

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 3
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION****Assemblymember Fran Pavley, Chair****TUESDAY, MAY 23, 2006
STATE CAPITOL, ROOM 126
9:00 A.M.****Hearing Items**

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CONSENT CALENDAR**ITEM 3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION****ISSUE 1: PUBLIC GOODS CHARGE PROGRAMS**

The Energy Commission administers two major programs funded by "public goods charges" collected by the Public Utilities Commission from the investor-owned utilities and funded through ratepayer charges. The Public Interest Energy Research (PIER) program provides grant funds to public and private entities for research, development, and demonstration of electricity-related technologies. The Renewable Energy Program at the CEC provides subsidies to promote renewable energy in the state and to assist the utilities with meeting the Renewable Portfolio Standard (RPS).

PIER. This program is funded by a public goods charge on electricity that is paid by electricity ratepayers of investor owned utilities. The surcharge generates \$62.5 million annually to fund this program. In 2004, the California Public Utilities Commission (CPUC) issued a decision that established the PIER natural gas program the Energy Commission receives approximately \$12 million annually of these funds, which will grow to \$24 million annually over the next few years.

The Governor's budget proposes \$504,000 to support five new positions to identify, develop, and manage energy-related research projects for the PIER natural gas program.

Renewable Energy Program. This program is funded by a public goods charge on electricity sold by the investor-owned utilities, which generates at least \$135 million annually. These funds are continuously appropriated. Only administrative costs associated with this program (\$5.4 million) are appropriated in the Budget Bill. The Governor's May Revision includes an administrative action to transfer \$150 million from the General Fund to the Renewable Resource Trust Fund to repay a loan from this account made several years ago.

Under existing law, the commission has prepared new 5-year plans for both programs and legislation is required to re-authorize spending for both of these programs after 2006.

Senate Action. Senate Subcommittee 2 removed funding for these programs from the budget and in order to provide ongoing funding through budget trailer legislation (potentially SB 1250, Perata).

STAFF RECOMMENDATION. Approve as budgeted. (Places both programs in conference).

ITEM	DEPARTMENT	SUMMARY
3790	DEPARTMENT OF PARKS AND RECREATION	MAY REVISION: CAPITAL OUTLAY LOS ANGELES STATE HISTORIC PARK

Reappropriations

(1) Department of Parks and Recreation

3790-493 Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate the encumbrance of the following citation, subject to the following limitation, is extended until June 30, 2005.

3790-101-0262—Habitat Conservation Fund

(1) Item 3790-101-0262, Budget Act of 1999 (Ch. 50, Stats of 1999), as reappropriated by Item 3790-493, Budget Act of 2004 (Ch. 208, Stats of 2004), and Item 3790-492 (1) (1) Budget Act of 2005 (Ch. 38/39, Stats of 2005) (1)

80.25.001—Local Grants—Habitat Conservation Fund Program

Provisions:

- 1) The reappropriation is limited to the \$325,000 grant to the Mid-Peninsula Regional Open Space District.

(2) Department of Forestry and Fire Protection

Item 3540-490 reappropriation, Department of Forestry and Fire Protection. The balance of the appropriation provided in the following citation is reappropriated for the purposes specified and shall be available for encumbrance or expenditure until June 30, 2007.

0001—General Fund

(.2) \$10,800,000 in Item 3540-001-0001, Budget Act of 2005 (Ch. 38, Stats. 2005) Program 11-Fire Protection

(3) Department of Fish and Game –

Consultant money from last year to figure out workload tracking and accounting solutions to increase transparency at the department

Add Item:

3600-490—Reappropriation, Department of Fish and Game. The balance of the appropriations provided in the following citations are reappropriated for the purposes and subject to the limitations, unless otherwise specified, provided for in those appropriations:

0001—General Fund

(1) \$150,000 in 3600-001-0001, Budget Act of 2005 (Ch. 38, Stats. 2005) to continue a corrective action plan to address workload tracking and other systems to increase budget transparency.

- (4) **Department of Water Resources - Proposition 13, Urban streams.** The Assembly approved \$113k on 4/19, while the correct amount to reappropriated and reverted is \$132,000.

