.

There is a large discrepancy between Fresno County and Kern County on the number of wells each inspector has to regulate. The department indicates that the well-to-inspector metric is not the best indicator of regulatory effort since some districts have oil wells that are geographically concentrated, allowing for a more efficient inspection program. The department indicates that, in Kern County, the wells are grouped into fields, which make them easier to regulate. Furthermore, the department indicates that it regulates wells that are closer to urban areas more often because of concerns related to health and safety. Some of

the wells in Kern and Fresno are inspected only every two years because of relatively low human health and safety risks.

**Staff Comments.** When heard in the Assembly, the subcommittee acted to approve the Administration's Finance Letter proposal as budgeted. In Senate Subcommittee 2 hearings, concern was raised regarding the reduced level of regulatory presence in Kern County, the largest oil producing county in the state, has resulted in diminished protection of the state's natural resources. Kern County has significant groundwater supplies that are critical to meeting the state's water supply needs and significant populations of threatened and endangered species in and around the oil wells that are at risk of contamination. Furthermore, oil and gas prices are currently at historic levels and it is likely that additional wells will come on line, further increasing the department's workload. Given this, the Senate acted to add additional regulatory staff in Kern County. Assembly staff concurs with the actions of the Senate.

**STAFF RECOMMENDATION.** Staff recommends that the Subcommittee concur with Senate Actions and approve an augmentation of \$177,000 to fund two additional inspectors for Kern County from the Oil, Gas, and Geothermal Administrative Fund.

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**3540 – DEPARTMENT OF FORESTRY AND FIRE PROTECTION**

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**ISSUE 1: MAY REVISION: FOREST IMPROVEMENT PROGRAM**

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**Background.** Revenues generated from timber harvesting in state-owned forests are deposited into the Forest Resources Improvement Fund (FRIF). These funds are used to support forest resource assessment and enhancement programs such as forest pest research and management, forest and rangeland assessment activities, state nurseries, management of the state's forests and urban forestry programs.

The Jackson State Forest is the largest state-owned forest and revenues from this forest have historically generated the bulk of the FRIF revenues. However, since timber harvesting in Jackson State forest has been the subject of ongoing litigation, FRIF revenues have been sharply curtailed. Consequently, these programs have been funded at a reduced level over the past two years with funding from the Renewable Resources Investment Fund (RRIF).

**Governor's Budget.** The Governor's Budget estimates that \$15 million in revenue will be generated from the sale of forest products harvested on state forest land in the current and budget years combined. The budget proposes to expend \$4.7 million of these revenues to support forestry programs in 2006-07.

**Jackson State Forest Issues Still Unresolved.** The Department just completed the public comment period on the draft Environmental Impact Report (EIR) to continue timber harvesting at Jackson State Forest. The Department indicates that the Board of Forestry will begin to consider the final EIR at the April meeting of the board and will likely need more than one board meeting for a complete review of the EIR. Given this timeline, the Department does not realistically expect to receive any revenues from the forest in the current year.

The Legislature was notified on December 19, 2005 that an unanticipated decline in lease revenues had resulted in a \$2 million deficit in the RRIF fund. In order to continue to support CDFFP forest resource assessment and enhancement programs in the current year, DOF approved a \$2 million loan from the General Fund. The loan was proposed to be repaid before the end of the current year from revenues generated at Jackson State Forest.

**May Revision Proposal.** The Administration indicates that it now expects the litigation to be resolved in Jackson Demonstration State Forest and has proposed in a May Revise Letter that \$9.0 million be provided from the FRIF to enable the Department to restore programs that were reduced or suspended due to revenue shortfalls caused by the timber harvesting injunction. Additionally, budget bill language is proposed that would require the repayment of \$5 million in General Fund loans over two years prior to expenditures being made from the Forest resources Improvement Fund

**Staff Comments.** Staff finds that CDF will not have adequate revenues from the Jackson State Forest to repay the General Fund prior to the end of the fiscal year. Furthermore, staff finds that revenues projected to support forest resource assessment and enhancement activities are uncertain due to continued controversy surrounding timber harvesting at Jackson State Forest.

Furthermore, staff finds that funding for forestry programs must be more diversified. The FRIF funds are an appropriate funding source, but should not necessarily be linked to the amount of FRIF revenues in any given year. Appropriate funding sources include the General Fund, Environmental License Plate Fund revenues, and timber harvest plan fee revenues.

**STAFF RECOMMENDATION.** Staff recommends that the Subcommittee take the following actions:

- Approve the staffing and expenditures proposed in the Governor’s Budget and May Revision proposals.
- Approve trailer bill language to require that all revenues from the state forests deposited in the FRIF account be transferred to the General Fund except for those funds needed to manage state forestlands. (Trailer bill language should include a provision for annual reporting to the Legislature on the total revenues generated on state forests.)
- Approve corresponding amendments to the budget bill (increase General Fund revenues, increase General Fund support for forestry programs, reduce FRIF support of the department).
- Reject proposal to require repayment of the General Fund loans and forgive these loans.

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**ISSUE 2: MAY REVISION: PUBLIC SAFETY WORKFORCE RECRUITMENT**

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The Department has requested that \$5 million be provided to the Department with additional staff to train and hire new public safety employees in light of increasing retirements. The Department indicates that it is experiencing significant increases in retirements in its public safety classifications due to recent benefit enhancements.

**Staff Comments.** The Department indicated that it will be experiencing a significant increase in retirements within the department and current training and recruitment efforts are not able to adequately handle enough new applicants to fill their personnel needs. The LAO has commented that they concur with this request and recommends approval as budgeted.

**STAFF RECOMMENDATION.** Approve as budgeted

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**ISSUE 3: MAY REVISION: INCREASED EMPLOYEE COMPENSATION**

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**May Revision Proposal**

The May Revision proposal requests to augment the California Department of Forestry and Fire Protection's budget by \$10.6 million (\$8.4 million General Fund and \$2.2 million reimbursements) for planned overtime costs for Firefighters. The department's BCP indicates that this augmentation is necessary because the CDF Firefighters union believes that additional compensation provisions will be required when a contract agreement for Firefighter is expires on June 30, 2006. The proposal also includes a request to shift \$16.85 million from the E Fund to the General Fund.

**LAO Recommendation.** The LAO recommends that the Legislature reject this proposal because it is premature to fund potential costs of the next Unit 8 MOU before such an agreement has been negotiated and then approved by the Legislature. Any changes to planned overtime would be negotiated through the collective bargaining process. The Department of Personnel Administration is currently in negotiations on the next Unit 8 contract. Furthermore, as specified in the Dills Act (see Government Code Section 3517.8 (a) below), existing MOUs continue to be in effect after expiration. Therefore, until a new MOU is approved by the Legislature, we do not think the department is legally required to incur additional employee compensation costs not required under existing agreements. If the new MOU results in increased costs, the existing statutory process provides for the administration to seek additional funds in the budget year through the appropriations process upon submittal of the MOU for legislative approval.

