

GOVERNOR'S 1999-00 BUDGET PROPOSAL FOR: RESOURCES AND ENVIRONMENTAL PROTECTION

Californians depend on our commitment to clean water, air free from pollution, and stewardship of our parks, public lands, and coasts. Adequate funding is necessary to implement and enforce our laws to protect the health of our citizens, develop and maintain existing parks, acquire lands to keep pace with the needs of our growing population, and protect critical habitat. The Governor's budget proposes expenditures of more than \$3 billion for these natural resources and environmental protection programs.

Over an eight-year period from 1989 to 1996, the state consistently reduced the amount of money resources programs received in the budget. Resources programs lost nearly \$1.2 billion in General Fund support. Special funds dedicated to protecting the environment such as the Environmental License Plate Fund, the Habitat Conservation Fund, and the Public Resources Account of Proposition 99 (PRA) were used to supplant base funding instead of being utilized for specific uses as required by law.

In the last two years, more than \$250 million of one-time General Funds have been invested by virtue of legislative augmentations to this budget in acquisition and development of local and regional parks, habitat acquisition, watershed protection programs on the north coast, coastal resource management and protection, increased pesticide use enforcement, local flood control projects, and air quality improvements. In addition funding was provided for the acquisition of the Headwaters Forest and related lands (\$245 million).

In this budget, the Governor makes a commitment to several key policy initiatives including coastal conservation and environmental quality of Lake Tahoe. In addition, the Governor directs the Secretary of Resources to examine the needs and recommend ways in which to fund natural resource restoration, preservation, and enhancement projects.

RESOURCE BONDS

One reason for the lack of adequate funding for resource's projects is the depletion of bond funds. The last successful park bond was on the 1988 ballot. Last year the Legislature was unable to reach agreement to place either a water resources or a parks/coastal resources bond on the ballot. In this year's budget, the Governor directs the Secretary to explore the desirability, within the context of the Administration's overall infrastructure plan, of placing a bond proposal on the 2000 ballot.

Four bonds have been proposed to date by members of the Legislature. They are:

- AB 18 (Keely) the Watershed, Wildlife and Parks Improvement Bond Act for the March 2000 ballot for \$1.5 billion;
- SB 74 (Murray-Sher) the Parks Wildlife and Watershed improvement Bond for the November 2000 ballot for \$1.084 billion;
- SB 2 (Chesbro-Wiggins) the Watershed Wildlife and Parks Improvement Bond for the November 2000 ballot for 841,500 million; and
- SB 57 (Hayden) the Parks, Natural Resources and Clean Coastal Waters Bond act for the November 2000 ballot for \$500,000.

RESOURCES AGENCY

The Resources Agency is responsible for stewardship, conservation management, and enhancement of California's natural resources including land, fish, wildlife, timber and minerals. There are 21 departments, commissions and conservancies within the Agency. The Governor's budget proposes \$5.8 million (\$4.1 million General Fund) for the programs in the office of the Secretary and a total of \$2.3 billion (\$945 million General Fund) for all resource management programs.

In adopting the budget last year, the Legislature requested the Agency provide a report identifying the long-term resources needs and a plan for funding those needs. The establishment of the total needs and a prioritization for investment is necessary to determine the appropriate level of investment for acquiring and maintaining California's natural resources.

The Governor has requested the Secretary of Resources review and report on several issues that could result in budget actions. They are:

- Oil spill prevention and response activities of the State Lands Commission and the Department of Fish and Game;
- Funding and organization of the Department of Fish and Game;
- Marina development loans by the Department of Boating and Waterways;
- Reorganization of the recycling activities of the Department of Conservation and the Integrated Waste Management Board;
- Restructuring of how the state administers energy programs in California, specifically the Public Utilities Commission, the California Energy Commission, and the Electricity Oversight Board; and

- Desirability, within the context of the Administration's overall infrastructure plan, of placing a bond proposal on the 2000 ballot.

Table 1

| RESOURCES AGENCY EXPENDITURES (SELECTED DEPARTMENTS AND COMMISSIONS) (Dollars in millions) (All Fund Sources) | | | |
|---|------------------------|---------------------------|-----------------------|
| Department | Revised 1998-99 | Proposed 1999-2000 | Percent Change |
| Agency Secretary | \$7.7 | \$5.8 | -24.7 |
| Parks & Recreation | \$225.2 | \$216.6 | -3.8 |
| Fish & Game | \$210.9 | \$205.1 | -2.8 |
| Water Resources | \$459.5 | \$356.4 | -22.4 |
| Energy Commission | \$238.5 | \$227.7 | -4.5 |
| Coastal Commission | \$11.9 | \$12.7 | 6.7 |
| Forestry & Fire Protection | \$451.8 | \$500.7 | 10.8 |

ENVIRONMENTAL PROTECTION AGENCY

The California Environmental Protection Agency (CalEPA) administers state and federal clean air, clean water, hazardous waste, and solid waste programs to safeguard our environment and the public health. The Governor's budget proposes \$7.9 million, an increase of 15.8 percent for the Office of the Secretary and \$855.6 million (\$118.6 General Fund) a 7.9 percent decrease from the current year for all environmental health and protection programs. Changes in the funding for departments are indicated in Table 2.