(5) **Coastal Conservancy**

Reappropriation for the Ballona Wetlands and Laguna Coast Wilderness Park

The May Revision proposes to reappropriate \$21 million in Proposition 12 bond monies for the following projects:

Ballona Wetlands. Reappropriation of \$15 million is needed to restore wetlands on 500 acres of property in the City of Los Angeles. More time was needed to coordinate with the federal government on final project design and implementation of the project.

Laguna Coast Wilderness Park. Reappropriation of \$8 million in Proposition 12 bond monies for acquisitions in important coastal watersheds and scenic areas in an area known as the Laguna Coast Wilderness.

(6) **Reappropriation language for Prop 40 and 50 from 03-04**

The State Coastal Conservancy has indicated that they will not be able to expend all of the bond monies that they were allocated in the 2003 Budget Act before the end of the current fiscal year. In order for the conservancy to expend these funds in the budget year, the conservancy is requesting that the funds be reappropriated.

Proposition 40 Bond funds allocated to the conservancy in the bond for public access, urban waterfront restoration, watershed and other habitat restoration and agricultural preservation. The Conservancy estimates that there will be over \$5 million remaining for expenditure in the budget year.

Proposition 50 bond funds for watershed restoration projects. The conservancy estimates that there will be about \$1.5 million remaining for expenditure in the budget year.

Budget Bill Language

(7) **Department Conservation - Information Technology Upgrades
Item 3480-001-0133**

Provisions:

1. Of the funds appropriated in this item, \$268,000 shall be available for the Information Technology Infrastructure Upgrades as a one-time appropriation available for expenditure until June 30, 2007.

Item 3480-001-3046

Provisions:

1. Of the funds appropriated in this item, \$161,000 shall be available for the Information Technology Infrastructure Upgrades as a one-time appropriation available for expenditure until June 30, 2007.

Item 3480-001-0035

Provisions:

1. Of the funds appropriated in this item, \$54,000 shall be available for the Information Technology Infrastructure Upgrades as a one-time appropriation available for expenditure until June 30, 2007.

**(8) Department of Fish and Game
San Francisco PUC Reimbursement Position BBL**

Approve budget bill language to allow the Department of Fish and Game to fund one environmental scientist position through reimbursements from the San Francisco Public Utilities Commission to perform work on planning, review and permitting of projects related to the San Francisco PUC Water System Improvement Program. These funds will be available for expenditure until June 30, 2016.

(9) Department of Water Resources – Reporting Language**3860-001-0001 DEPARTMENT OF WATER RESOURCES**

On or before February 1, 2007, the Department of Water Resources shall submit a report to the Legislature on the status of repair efforts at the 29 critical erosion sites on the Sacramento and San Joaquin Rivers which have been identified by the U.S. Army Corps of Engineers and which the Department has been directed to repair by Executive Order S-01-06. The report shall include information on: 1) the status of each erosion site, including repairs made over the previous twelve months and a timeline to complete any additional repair work needed, 2) an accounting of all state funds expended or projected to be expended, 3) an accounting of federal funds received or projected to be received and any credits against future project costs made by the U.S. Army Corps of Engineers, 4) an accounting of all local funds received or projected to be received, 5) any additional funds needed to complete the identified repair projects, and 6) any additional critical erosion sites that have been identified by the U.S. Army Corps of Engineers.

(10) California Integrated Waste Board - Technical Changes

Based on the Waste Board's determination that several of its grants to local governments could perhaps be more transparently displayed in its Tire Program's local assistance item, Waste Board staff has stated that the following grant programs could be shifted to the local assistance item. The total of \$8.3 million would need to be shifted via legislative action FROM Item 3910-001-0226 TO Item 3910-101-0226.

ITEMS TO BE HEARD

3540 DEPARTMENT OF FORESTRY AND FIRE PREVENTION

ISSUE 1: EMPLOYEE COMPENSATION – MANAGERS AND SUPERVISORS

As discussed in prior subcommittee hearings, current pay structures between different classifications of CDF personnel often provides higher earning potential for mid level personnel than for higher level management and supervisors. This issue of salary compaction has created a difficulty within CDF to find willing employees move up the ranks and fill vacant management and supervisor positions.

May Revision. In the May Revision, the administration proposed to deal with this issue by increasing the volume of cadets that it could enroll into training camps with the expectation that mid level staff would willingly migrate up into management positions.