**Government Code Section 3517.8 (a)** If a memorandum of understanding has expired, and the Governor and the recognized employee organization have not agreed to a new memorandum of understanding and have not reached an impasse in negotiations, subject to subdivision (b), the parties to the agreement shall continue to give effect to the provisions of the expired memorandum of understanding, including, but not limited to, all provisions that supersede existing law, any arbitration provisions, any no strike provisions, any agreements regarding matters covered in the Fair Labor Standards Act of 1938 (Chapter 8 (commencing with Section 201) of Title 29 of the United States Code), and any provisions covering fair share fee deduction consistent with Section 3515.7.

**STAFF RECOMMENDATION.** Approve LAO recommendation to reject finance Letter proposal.

**3560 STATE LANDS COMMISSION**

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**ISSUE 1: SCHOOL LAND BANK ACT**

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The State Commission (SLC) manages lands that were given to the state by the federal government in order to help support public education. Some of these lands are leased for commercial purposes (such as mining and oil drilling). Lease revenues (royalties) are deposited in the Teachers' Retirement Fund (TRF) after SLC recovers its costs. The TRF is administered by the California State Teachers' Retirement System (CalSTRS).

Under the School Land Bank Act of 1984, the commission may also sell school lands and use the proceeds to purchase other properties in order to consolidate school land parcels into contiguous holdings. The purpose of consolidating school lands is to facilitate the effective management of those lands for the purpose of generating lease revenue for TRF. Proceeds from land sales are deposited in the SLBF. These proceeds are available to SLC only for acquiring and enhancing school lands.

**LAO Concerns.** The LAO has raised concerns that because the SLC is maintaining significant reserves (in the SLBF the SLC is not fulfilling legislative intent by using those funds for reinvestment in the purchase of new landholding and providing maximum benefit to the State School Teacher's Retirement System.

**LAO Recommendation.** The LAO recommends that in order to ensure that the intended use of the SLBF is fulfilled; the Legislature should adopt trailer bill language requiring the SLBF fund balance be transferred to TRF and that subsequent proceeds from school land sales be deposited in TRF for investment by CalSTRS.

**Legacy issues for school lands.** The department indicates that it currently owns 570,000 acres of state school lands that were granted to the state from the federal government. The department has identified the following potential liabilities on these lands:

- Abandoned mines;
- Unexploded ordnance; and
- Toxic waste and other hazardous substances.

The department has identified 749 individual mine features on state school lands. Of these mine features the department has identified 195 that pose the greatest hazard to the public and wildlife. The department estimates that it would cost approximately \$2 million over an eight-year period to remediate these mines.

Some of the state school lands were used by the U.S. military for training exercises and may contain unexploded ordnance (bombs and shells). Based on a preliminary review, the department has identified nearly 24,000 acres that have not been declared by the federal government as fully decontaminated of ordnance and cleared for all uses. The department does not currently know remediation efforts are needed to make these lands safe for all uses.

The department indicates that many of the state school lands are isolated and remote and are not currently being leased. Therefore, unauthorized uses on these lands are possible and could potentially result in toxic or hazardous waste that will require clean up.

**Staff Comments.** Staff finds that part of management of the state school lands is identifying and remediation of potential liabilities on these lands. If these hazards are present on the lands it makes them very difficult to develop or sell to benefit CalSTRS. Furthermore, the features on these state school lands present potential liabilities for the state.

**STAFF RECOMMENDATION.** Staff recommends that the Subcommittee take the following actions:

- Approve trailer bill language to amend Public Resources Code §8705 to clarify that funds from the School Land Bank Fund can be used for management and remediation of hazards on state school lands.
- Approve \$2 million from the School Land Bank Fund to remediate the most dangerous mine features on state school lands.
- Approve budget bill language to give DOC the authority to expend the \$2 million over three years.
- Approve \$200,000 from the School Land Bank Fund to support one two-year limited term position and contracts to do an assessment of the unexploded ordnance and other potential hazards on state school lands.
- Approve supplemental report language to require the Commission to report to the Legislature by January 10, 2008 with a plan for addressing the unexploded ordnance and other potential hazards on state school lands.
- Partially approve LAO recommendation and Transfer \$10 million from the School Land Bank Fund to Calstrs.

**3600 DEPARTMENT OF FISH AND GAME**

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**ISSUE 1: BALANCING THE FISH AND GAME FUND**

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**Governor's Proposals.** In response to ongoing concern shared by both the Legislature and the Administration, the Governor's Budget and subsequent Finance Letters have proposed to bring the FGFP as a whole in balance through combination fund shifts, General Fund augmentations and reductions. The following are the Administration's proposals.

**General Fund Augmentation.** The Governor's budget is proposing a General Fund augmentation of \$4 million to the FGFP non-dedicated revenues to encompass ongoing shortfalls of revenue for non-dedicated programs such as law enforcement, environmental review, oversight of commercial fisheries, and hunting programs and management of DFG lands. This augmentation will allow the FGPF to maintain an overall positive fund balance and sustain current levels of expenditure but will not improve the overall structural deficiencies within FGFP and its various subaccounts.

**Across the Board Adjustments.** The Governor's budget is proposing to reduce FGFP non-dedicated accounts by \$2.6 million and augment various dedicated accounts by \$2.4 million in an effort to realign revenues with expenditures and fund balances.

**April Finance Letter.** \$1.2 million one-time (General Fund) Augmentation to account for lost fishing license revenue resulting from the federal closure of the salmon fishing season and a \$715,000 ongoing augmentation to offset additional revenue shortfalls within the Fish and Game non-dedicated accounts.

**May Revision.** \$19.9 million (General Fund) on a one-time basis to restore amounts drawn in previous years from dedicated accounts within the FGFP to support non-dedicated activities.

**Staff Comments.** The proposals submitted by the administration takes a one-time action to bring the Fish and Game Preservation Fund and its separate subaccounts into balance. This action will have the effect of allowing future spending of dedicated subaccount balances that are currently being used to prop of the FGPF structural deficit. The proposal, however, does not address the key issue of transparency within the FGPF and given the susceptibility of the FGPF to the rise and fall of General Fund revenues, staff recommends that the subcommittee take action to require that the Department provide a detailed fund condition of the FGPF and all of its subaccounts either in or accompanying the annual Governor's proposed budget.

**STAFF RECOMMENDATION.** Approve all proposals as budgeted. Adopt Trailer Bill Language requiring that Finance display the Fish and Game Preservation Fund and all sub-accounts annually in or with the January 10, Budget. Approve LAO recommended BBL

*Item 3600-001-0001*

*Of the funds appropriated in this item, \$10,800,000 is one-time funding to eliminate a projected deficit in the Fish and Game Preservation Fund--Non Dedicated Account of a like amount, \$7,600,000 is one-time funding to eliminate a projected deficit in the Lake and Streambed Alteration Account of a like amount; and \$1,500,000 is for the repayment, including interest, of a 1988 loan to the Native Species Conservation and Enhancement Account from the Fish and Game Preservation Fund—non dedicated account.*

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**ISSUE 2: IMPLEMENTATION OF AB 7**

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**Implementation of AB 7 (Cogdill).**

As signed by the Governor, AB 7 originally required DFG to deposit 33 percent of sport fishing license fees (\$16.7 million) in a Hatchery and Inland Fisheries Fund (HIFF). These funds could then be used by DFG for the management, maintenance and capital improvement of California's fish hatcheries, the Heritage and Wild Trout Program, related enforcement activities, and other activities eligible for funding sports fishing licenses.