The Governor has requested the Secretary for Environmental Protection to review and report on several issues. They are:

- The structure and funding of the Agency's organizations with recommendations for appropriate changes;
- The potential phase-out of methyl tertiary butyl ether (MTBE), the effects of MTBE on water systems and small business, and assistance for MTBE cleanups; and
- The funding of the Certified Unified Program Agencies (CUPAs) and the equity of fees charged by different CUPAs.

MAJOR PROPOSAL

The major proposal for CalEPA includes:

- \$1.6 million for one-time information technology infrastructure for the new California Environmental Protection Agency headquarters.

The California Environmental Protection Agency was created in Governor's Reorganization Plan No. 1 for 1991. During consideration of the budget for the last two years, the Legislature had extensive dialog with the Agency about the need for better coordination and integration of environmental programs throughout the Agency. Of particular concern was the need for assurance that sound science was being used in making regulatory decisions, and that environmental laws were being enforced in an effective manner. The Legislature requested the Agency provide a report on coordinated enforcement activities, implementation of the unified environmental statutes recommendations, and consolidation of activities as the new headquarters is developed.

The Governor vetoed legislation that would have required a formal sunset review of the Agency. SB 1577 (Sher) proposed to create the California Environmental Policy Agency Sunset Review and Regulatory Accountability Act that would have established a sunset review of the structure and the functions of the Agency in order to strengthen environmental protection, improve coordination, and reduce unnecessary bureaucracy and costs. The Little Hoover Commission, the Agency's own blue ribbon task force and the non-partisan Legislative Analyst called for structural changes in the Agency to make it effective. This issue will likely be reviewed again this year.

Table 2

| CALEPA BUDGET | | | |
|--|------------------------|---------------------------|---------------------------|
| ENVIRONMENTAL PROTECTION EXPENDITURES | | | |
| (Dollars in millions) | | | |
| | Revised 1998-99 | Proposed 1999-2000 | Percent Difference |
| CalEPA, Office of the Secretary | \$6.9 | \$7.9 | \$15.8 |
| Air Resources Board | 146.1 | 117.5 | -19.6 |
| Toxic Substances Control | 132.8 | 131.1 | -1.3 |
| OEHHA | 11.1 | 10.7 | -3.6 |
| Integrated Waste Mgt. Board | 84.1 | 83.0 | -1.3 |
| Pesticide Regulation | 54.3 | 48.9 | -9.9 |
| Water Resources Control Bd. | 491.0 | 456.5 | -7 |
| Total | \$926.3 | \$855.6 | -\$7.6 |

DEPARTMENT OF PARKS AND RECREATION

The California Park system, the second largest in the nation, includes 265 parks on more than 1.3 million acres. Parks include beaches, wildlife areas, open spaces, off-highway vehicle areas, and historic sites. More than 70 million citizens annually use the 3,000 miles of trails, 18,000 campsites, 811 miles of lake, reservoir and river frontage, and 280 miles of coastline that are part of the system. California parks are a tourist destination, a regular part of the school curriculum, and a recreational haven for California residents.

The Governor's budget proposes expenditures of \$190.6 million (\$65.3 million General Fund) for state operations and \$26 million for local assistance, a decrease of \$24.6 million for state operations and \$38 million for local assistance from the current year.

The major responsibility of the Department is acquiring, designing, developing, operating and maintaining units within the system. However, the Department also:

- Is the second largest provider of education programs in the state, after the school system where more than one million school children annually participate in department-sponsored programs;
- Integrates equestrian, hiking, and bicycling recreational needs through the non-motorized trail program;
- Manages, restores and preserves the diverse bioregions that are the natural resources in the state's system;
- Preserves the state's diverse cultural resources including the California missions, the Governor's Mansion, Sutter's Fort and the State Railroad Museum, and maintains an extensive collection of historic items including a large collection of Native American artifacts;
- Provides interpretive museums, exhibits, publications and activities for visitors of all ages and abilities ranging from traditional campfire programs to interactive computer displays;
- Employs at-risk youth in restoration projects at a number of state park units; and
- Operates the largest volunteer network in the state with more than 11,000 volunteers providing over 885,000 hours of service supplementing the department's work force.