Staff Comments. With current employee compensation potential for mid level CDF personnel, staff finds that it will be difficult for the Department to successfully recruit management and supervisor personnel.

STAFF RECOMMENDATION. Approve a \$3 million (General Fund) augmentation for increased employee compensation for CDF management and supervisors to improve recruitment and retention.

3560 STATE LANDS COMMISSION

ISSUE 1: SCHOOL LAND BANK ACT

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. Though SLC has indicated that it views the workload outlined in the staff recommendation as an eight year need, Staff recommends that these funds be provided to the SLC on a three year basis. To conform with the senate action and provide an opportunity for the subcommittee to return to this issue if a reappropriation is needed by the SLC.

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 State Lands Commission the authority to expend the \$2 million over 3 years.
- Approve 2 positions to be funded through reimbursements from the School Land Bank Fund.
- 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

ISSUE 1: MAY REVISE –CALFED ECOSYSTEM RESTORATION PROGRAM

In the Governor's May Revision, it is proposed that the CALFED Ecosystem Restoration Program (ERP) be consolidated within the Department. This proposal will establish 10 positions within the department, increase reimbursements by \$25,325,000, and increase Proposition 50 funding by \$2,493,000, this proposal would implement a component of the Administration's 10-Year CALFED Action Plan, by consolidating the ERP within the Department of Fish and Game (DFG). The increased Reimbursement authority would enable the DFG to receive funds from the Department of Water Resources, the Wildlife Conservation Board, and the Resources Agency for contracts supporting the ERP.

It is also requested that Item 3600-490 be added to reappropriate ERP funding currently allocated to the California Bay-Delta Authority (Authority) to the DFG. It is further requested that Item 3870-001-6031 be decreased by \$278,000 and that Item 3870-001-001 be amended to reflect this change to reflect the elimination of existing positions within the Authority that will be shifted to the DFG to administer ERP projects.

Staff Comments: As identified by audits of the CALFED program, because of its fragmented organizational structure, the ERP program struggled to effectively meet its statutory mandates to improve and increase aquatic and terrestrial habitats and improve ecological functions in the Bay-Delta. The administration proposal is an affirmative step towards strengthening this program and additionally strengthens the Department's role in the CALFED process.

STAFF RECOMMENDATION. Approve Finance letter as budgeted.

ISSUE 2: WEST NILE VIRUS

Background. In the 2005-06 Budget Year, \$1.5 million was provided for a newly created program created by legislation within DFG to implement best management practices for ecologically based mosquito control activities on State DFG wetlands. The primary goal of this program was to use Best Management Practices to minimize pesticide use in mosquito eradication campaigns and simultaneously encourage conservation of wetlands critical for water fowl and other wildlife. The following are examples of DFG wetlands that would be affected by this program:

The Doyle Deer Winter Range, located in Lassen County.
The Tehama Deer Winter Range, located in Tehama County.
The Honey Lake Waterfowl Management Area, located in Lassen County.
The Imperial Waterfowl Management Area, located in Imperial County.
The Mendota Waterfowl Management Area, located in Fresno County.
The San Jacinto Wildlife Area, located in Riverside County.
The Lakes Earl/Talawa Wildlife Area, located in Del Norte County.
The Santa Rosa Mountains Bighorn Sheep Reserve, located in Riverside County.
The Camp Cady Wildlife Area, located in San Bernardino County.
The Butte Valley Wildlife Area, located in Siskiyou County.
The Ash Creek Wildlife Area, located in Lassen and Modoc Counties.
The Moss Landing Wildlife Area, located in Monterey County.

Staff Comments. . Under state law, DFG is mandated to undertake BMPs and other actions for control and abatement of mosquitoes in wildlife areas. In the Governor's 2006-07 budget no funding was included for this program although there continues to be a high need for West Nile virus prevention on DFG wetlands caused by extensive rains over the last year. Staff recommends that funding for this program be continued at last year's level of \$1.5 million.

STAFF RECOMMENDATION. Approve \$1.5 million augmentation West Nile Virus BMP program and the following budget bill language:

Of the funds provided in this item, \$1,500,000 shall be made available to carry out Section 1507 of the Fish and Game Code relating to mosquito production control and the West Nile virus. Projects undertaken to implement Section 1507 of the Fish and Game Code are not subject to Part 2 (commencing with Section 10100) of Division 2 of the Public Contract Code or Article 6 (commencing with Section 999) of the Military and Veterans Code. The department may contract with a Mosquito and Vector Control District, a Resource Conservation District, or a non-profit organization for accomplishment of these projects.