**Governor's Budget.**

The Governor's January 10 budget originally proposed to reduce the scope of the AB 7 (Cogdill) and fund only a portion, \$6 million (General Fund), of the full costs of implementation. The Department has indicated that this proposal was made because of concerns related to the Department's ongoing funding shortfalls, and ability adequately meets the requirements outlined in AB 7.

**April Finance Letter**

In an April Finance Letter, the administration worked extensively with the author of AB 7 present a full implementation proposal for AB 7. In total, this proposal includes:

- An ongoing \$9 million (General Fund) augmentation to backfill funding currently dedicated to other ongoing DFG activities within the FGFP.
- Transfer \$17 million from the FGFP to a new Hatchery and Inland Fishery Fund (HIFF)
- Establish 37 positions with the HIFF for AB 7 implementation

**Capital Outlay Needs.** As identified by the department, there could be potential core infrastructure needs by the department for fish hatchery facilities that need to be addressed in order to maximize output of statewide facilities and address critical water needs. Staff recommends that the subcommittee approve budget bill language that provided the department with more flexibility to utilize funding provided by this proposal for capital outlay.

**STAFF RECOMMENDATION.** Approve Finance letter as budgeted with LAO recommended budget bill language.

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**ISSUE 3: MAY REVISE –VARIOUS CAPITAL OUTLAY PROPOSALS**

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In the May Revision it is proposed that \$35 million (General Fund) be provided to the Department on a one time basis for the following:

**\$10.0 million (25 staff -9.0 PYS) for marine life management** – This proposal provides funding for increased staffing and critical equipment upgrades necessary for implementation of the following Marine Management related activities: collection and analysis of data for use in implementation of management strategies contained within fishery management plans; monitoring of fish harvest numbers for coastal fisheries; and increasing coastal enforcement (\$400,000 and 12,100 hours) by game wardens through overtime funding.

**\$10.0 million for salmon and steelhead restoration projects** – This proposal will provide matching funds for habitat restoration activities Klamath River Salmon, restoration of threatened and endangered coho salmon and other species of salmon and anadromous trout. Basin and regulatory compliance in support of the governor's Disaster Proclamation. Additionally, this proposal provides \$250,000 for 6,055 hours of overtime pay for game warden enforcement.

**\$10.0 million for management and protection of nongame fish and wildlife trust resources and law enforcement activities.** This proposal provides funding for Applied Research through the University of California to address priority DFG research needs; extension of several priority federally funded fish and wildlife projects by contributing state match funds; enhancement of existing species community projects; monitoring equipment purchases; management of the Sierra Nevada Red Fox; eradication of invasive species on DFG lands; multiple species conservation strategies, implementation of "take" regulations for Coho salmon; research on vulnerable or declining species; vegetation mapping and classification of the state's highest priority habitats and conservation maps, education and outreach, and increased overtime and equipment for fish and Game wardens.

**\$5.0 million (General Fund) transfer to the Coastal Wetlands Account (Account), an interest-bearing account.** It is proposed that the principal in the Account not be expended so that the interest earned will provide a continuous source of funding for wetlands maintenance. It is also proposed that the interest on the Account be appropriated in the annual Budget Act and be allocated to the Department of Fish and Game (DFG) (60 percent) and the State Coastal Conservancy (40 percent) for maintenance of coastal wetlands.

**Staff Comments.** The proposal presented by the administration allocates needed funding to a broad range of activities that have suffered from funding reductions in previous years. Staff agrees with many of the priorities funded in this proposal but comments that many of these activities represent on-going needs that won't be fulfilled with one-time funding.

**STAFF RECOMMENDATION.** Staff recommends that the subcommittee:

- Approve Finance letter proposals with amendment that positions be funded on an ongoing basis.
- Approve supplemental report language that requires DFG to report to the subcommittee on the expenditure of these funds by February 1, 2007.

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**ISSUE 4: GAME WARDEN COMPENSATION**

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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 prior hearings, the subcommittee has discussed in length the problems associated with the State's dwindling numbers of game wardens and the difficulties that the Department has had with recruitment and retention due to uncompetitive peace officer compensation levels. Along with low starting salaries, \$37,128, Fish and Game Wardens are not provided any additional overtime pay, holiday pay, increased night pay or other mechanisms to increase warden compensation. The Department and Finance has indicated that if the subcommittee wishes to take action increase compensation for Game Wardens that an action in the Department of Personnel Administration (DPA) budget would provide needed flexibility to utilize funding for future collective bargaining agreements to increase compensation. Staff has concerns related to taking an action in the DPA budget item due to collective bargaining negotiations with various bargaining units that are ongoing at the moment. It is the recommendation of staff that the if the subcommittee wishes to augment Game Warden Compensation that it take an action within the Department of Fish and Game budget item and provide DFG discretion on how it can utilize provided funds to increase recruitment and retention of enforcement personnel.

Recruitment and retention of enforcement

**STAFF RECOMMENDATION.** Approve \$10 million General Fund augmentation for increased recruitment and retention of enforcement personnel.

Approve the following draft BBL:

*It is the intent of the legislature that no less than \$10 million provided in this item be utilized by the department to increase recruitment and retention of Fish and Game enforcement personnel.*

**3600 DEPARTMENT OF FISH AND GAME**  
**3760 STATE COASTAL CONSERVANCY**

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**ISSUE 1: MARINE LIFE PROTECTION ACT**

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In the late 1990s, the California Legislature responded to declines in the state's marine environment with legislation intended to reduce these threats and protect our ocean. Among others, the 1999 Marine Life Protection Act (MLPA) aims to protect California's marine natural heritage through the establishment of a network of marine protected areas, to be designed, created, and managed according to sound science in order to protect the diversity and abundance of marine life and the integrity of marine ecosystems. The MLPA recognizes that a combination of marine reserves, marine conservation areas and marine parks can help protect habitat and ecosystems, conserve biological diversity, provide a sanctuary for marine life, enhance recreational and educational opportunities, and provide scientific reference points to assist resource management decisions.

**Funding MLPA implementation** – In the Governor's January 10 Budget, \$500,000 was included in the DFG base budget for MLPA implementation. As indicated by the MLPA Blue Ribbon commission, total funding needs required to fully implement the MLPA totaled roughly \$8 million.

**April Finance Letter** - In an April Finance Letter, the Administration proposed to increase funding for MLPA implementation by \$380,000 (General Fund). Staff understands that this proposal was to maintain baseline expenditure levels and backfill projected reimbursement shortfalls.