The department maintains thousands of structures, which include buildings, pipelines and fencing. The deterioration in state parks is so critical that it is not unusual to find portable outhouses instead of restroom facilities and deteriorating sewer lines. According to the department, deferred maintenance needs exceed \$500 million.

Since 1990, General Fund support for the state park system has been cut by thirty per cent. General Fund support is being phased out pursuant to a previous Administration plan that requires development of privatization opportunities. Revenue raising proposals include selected fee increases, corporate sponsorships, and expanded concession programs. This demand to entrepreneurially raise revenues has led to privatization efforts, such as the 55-year lease of Crystal Cove in Southern California which is based on the development of a resort facility within the state park.

The department has traditionally relied heavily on bond funds for a large part of the development and acquisition of state and local parks. The voters last approved a park bond in 1988 and funds from this and other previous bond issues are depleted. Last year the Legislature appropriated \$30 million for deferred park maintenance and established funding of \$12 million annually for the next seven years to reduce the maintenance backlog in critical areas where public safety is threatened. The Governor's budget proposes \$7.4 million (General Fund) for park maintenance.

The Legislature has requested that the Department evaluate and report on its expenditure priorities and a long-term plan for addressing deferred maintenance as part of the Budget development process. Prioritization for investment is needed to determine the appropriate level to maintain and restore California's state park system.

DEPARTMENT OF FISH AND GAME

The department manages 800,000 acres of wildlife habitat, including 98 wildlife areas and 99 ecological preserves, holds conservation easements on another 102,000 acres, and regulates sport taking of fish and game. The Governor's budget proposes an expenditure of \$205.1 million (\$18.5 million General Fund).

During the consideration of the budget last year the Legislature expressed concerns about the lack of financial accountability for the funding of sporting, resource management and regulatory actions within the department. The Legislature has requested several reports from the department as part of the budget approval process. Those reports are on the reorganization, implementation of the watershed initiative, the results of the expansion of the poaching strike-force, and the status of the NCCP program.

DEPARTMENT OF BOATING AND WATERWAYS

The department manages boating safety and provides funding to maintain safe boating facilities. The Governor's budget proposes \$45.58 million, a decrease of \$12.4 million, from the current year.

MAJOR PROPOSALS

The major proposals for the Department of Boating and Waterways include:

- The department provides loans to public and private marina owners to restore, expand, or construct new marinas for small harbor craft. In recent years many public borrowers have requested that their loans be restructured or payments deferred, and one borrower has defaulted on a loan. The department has identified another \$25 million in problem loans. The Governor's budget does not include any funding for new loans. In the budget, the Governor directs the Director of Finance to review the loan process and to take necessary steps to ensure that the interests of the state are better protected; and asks the Secretary of Resources to examine the appropriateness of expending public funding to provide below market interest loans to private sector developers. Pending the outcome of these two efforts additional funding may be considered in May Revise.
- The department is also directed to conduct a study over the next year to reevaluate the formula used to compute gas tax revenues attributable to boating activities. The last evaluation of the tax formula was more than twenty years ago.

DEPARTMENT OF WATER RESOURCES

The department manages the state's agricultural, environmental, industrial and municipal waters including operation of the State Water Project. The department also provides flood control forecasting and assistance to local agencies, and coordinates the state involvement in the CALFED Bay-Delta process.

The Governor's budget proposes \$356.4 million or a \$103.4 million decrease from the current year. The current year spending includes several one-time expenditures for projects such as flood control.

MAJOR PROPOSALS

The major proposals for the Department of Water Resources include:

- \$6 million (General Fund) to continue the second year of the state's share of the joint state and federal CalFed program that is working to develop long-term solutions to the environmental and water quality issues in the Bay-Delta Estuary. The Legislature has requested the Department to provide a draft economic comparison of a full range of potential strategies to increase water supply reliability for agricultural and urban water users and a financing strategy for the components of the preferred Bay-Delta alternative being developed by CalFed. In addition the Resources Agency is required to provide a detailed report on the appropriations that have been made from Proposition 204 funds through the CalFed process.
- Defer the payment to the local governments of \$44 million in flood control subventions that were approved by the Legislature last year. It was the Legislature's intention that this be the second year of a three-year process to repay funds owed to local governments for the state's share of approved flood control projects. Most of these projects are the result of floods from more than a decade ago. Despite the lack of reliable state funding for the state's portion of these projects the state continues to approve local flood control projects creating an expectation of state funds.

ENERGY RESOURCES, CONSERVATION AND DEVELOPMENT COMMISSION

The Energy Commission is responsible for encouraging efficient energy uses to assure a reliable energy supply. The Governor's budget proposes \$227.7 million, a decrease of \$10.8 million from the current year. The Legislature requested the Commission to provide a detailed description of its restructuring efforts and funding shifts.