3600 DEPARTMENT OF FISH AND GAME
3760 STATE COASTAL CONSERVANCY

ISSUE 1: MARINE LIFE PROTECTION ACT

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.

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. 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 May Revision, the Administration has proposed a total augmentation of \$12.6 million (\$10 million DFG/\$2.6 million Ocean Protection Council (OPC) for the implementation of the Marine Life Protection and Management acts.

- **\$2.6 million** one-time to the Coastal Conservancy (Ocean Protection Council) to implement the Marine Life Protection Act and 11 positions for DFG.
- **\$10 million** to fund the Marine Life Protection and Management Acts as follows:
 - \$878,000 - 9 pys and overtime
 - \$3.2 million for Equipment
 - \$1.425 million for contracts
 - \$1 million for enforcement vehicles
 - \$400,000 for Warden overtime

Senate Actions - The Senate Approved \$13.6 million (\$5.6 million DFG/ \$8 million OPC) for Marine Life Protection and Management acts implementation as follows:

- **\$2.6 million** ongoing and 11 positions to the Department of Fish and Game
- **\$2 million** to the Department of Fish and Game to implement Marine Life Protection Act and the Marine Life Management Act
- **\$1 million** ongoing for the Department of Fish and Game to fund 9 PYs identified by the BCP and other activities related to MLPA implementation and the marine division
- **\$8 million** for the Ocean Protection Council, (State Coastal Conservancy)
- Budget bill language to require the department to expend at least \$3,470,000 of this item on implementation of the Marine Life Protection Act.
- Budget bill language to require the council to develop a plan jointly with DFG to expend the \$8 million.
- Budget bill language to give the department and the State Coastal Conservancy up to three years to encumber the \$10 million allocated for the Marine Life Management Act and the Marine Life Protection Act.

LAO Recommendation. The LAO finds that the Governor's May Revision proposal deviates from statute and adds unnecessary bureaucratic layers to MLPA implementation. The LAO indicates that the MLPA (Fish and Game Code §2850-§2863) directs the department to implement the MLPA. In contrast, the administration's proposal would direct the State Coastal Conservancy, on behalf of the Ocean Protection Council, to increase its role in approving expenditures to implement the MLPA. The SCC would then contract with DFG to carry out MLPA-related activities. The LAO recommends rejecting the Governor's May Revision proposal and instead recommends providing an appropriation of \$2.6 million from the General Fund directly to DFG for MLPA implementation.

Staff Comments. Staff finds the Governor's proposal confuses to a certain extent the roles of the department and the Ocean Protection Council. The department has the authority to carry out the implementation of the MLPA and should be given the resources to implement this activity. However, since the MLPA is still in the early stages of implementation, the Ocean Protection Council has a broader role in coordinating the implementation of the MLPA with other ocean policies. Since the long-term management and implementation of the MLPA will likely be a joint effort among many entities, it makes sense to have the Ocean Protection Council involved. Additionally, because MLMA an MLPA implementation requires an ongoing funding commitment from the state, staff recommends that funding provided to support positions be ongoing.

STAFF RECOMMENDATION: Staff recommends that the subcommittee rescind its previous action for the Marine Life Protection act May Revision finance letter and approve the following:

- **\$2.6 million** ongoing and 11 positions to the Department of Fish and Game
- **\$2 million** to the Department of Fish and Game to implement Marine Life Protection Act and the Marine Life Management Act
- **\$1 million** ongoing for the Department of Fish and Game to fund 9 PYs identified by the BCP and other activities related to MLPA implementation and the marine division
- **\$7 million** for the Ocean Protection Council, (State Coastal Conservancy)
- Budget bill language to require the department to expend at least \$3,470,000 of this item on implementation of the Marine Life Protection Act.
- Budget bill language to require the council to develop a plan jointly with DFG to expend the \$8 million.
- Budget bill language to give the department and the State Coastal Conservancy up to three years to encumber the \$10 million allocated for the Marine Life Management Act and the Marine Life Protection Act.