**May Revision** - In the Governor's May Revision proposed \$2.6 million (General Fund) be provided to the Ocean Protection Council within the State Coastal Conservancy for MLPA implementation. This funding request is accompanied by an additional request to increase reimbursement authority for DFG by an identical \$2.6 million to establish marine protected areas along the California coast. The Governor's proposal states that funding will be provided as Reimbursements from the State Coastal Conservancy to the DFG to continue the planning process related to protected areas on the central coast.

**STAFF RECOMMENDATION.** Approve all MLPA proposals as budgeted.

**3600 DEPARTMENT OF FISH AND GAME**  
**3860 DEPARTMENT OF WATER RESOURCES**

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**ISSUE 1: SAN JOAQUIN RIVER RESTORATION**

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The Governor's budget has included two coordinated proposals for the Department of Fish and Game and the Department of Water Resources to develop a long term plan for restoring non-flow related issues on the San Joaquin River below the Friant Dam.

**Department of Fish and Game.** \$750,000 (Proposition 13) for the first year and a total \$5 million over three years. Prior to the completion of the federal court litigation, the DFG has indicated that it will engage in investigative and research activities to develop a plan for post-litigation restoration activities. Examples of restoration issues to be examined by the department include: alternative water supplies for restoration water; Structural barriers to fish passage; Existing habitat conditions; and Comprehensive watershed evaluations.

**Department of Water Resources.** \$5 million (Proposition 13) over three years for the following types of non-flow related restoration actions for the San Joaquin River: developing water supply alternatives, water quality, hydrology, water temperature, fish passage and fish spawning/rearing habitat for anadromous fish.

**Comments.** Staff understands that there is great likelihood of a forthcoming federal court decision on the Friant litigation and with resolution; the State should be prepared to move forward with restoration activities along the San Joaquin River. Staff feels, however, that the subcommittee should have absolute assurance that the actions proposed in the BCP will in no way place in jeopardy the State's sovereignty over the San Joaquin River water flows nor have any other influence on the ongoing Friant litigation prior to its approval.

**STAFF RECOMMENDATION:** Approve as budgeted with budget bill language that requires that no monies are spent on restoration activities until a final settlement is reached by all parties in the litigation.

*All funds provided in this item for San Joaquin River Restoration activities shall become available only after a final settlement has been executed by all parties to the litigation styled Natural Resources Defense Counsel v. Rodgers (NRDC v. Rodgers), including the Federal Government, and approved by the court. Once available, all such funds provided to DWR and DFG shall be expended to:*

- 1. further the ecosystem restoration and water management goals and purposes of the settlement in NRDC v. Rodgers;*
- 2. support cooperation between and among state agencies and parties settling NRDC v. Rodgers in implementing such settlement;*
- 3. provide all necessary funding for any independent implementation or administration of such settlement, including any technical committee, for the period July 1, 2006 to June 30, 2009; and*
- 4. safeguard the State of California's sovereignty over the San Joaquin River, consistent with the settlement and any federal legislation implementing such settlement.*

## 3640 WILDLIFE CONSERVATION BOARD

### ISSUE 1: TIDELAND OIL REVENUES TRAILER BILL LANGUAGE

Tideland Oil Revenues are collected by the State Lands Commission (SLC) from royalties paid by oil companies to drill off California's coast near Long Beach. Though these funds can be used throughout state government as General Fund, the Legislature has historically tied the use of these funds to support resources programs because these funds are directly generated from the depletion and degradation of natural resources along the California coast.

In 1997, SB 271 (Thompson) was enacted that directed Tidelands Oil Revenue to fund four separate areas of natural resources investment: salmon and steelhead restoration; marine conservation; state parks maintenance; and a natural resources infrastructure fund for the Department of Fish and Game, water quality and regional conservation planning. Due to budget shortfalls in recent years, Tideland Oil Revenues have been redirected to the General Fund and these statutory priorities have not been fully funded. In June of 2006 the funding mechanism established by SB 271 (Thompson) is set to sunset and after which nearly all Tideland Oil Revenues will be deposited into the General Fund unless actions are taken otherwise in the annual budget process.

**Staff Comments.** In prior hearings, the subcommittee discussed a proposal to use tideland oil revenue to fund the following activities. Under this proposal, as has been customary practice, revenues received by the state for tidelands oil field leases would sequentially fill each designated activity, or "funding bucket." Only once one "bucket" is filled will revenues be directed to the next item in succession.

This proposal has been presented to the subcommittee by a coalition of environmental, hunting, fishing and conservation organizations would provide statutory direction to allocate tideland oil revenue to the following activities:

Figure 1.

#### Tideland Oil Revenues

1. \$10 million to the Salmon and Steelhead Restoration Account ;
2. \$5 million, for the next ten years, for the Coastal Wetlands Account;
3. \$10 million to the Marine Life and Marine Reserve Management Account;
4. \$10 million to the Non-game Fish and Wildlife Program Account;
5. \$10 million to the State Parks System Deferred Maintenance Account;
6. \$5 million to the Wetlands and Riparian Habitat Conservation Account; and
7. The remaining amount to the Natural Resources Infrastructure Fund.

Because the Governor's May Revision provided one-time General Fund funding for this list of priorities, staff recommends that if the subcommittee approves trailer bill language to reestablish this funding stream that the statute take effect after the 2006-07 fiscal year has concluded.

**STAFF RECOMMENDATION.** Approve Trailer Bill language in concept that would establish the provided expenditure stream in Figure 1 for Tidelands Oil Revenues that takes effect at the beginning of the 2007-08 fiscal year.

**3720 CALIFORNIA COASTAL COMMISSION**

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**ISSUE 1: ENERGY AND OCEAN RESOURCES UNIT**

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The Energy and Ocean Resources Unit is one of the Commission's programs that has suffered acutely from the budget year and prior year reductions. The Commission currently has two analysts and one manager to review all OCS, LNG, power plant, desalinization, wave and wind energy, aqua culture, fiber-optic cable, and open ocean fish farm issues within the Commission's jurisdiction. With ongoing workload, this shortage of staff poses significant challenges to the department especially when compounded with increased workload associated with the following:

**Liquefied Natural Gas (LNG).** The Coastal Commission is the only state agency with regulatory authority over all five proposed LNG terminals either through its permitting or federal consistency review authority. Commission staff (the Energy Unit Manager) has been actively participating in the LNG working group facilitated by the Energy Commission and the commission has indicated that is understaffed to review the 5 LNG proposals planned to be submitted in FY 2005-06, 2006-07, and FY 2007-08. Depending on the timing of the LNG submittals, the Commission expects that the permit review will take an additional 1-2 full time positions above the current Energy Unit staffing.

**Power Plants.** The Energy Commission estimates it will receive 1-5 applications for coastal power plant projects over the next four years. The Commission estimates that this workload will require one additional full time position.

**Desalination Projects.** The Coastal Commission expects to receive over 20 project proposals for desalination facilities along the coast within the next 2-3 years. The majority of these proposals are expected in FY 2006-07 and FY 2007-08 and review and compliance follow-up is estimated to require one to two full time positions.

**Federal Consistency Review of 36 Outer Continental Shelf OCS Leases.** The Coastal Commission expects additional work on the OCS issues in FY 2006-07 will require about ¼ to one full time position.

**Staff Comments.** Staff finds that permitting fees have not been increased since 1991 and are much lower than comparable fees charged by local governments. Although the Coastal Commission has authority to raise its fees without legislative authorization, current law requires that permitting fees be allocated to the Coastal Conservancy. In order for the Coastal Commission to see a programmatic benefit from increased permitting fees, the legislature would need to adopt trailer bill language to direct fee revenue to the General Fund for Coastal Commission activities.

**STAFF RECOMMENDATION.** Staff recommends that the Subcommittee take the following action: Augment the budget by \$350,000 General Fund to establish 3 new positions to augment the energy unit in the Commission that reviews LNG proposals and the MOT leases.

**ISSUE 2: IMPROVING COASTAL ACCESS AND DEVELOPMENT**

The California Coastal Commission was established in 1972 with a primary responsibility is to protect the state's natural and scenic resources along the California Coastal Zone. In order to achieve this mission, the Commission is authorized to issue permits for development along the coastal zone, and to place upon these permits conditions for offsetting, or mitigating, the adverse effects of the permitted development.

The Coastal Commission's mitigation strategies include owners offering to dedicate portions of their property to public use as a condition of receiving a coastal development permit. These "offers to dedicate" (OTDs) are designed to provide public access to the coast or to provide open space and public trails within the coastal zone as mitigation for development. In contrast with permit conditions that require mitigation (including public access) to be provided by the permittee concurrent with development, OTDs result in a delay in the intended mitigation because they are dependent on future actions by third parties. In general the Commission breaks down the classification of OTDs into two classifications – Access and Non-Access.

Access OTDs are identified by their relationship to the ocean: "lateral" OTDs are parallel to the ocean; "vertical" OTDs are perpendicular to the ocean; and "trail" OTDs provide recreation access within the coastal zone. The second broad category of OTDs are non-access (mainly conservation) dedications. These are generally conservation areas or environmentally important areas where public access is not the primary goal of the mitigation.

**Supplemental Report – Conservation/Open Space OTDs.** In a supplemental report to the Legislature that was required in by the 2005-06 Budget Act, the Coastal Commission reported to the Legislature that there are a total of 968 conservation/open space OTDs recorded by the Commission, of which 524 remain to be accepted. The table below summarizes the status of these OTDs as of January 20, 2006.

**Conservation/Open Space Offers to Dedicate**

	<b>Total to Date</b>	<b>Total Percentage</b>
Accepted	324	34%
Expired/Allowed to Lapse	17	1%
Status to be Confirmed	103	11%
Remain to be Accepted	524	54%
<b>Total OTDs</b>	<b>968</b>	<b>100%</b>

The Coastal Commission also reports that in 2005, staff was able to successfully negotiate the acceptance of 34 offers and in that time, no offers expired and only one new OTD was recorded.

**Supplemental Report – Public Access OTDs.** In their supplemental report on public access OTDs, the Coastal Commission reported that there are a total of 1496 OTDs recorded. Of those 75 percent, or 1131 have been accepted.

**Public Outreach.** Currently any efforts by the commission to provide public outreach to resolve OTD issues is disadvantaged by an absence of any live streaming, neither audio nor visual, of commission meetings. Because of this deficiency, public is required to travel to various locations statewide to monitor meetings.

**Staff Comments.** It should be noted that statute requires the Coastal Conservancy to accept all public access OTDs prior to their expiration if they are not accepted by another entity. There is no such requirement for Conservation/Open Space OTDs and once they expire, the state no longer has any claim to them.

In last year's budget, the Legislature approved 5 PYs to improve tracking and management of OTDs, expand the Commissions database, and ensure that all OTDs are accepted prior to their expiration date. This proposal was vetoed by the administration and in the budget year 66 conservation OTDs are scheduled to expire.

To address funding shortfalls identified within the supplemental report language, staff recommends that the subcommittee take action to increase Coastal Commission staffing to improve OTD tracking and prevent additional OTD's from expiring. Also, because staff is recommending that we raise permitting fees, the public that pays increased fees should benefit from increased service from the commission. Accordingly, staff recommends that the Commission's permitting staff be augmented so that coastal development permits can be processed more expeditiously. Lastly, the staff recognizes that the Coastal Commission does not have adequate funding to engage the public with Commission meetings through commonplace technologies such as live web streaming meetings.

**STAFF RECOMMENDATION.** Staff recommends that the Subcommittee take the following actions:

1. Adopt trailer bill language that allocates \$1 million of increased permit fees annually to the State Coastal Conservancy for coastal access projects, including accepting and opening OTDs. The remainder of the fee revenues (\$1.3 million) should be deposited in the General Fund to support the Commission's budget.
2. Augment the budget by \$450,000 General Fund to establish four new positions. Two new positions should be allocated to address the backlog of conservation OTDs, one new position should be allocated to address the public access OTDs, and one position should be dedicated to help put in place a new fee schedule (this position should be dedicated to the department's permitting program after implementing the new fee schedule).
3. Adopt trailer bill language to require annual reporting to the Legislature on the status of outstanding OTDs.
4. Augment permit staffing by \$400,000
5. Augment \$100,000 (General Fund) for a one-year contract to provide live, internet streaming of all Coastal Commission meetings.

**3780 CALIFORNIA NATIVE HERITAGE COMMISSION**

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**ISSUE 1: IMPLEMENTATION OF RECENTLY ENACTED MANDATES (SENATE ISSUE)**

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**Senate Subcommittee Discussion.** At a Senate Subcommittee 2 hearing on March 6, testimony was heard regarding the commission's inability to implement recently enacted legislation. The legislation that is not currently being implemented includes legislation (SB 18) enacted in 2004 to require that every city and county planning agency to consult with California Native American tribes during preparation or amendment of a general plan. The Commission also indicated that legislation (AB 978) enacted in 2001 establishing a process for repatriating Native American human remains and cultural items that any state or local agency or museum that receives state funds possesses. Staff concurs with the Senate's findings that the commission needs legal counsel to assist with the implementation of these laws.

**Staff Recommendation.** Concur with Senate action to approve \$200,000 from General Fund monies to support two positions (staff counsel and support staff) to assist in implementing recently enacted mandates.

**3790 DEPARTMENT OF PARKS AND RECREATION**

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**ISSUE 1: FUNDING FOR BOATING ACTIVITIES**

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**April Finance Letter Proposal.** In an April Finance Letter, the Administration has proposed to transfer \$15 million (Motor Vehicle Account) from the Department of Parks and Recreation to the Department of Boating and Waterways to fund local assistance grant programs. This proposal is accompanied with an additional ongoing augmentation of \$15 million to backfill the proposed MVA transfer and an additional forgiveness of a \$15 million loan owed by Parks to the MVA.