3640 WILDLIFE CONSERVATION BOARD**ISSUE 1: TIDELAND OIL REVENUES TRAILER BILL LANGUAGE****1) Funding for Resources Programs**

Tidelands 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, Tidelands 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 Tidelands 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.

A coalition of environmental, hunting, fishing and conservation organizations have requested that the subcommittee approve Trailer Bill language directing the use of Tidelands Oil Revenue for resources activities. Figure 1 displays how tideland oil revenues could be expended:

Figure 1.**Tidelands 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 the Wetlands and Riparian Habitat Conservation Account;
7. \$1 million for the Coastal Commission permitting account;
8. \$2.3 million for the State Parks Environmental Education account; and
9. The remaining amount to the Natural Resources Infrastructure Fund.

Because the Governor's May Revision provided one-time General Fund funding for most of these 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.

2) Funding for ongoing beach and coastal environmental mitigation Background: In 1996 the Legislature passed SB 1187 (Maddy) which provided that 20% of revenues from the production of oil, gas, and other hydrocarbons from state offshore oil and gas leases should be paid to the city or county within whose boundaries the lease is located under certain conditions (Section 6817 of the Public Resources Code). The monies were to be used for beach and coast improvements and environmental mitigations. These revenues do not apply to federal leases. This statute does not have any effect on whether production would take place, but only affected the distribution of any revenues. These provisions affect only Orange, Ventura, and Santa Barbara, counties, and sunset in 2002.

Staff Comments: In the event that there should ever be any new production from existing state leases, local governments will continue to need funds for coastal improvements and environmental mitigation. Additional needs for mitigation funding have emerged involving coastal habitat and water quality.

STAFF RECOMMENDATION. Staff recommends that the subcommittee:

- 1) 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.
- 2) Adopt trailer bill language that provides that 20% of revenues from state leases shall be provided for land acquisitions on the Gaviota coast and for non-point source water pollution control.

3790 DEPARTMENT OF PARKS AND RECREATION

ISSUE 1: OPEN ISSUE - OFF HIGHWAY VEHICLE PROGRAM

Background. The Off-Highway Motor Vehicle Recreation Program (OHV Program) provides opportunities for OHV recreation while protecting California's natural and cultural resources from the negative environmental impacts of OHV recreation. The department operates eight OHV-related state parks. The department also allocates OHV grants for a variety of activities related to OHV facilities, law enforcement operations, resource management, safety and education, and equipment projects. The grant applications must be approved by the OHV Commission, which establishes policy for the program. The Commission is made up of seven members that are required to represent a broad range of interests.

Governor's Budget. The Governor's budget proposes \$18 million from the OHV Fund for the OHV grant program.

LAO Recommendation. The LAO finds that the process for establishing guidelines and priorities for the OHV grant program is broken. This is consistent with issues raised by the Bureau of State Audits in a recent audit of the OHV program. The allocation of OHV grants in the current year has been delayed due to ongoing disagreements between the OHV Commission and the department regarding how the funds should be allocated. Furthermore, the LAO recommends deleting the \$18 million for OHV grants pending resolution of this breakdown in the process of allocating the grant funds.

OHV Act Sunsets. Staff finds that the entire OHV Recreation Program is scheduled to sunset on January 1, 2007.

Missing Gas Tax Study. Staff finds that OHV users participate in a wide range of activities. These activities range from motorcycle racing to using an OHV to access a remote fishing lake or hiking spot. The department is currently preparing a gas tax study that includes a survey of the range and amount of time OHV users engage in different activities. Data from this study is critical to determining the best way to allocate the OHV Funds to ensure that they support activities that are consistent with the demands of all OHV users. The department has indicated that the gas study will not be complete until after the budget is approved and that the study is instrumental to the development of an OHV strategic plan.

Prior Subcommittee Direction. In a prior hearing, the subcommittee held this item open and directed staff and the department to look at law enforcement needs and grants provided by this program. For the hearing the Department should be prepared to comment on how many local assistance grants are tied to increased law enforcement and how the department prioritizes these requests.

Staff Recommendation. Staff recommends that the Subcommittee adopt the LAO's recommendation and delete funding for OHV grants from the OHV fund pending a resolution of the current problems with the grant allocation process.