**Background.** In the Budget Act of 2002, \$26 million in MVA funds that had previously gone to the Department of Boating and Waterways to fund local assistance grants for boating activities was transferred to the Department of Parks and Recreation to backfill other General Fund reductions of approximately \$20 million. Under this original action, budget bill language was also adopted that recognized this initial transfer a one time loan and required that the State Parks and Recreation Fund to repay the loan by June 30, 2006. In subsequent years, this transfer of \$26 million has continued and provides funding to Parks for the operation of its numerous state parks that accommodate motor boat activity such as Folsom Lake Recreation Area, Lake Oroville, Brannan Island state recreation area, Lake Spaulding, the Salton Sea, and Auburn State Recreation Area.

**Staff Comments.** The proposal presented by the administration would provide an ongoing \$15 million General Fund increase to the Department of Parks and Recreation to backfill a subsequent transfer of Motor Vehicle Funds from Parks to the Department of Boating and Water ways. While staff recognizes concerns raised by Boating and Waterways regarding out year pressures on their Harbors and Watercraft funds, this proposal represents a significant ongoing General Fund cost and considering a total need of \$118 million of unfunded ongoing operations and maintenance needs identified by the department, staff recommends that the subcommittee prioritize this augmentation towards other needs within State Parks.

**STAFF RECOMMENDATION.** Staff recommends that the Subcommittee take the following actions:

- Reject the Governor's Finance Letter transferring \$15 million in gas tax monies paid by voters from the Department of Parks and Recreation to support additional loans and grants to marinas and boat launch facilities.
- Approve Governor's Finance Letter to forgive \$15 million Loan owed to the Motor Vehicle Account from the State Parks Recreation Fund.
- Provide a \$20 million augmentation for Operations and ongoing Maintenance staffing for existing and new parks.

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**ISSUE 2: DEFERRED MAINTENANCE**

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As discussed in prior Subcommittee 3 hearings, the Department of Parks and Recreation currently has a deferred maintenance backlog that is nearly \$1 billion dollars. Serving communities statewide, this accumulation of unfunded maintenance of our state parks is a result of years of under funding and represents an overall negligence of the State in the management of this invaluable public trust.

**May Revision.** In the May Revision, the administration has proposed to provide \$10 million on a one time basis to the Department for deferred maintenance within State Parks facilities, natural Resources and cultural Resources.

**Staff Comments.** The legislature identified State parks deferred maintenance as one of the key infrastructure deficiencies facing state, no funding was ultimately approved for deferred maintenance in the recently approved general obligation bond package to address critical statewide infrastructure needs. While staff recognizes that the augmentation proposed by the administration will provide the Department some relief from chronic under funding for deferred maintenance needs, staff recommends that the subcommittee take action to provide an additional one-time augmentation of \$240 million to the Department with BBL that authorizes encumbrance of funds until 2012 and give the director of Finance the authority to authorize project funding with notification to the Joint Legislative Budget Committee.

**STAFF RECOMMENDATION.** Staff recommends that the Subcommittee increase funding proposed in the May Revision Finance letter and approve the following budget bill language.

**3790-001-0001**

Provisions:

3. Of the funds appropriated in this item shall be available for encumbrance through June 30, 2012.
  
4. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures in this item for capital outlay projects not sooner than 30 days after written notification is provided to the chairpersons of the fiscal committees in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee. The written notification will provide a description of each capital outlay project, the need for the project, and the cost and phase for which approval is requested.

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**ISSUE 3: CALIFORNIA MAIN STREET PROGRAM**

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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.** Approve augmentation of \$175,000 General Fund to fund 2 positions to begin implementation of the Main Street Program.

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**ISSUE 4: EXTENSION OF LIQUIDATION**

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The following provides a two year extension of liquidation for prior year funding for a regional youth center in Huntington Park. According to the City and State parks, the liquidation period on the original 2000 appropriation was for 2008. However, when these items were reappropriated, the liquidation period was reduced to June 30, 2006.

The balances of the appropriations provided in the following citations are reappropriated for the purposes and subject to the limitations, unless otherwise specified, provided for in the following appropriation and shall be available for liquidation of encumbrances until June 30, 2008.

0005-Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Fund

(1) Item 3790-102-0005(a)(5)(i), Budget Act of 2000 (Ch. 52, Stats. 2000), City of Huntington Park: Regional Community Youth Center, as re-appropriated by Item 3790-492(3)(a)(5)(i), Budget Act of 2005 (Ch. 38/39, Stats. 2005), City of Huntington Park: Regional Youth Center

(2) Item 3790-102-0005(a)(5)(qx), Budget Act of 2000 (Ch. 52, Stats. 2000), City of Huntington Park: Bonelli Regional Youth Center as re-appropriated by Item 3790-492(3)(5)(qx), Budget Act of 2005 (Ch. 38/39, Stats. 2005), City of Huntington Park: Bonelli Regional Youth Center.

**STAFF RECOMMENDATION.** Staff has no issues with proposal and recommends approval as proposed.

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**ISSUE 5: FEDERAL GRANTS – TECHNICAL CHANGE**

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**Finance Technical Change.** The Department of Finance has indicated that budget bill language is needed to enable the department to expend all of its federal grant money in a given year. Since the federal government makes decisions about grant money after the state budget is enacted the department does not always know how much money will be allocated between OHV grants and other park recreation grants from the federal government. To address this, the Department of Finance has proposed language to eliminate schedules under the federal grant funds that identify what grant money goes to OHV projects versus other park recreation projects.

**Staff Comments.** Staff finds that the schedule for federal grant funds provides important information to the Legislature and public on how much federal grant money is being expended on OHV-related projects versus other park recreation projects. Furthermore, staff finds that any changes to the budget should be reported to the Joint Legislative Budget Committee to maintain legislative oversight.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the following compromise budget bill language to address the Department of Finance's concern:

3790-101-0858

*Provisions:*

*4. Notwithstanding any other provision of law, the Director of Finance may authorize an intra-schedule transfer of funds in this item. The intra-schedule transfer shall occur no sooner than 30 days after written notification is provided to the chairpersons of the fiscal committees in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee.*

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**ISSUE 6: MALIBU BLUFFS**

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**Background.** The department purchased land on Malibu Bluffs in 1979. The department's original intent for the property was to locate a park headquarters at the site. However, local opposition regarding this proposal and the relocation of baseball fields forced the department to pursue an alternative location for its headquarters. The department then entered into an agreement with the City of Malibu to transfer an 11-acre portion of the Malibu Bluffs to the city for fair market value.

**Staff Comments.** Staff understands that statutory changes are needed to clarify the intent of the agreement and to ensure that the transfer of land occurs.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the following trailer bill language:

*Section 5003.11 is added to the Public Resources Code to read:*

*(a) Notwithstanding Section 11011 et seq. of the Government Code, the Director may grant to the City of Malibu, subject to the conditions set forth in this section, all of the rights, title, and interest of the State of California in an approximately 10.81-acre portion of the Malibu Bluffs unit of Malibu Lagoon State Beach, known as Malibu Bluffs Community Park, in Los Angeles County.*

*(b) The grant shall be made upon the following express conditions:*

*(1) The real property conveyed shall be operated, maintained, and improved by the city for park purposes in perpetuity, consistent with covenants, conditions, and restrictions recorded by the Department to protect the State's interest.*

*(2) The City of Malibu shall pay the Department fair market value for the real property interests, as restricted by subdivision (b)(1); the net proceeds shall be deposited pursuant to Section 5003.15. The fair market value shall be determined by an appraisal that is reviewed and approved by the Department of General Services.*

*(c) The Legislature hereby makes a finding that the grant to the City of Malibu, pursuant to the conditions provided in subdivision (b)(1) above, is excepted from the provisions of Section 5096.516 in accordance with subdivision (c)(3) of that section.*

**3680 CALIFORNIA DEPARTMENT OF BOATING AND WATERWAYS****ISSUE 1: HARBORS AND WATERCRAFT REVOLVING FUND – LOCAL ASSISTANCE**

**Governor's Budget.** The Governor's budget includes the following budget proposals for local assistance grants and loans from the Harbors and Watercraft Revolving Fund:

- **Public Small Craft Harbor Loans.** The budget proposes \$21.4 million for public loans to develop, expand, or rehabilitate marina facilities at 6 locations in the state. Marinas in San Francisco, Alamos Bay, Dana Point, Berkeley and Sacramento are proposed to receive the largest allocations in the budget year.
- **Boat Launching Facility Grants.** The budget proposes \$9.6 million for 11 grants to build or improve launching facilities around the state. The largest grants are proposed to fund projects at Shelter Cove, Caples Lake, the Antioch marina, and Bonelli Park.
- **Private Recreational Marina Loans.** The budget proposes \$3.5 million to fund loans to develop, expand, or rehabilitate private marina facilities statewide.

**Finance Letter.** A Finance Letter (dated March 30, 2006) proposes to allocate an additional \$15 million in gas tax monies paid by boaters that had supported boating activities at the Department of Parks and Recreation to increase public loans and grants to marinas and boat launching facilities in the budget year. The Department proposes to allocate the additional \$15 million to augment the following projects:

	<b>Budget Proposal</b>	<b>Finance Letter</b>	<b>Total</b>
<i><b>Public Loans</b></i>			
Alamos Bay - Basin 1	\$5,380	\$3,100	\$8,480
Dana Point Marina	\$5,000	\$4,800	\$9,800
Dana Point 2	\$500	-\$300	\$200
Long Beach - Basin 2&3	\$500	-\$300	\$200
San Francisco Marina - East	\$500	-\$247	\$253
San Francisco Marina - West	\$6,000	\$5,300	\$11,300
<i><b>Grants</b></i>			
Gridley Boat Launch Facility (BLF)	\$635	\$300	\$935
Jack Smith Park BLF	\$223	\$2,357	\$2,580
Live Oak BLF	\$567	-\$10	\$557
<b>Total</b>	<b>\$19,305</b>	<b>\$15,000</b>	<b>\$34,305</b>

The Department also proposes to redirect \$847,000 from three first-phase projects to three final-phase projects. The Department also indicates that the grant provided to the Live Oak Boat Launch Facility was inadvertently overstated by \$10,000.

**Staff Comments.** Staff finds that transferring \$15 million in gas tax monies paid by boaters from support by the Department of Parks and Recreation to provide additional loans and grants for public marinas is a policy choice that has been made by the administration. Numerous boating opportunities are provided to boaters at nearly one-third of all state park facilities. While staff recognizes out year pressures on the Harbors and Watercraft Fund if this proposal is not adopted, it is the recommendation of staff that more immediate general fund needs be addressed with this funding.

**STAFF RECOMMENDATION.** Staff recommends that the Subcommittee concur with Senate's actions and:

- Approve the Governor's budget proposal for local assistance grants and loans.
- Reject the Governor's Finance Letter transferring \$15 million in gas tax monies paid by voters from the Department of Parks and Recreation to support additional loans and grants to marinas and boat launch facilities.
- Allocate an additional \$3.1 million from the Harbors and Watercraft Revolving Fund reserve to the Alamos Bay - Basin 1 project. (These funds are available due to a recent reversion).
- Delete \$10,000 in funding for a grant to the Live Oak Boat Launch Facility to correct an error.

## 3820 – SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

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### ISSUE 1: FUNDING AUGMENTATION PROPOSAL

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Subcommittee staff has been presented by the San Francisco Bay Conservation and Development Commission (BCDC) a proposal to augment the Governor's proposed 2006-07 budget for BCDC by roughly \$1.0 million (General Fund) and 11.0 PYs.

Since the 2000-01 fiscal year, the BCDC has experienced its budget reduce from \$4.5 million and 44 staff to the current levels of \$3.2 million and 33 staff. According to the BCDC, these reductions have caused a substantial deterioration in there services provided by BCDC and complaints from permit applicants and the general public.

**The BCDC's Permit Fees.** In 2004, budget bill language was approved that directed BCDC to revise its fee schedule to cover 20 percent of the total cost of the commission's regulatory program. This resulted in an increase in the commission's fee schedule. Staff finds that the commission's permit fees are still lower than comparable fees at local governments and other state agencies, including the Coastal Commission. The commission has the authority to increase its fees without action by the Legislature. If the commission raised its fees to cover approximately 50 percent of its current regulatory program it would raise approximately \$1 million in revenues that would be deposited in the General Fund.

**Prior Legislative Direction.** When heard on March 22, Assembly subcommittee held this item open for staff to work with Finance and the Commission on a proposal that would include increased fee revenue to offset General Fund costs of the proposal. Senate Subcommittee 2 later took action to approve \$1 million expenditure authority for BCDC but provided that only \$400,000 would be General Fund and \$600,000 would come from increased fee revenue.

**STAFF RECOMMENDATION.** Staff recommends that the Subcommittee concur with Senate's actions and:

- Adopt budget bill language to request the commission to augment its fee schedule to cover 50 percent of its regulatory program, which will generate approximately \$600,000 in additional revenue for the General Fund.
- Augment the commission's budget by \$1 million from the General Fund to support 11 positions as outlined in the Commission's investment plan.

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**8570– DEPARTMENT OF FOOD AND AGRICULTURE**

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**ISSUE 1: EMERGING THREATS**

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The Governor's budget is proposing a General Fund augmentation of \$7.2 million and 39.0 PYs to implement a statewide effort to address identified emerging threats to the state's food supply and livestock. Of the requested funding, \$1.7 million will be for one-time purposes and \$5.5 million will be ongoing.

Proposed funding for this proposal will be divided among the following ten components:

- **Personal Protection Program for First Responders (1 PY and \$187,936).** The requested position and funding will be used to: assess the Department's needs for protective equipment for staff; purchase necessary equipment; provide training to employees; and implement a medical monitoring program that will include regular and documented medical evaluation vaccination schedules, general monitoring of employee health.
- **Dairy Food Safety and Security (4 PYs and \$498,701).** The requested funds will be directed towards establishing security standards for milk processing, storage and distribution in order to minimize the risk of an intentional contamination of the milk supply. The positions will also collaborate with law enforcement agencies and provide on-going outreach to over 2,000 dairy farms, their milk haulers, and 35 fluid milk processing plants to identify and assist the milk industry with security concerns.
- **Agriculture Biosecurity and Emergency Management Program (4 PYs and \$587,843).** The requested funds will assist farmers statewide in assessing biosecurity levels on farms, ranches and other animal production facilities and implement enhanced biosecurity plans where needs are identified. Additionally, this program will also aim to assess and make recommendation for integrated emergency response planning at the local level to respond to prevent the spread of disease.
- **Field Communications and Data Management Upgrade (4 PYs and \$418,356).** The requested funds and positions will develop and implement a statewide notification system that will allow the CDFA to have real-time disease and animal population data.
- **Field Early Warning System/Rapid Notification (1 PY and \$163,223).** The position and funding for this program will be used to begin the creation of a statewide notification system by identifying and training field observers, maintaining a contact information database and contracting with notification services that are capable of sending thousands of messages via telephone, fax, pager, or e-mail.
- **Premises, Animal Identification, and Movement Tracking System (4 PYs and \$753,141).** Funding for this proposal will be used to create an integrated identification and tracking system that will allow CDFA to develop quarantine boundaries, trace movement

of diseased and disease exposed animals, conduct epidemiologic investigations, develop risk assessments and accurately coordinate response and surveillance efforts.

- **Rural–Urban Community Outreach and Disease Surveillance (10 PYs and \$1,173,238).**

The requested funding and positions will be used to provide statewide outreach and disease surveillance at statewide locations that are especially vulnerable to the spread of disease such as specialty markets, auctions, swap meets, feed stores, shows and fairs.

- **Expanded Laboratory Capacity for Rapid Testing and Surveillance (\$2,294,900).**

The requested funding will be used to procure \$450,450 in equipment, enter into \$155,450 in equipment service contracts and spend \$830,000 for a Laboratory Information Management System to support expanded laboratory capacity required to detect a disease or food contaminant. Additionally, \$589,000 will be used to contract with laboratory staff to provide increased testing activities.

- **Investigation, Research, and Policy Development Unit (3 PYs and \$399,349).**

Funding requested by this proposal will be used for new staff to work with other research entities to conduct research and policy development that reflects the most current understandings of diseases and applications of the latest technology.

- **Agricultural Security and Emergency Response Office (8 PYs. \$1,016,768).**

The requested funding and positions will be used to run the Agricultural security and Emergency Response Office (ASER) that is located in the Office of Emergency Services Headquarters and serves as a central point of coordination in case of emergency for Department resources, agricultural industry, agricultural commissioners and statewide fairgrounds. The ASER office has been operating in 2005-06 with Federal Specialty crop grant funds.

**May Revision Proposal.** In the Governor's May Revision, it is proposed that reimbursement authority be increased by \$1.0 for homeland security grants awarded in 2005. Consistent with CDFA's proposal to OHS which represents its highest priorities, funding is requested for the following four activities: (1) a subcontract to implement an emergency rapid notification system (\$181,300), (2) the purchase of laboratory equipment for the California Animal Health and Food Safety Laboratory (\$485,000), (3) consulting services to develop response plans for four intentional food contamination scenarios (\$307,610), and (4) internal grant administration (\$37,407 or 2.5 percent of FFY05 award). While the funds are available for expenditure beginning in the current year, the department anticipates it will not make any expenditures until 2006-07. (Homeland security grants are paid on a reimbursement basis.) The LAO has noted that the department received a total of \$1.5 in FFY05 homeland security grant funds. It intends to request increased reimbursement authority for the balance of the funds (\$485,317) via a section letter upon completion of a feasibility study report for a software upgrade at its analytical chemistry lab. It also intends to submit a section letter during 2006-07 to request additional reimbursement authority for FFY06 funds upon notification of the final award amount.

**High Risk Pest Exclusion.** In prior subcommittee hearings we heard testimony from county Agriculture Commissioners that that statewide High Risk Pest Exclusion Programs are not being fundind to prevent the ongoing introduction of exotic plant pests into our state. The Agriculture Commissioners and the Department have cited that the Stat's Border Inspection station's are not fully staffed, airports are inadequately monitored for pest exclusion and our ports additionally are not staffed to prevent the entrance of a pest or disease that could carry significant costs in pest eradication efforts if it were introduced.

**Staff Comments.** The Subcommittee heard this issue in a prior hearing and requested that staff work together to consider alternative options for funding the Emerging Threats BCP.

Though their May Revision proposal, CDFA has identified \$1.0 million in homeland security grants that would be eligible to fund the activities outlined in their emerging threats BCP.

Additionally, the LAO has that the subcommittee utilize available specialty crop block grants totaling \$1.9 million to support two components of the Emerging Threats proposal: (1) a one year extension of the Agricultural Security and Response Office (\$1,016,768), and (2) partial support for one-time upgrades to the California Animal Health & Food Safety (CAHFS) laboratory (\$969,675). This would leave \$851,557 in remaining funds. Of this amount, we recommend the Legislature approve the department's request for \$763,000 to support its grant management unit for one additional year. This unit will be required to close out all of the grants, prepare for the impending federal audit, and put the systems in place to better manage any future grants.

**STAFF RECOMMENDATION.** Staff Recommends that the subcommittee approve the Departments Emerging Threats BCP and May Revise proposals with the amendment that \$1.9 million of one-time costs for the BCP be funded through Specialty Crop Block Grant Funds.

Two components of the Emerging Threats proposal that may be funded through specialty crop block grants could include: (1) a one-year extension of the Agricultural Security and Response Office (\$1,016,768), and (2) partial support for one-time upgrades to the California Animal Health & Food Safety (CAHFS) laboratory (\$969,675).

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**ISSUE 2: WEED MANAGEMENT AREAS PROGRAM**

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Created by AB 1168 (Frusetta) in 1990, The California Weed Management Area Program was created to bring local stakeholders within defined Weed Management Areas (WMAs) together leverage local and federal funds with state funds to control the spread and impact of invasive weeds throughout the state.

This program is administrated by CDFA typically through county Agricultural Commissioners' offices. In order for state funds to be awarded to local WMAs, an advisory panel reviews proposals from WMAs and makes awards according to guidelines. To receive funding, each WMA must have an MOU between all stakeholder groups in their area, and a strategic plan defining their goals and objectives. WMAs focus on treatment of weed infestations, but they also work on public education and mapping/inventory efforts.

**Staff Comments.** Proponents of this program cite that State funding provided to this program has been able to leverage a 3-1 match from outside grant funding and in-kind donations and services. This program has eradicated 128,421 acres and 2,015 populations of high priority weed infestations in the state.

**STAFF RECOMMENDATION.** Provide a \$2.5 million augmentation for the weed management area program.