Energy is regulated by state agencies such as the Public Utilities Commission, the California Energy Commission and the Electricity Oversight Board, and by the Independent System Operator and the Power Exchange, the two new state-chartered market agencies as a result of the recent restructuring of the electric industry. The Governor directs the Secretary of Resources to take the lead in developing, through an open process, a comprehensive set of recommendations for a new state governance structure.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

The Department of Forestry and Fire Protection provides fire protection services for range lands, timberlands, and lands owned by the state or private agencies. The Office of the Fire Marshal is responsible for protecting life and property from fire through the development of fire prevention regulations.

The Governor's budget proposes total expenditures of \$500.7 million (\$351.9 million General Fund), an increase of \$48.9 million, 10.8 percent more than current year expenditures. The Legislature has requested the department to provide a report outlining alternative methods for funding timber harvest plan reviews.

MAJOR PROPOSALS

The major proposals for the Department of Forestry include:

- \$29.9 million (General Fund) for the retrofitting of ten S-2T aircraft that were acquired from the federal government but will not be useable after 2004 unless retrofitted;
- \$13.8 million (General Fund) to acquire a new Computer Aided Dispatching system. This is the first year of a four-year program to replace the existing system;
- \$6 million from the Resources Infrastructure Fund for resource management programs including grants and cost-share opportunities under the California Forest Improvement Program (\$2.8 million), and grants and technical assistance for the Urban Forestry Program (\$1.4 million);
- \$27 million General Fund and \$7.2 million Public Buildings Construction Fund to improve capital facilities; and
- \$5.3 million for Telecommunications Towers and Vaults.

DEPARTMENT OF CONSERVATION

The Department of Conservation is responsible for providing stewardship of the state's earth resources. The Governor's budget proposes \$367.4 million a decrease of \$27.9 million.

MAJOR PROPOSALS

The major proposals for the Department of Conservation include:

- \$2 million for the Agricultural Land Stewardship Program for grants to local and non-profit agencies to purchase and conserve agricultural land that may otherwise be threatened by development; and
- A commitment to evaluate the consolidation of the Division of Recycling in the department with the recycling functions of the Integrated Waste Management Board.

COASTAL COMMISSION

The Commission manages California's resources within the coastal zone. Commission staffing was reduced by 40 percent in the mid-1980's negatively impacting the Commission's ability to fulfill its statutory duties. The Legislature's augmentation of \$981,000 for the 1998-99 was vetoed. The Governor's budget includes those funds to accelerate review of coastal permits, work with local governments to complete local plans, increase enforcement and open a North Coast office.

The Governor's budget proposes a total of \$12.7 million for the Coastal Commission.

CALIFORNIA TAHOE CONSERVANCY

The California Tahoe Conservancy acquires, preserves, and manages lands in the Lake Tahoe Region to protect the natural environment, provide public access and recreational facilities, and preserve wildlife habitat. In addition programs to benefit Lake Tahoe are funded in the Tahoe Regional Planning Council and the Department of Parks and Recreation.

The Governor's budget proposes \$20.9 million for the second year's payment on \$275 million to match federal funds to improve Lake Tahoe.

MAJOR PROPOSALS

The major proposals to improve the water quality in Lake Tahoe include:

- \$2 million (Environmental License Plate Fund) for local assistance grants;
- \$979,000 for Tahoe Regreen;
- \$9.9 million (General Fund) for acquisition of environmentally sensitive lands; and
- \$3.28 (Environmental License Plate Fund) for improvement and acquisition of land in key watersheds.

STATE COASTAL CONSERVANCY

The State Coastal Conservancy assists in the preservation of sensitive or unique coastal property, works to increase public access to coastal areas, resolves coastal land disputes, and provides grants for various activities along California's 1,100-mile coastline.

The Governor's budget proposes \$4.3 million for support and \$22.3 million for capital outlay. The Legislature last year requested the department to provide an assessment of the Southern California Wetlands Clearinghouse and coastal access goals and funding needs which will be considered during this budget year.

MAJOR PROPOSALS

The major proposals for the State Coastal Conservancy include:

- \$10 million (General Fund) for a new challenge grant program to fund coastal access and wetlands restoration. Although specifics of this program have not been released, it appears the Conservancy will provide grants to local and private entities that will be required to match the State's share of project funding "dollar-for-dollar"; and

- \$5 million (General Fund) to acquire, restore, enhance, and provide managed public access to priority habitat sites within the coastal watershed in San Diego County consistent with the states approved and locally negotiated Multi-species Conservation Plan.

STATE WATER RESOURCES CONTROL BOARD

The State Water Resources Control Board (Board) is responsible for protecting water quality and maintaining water allocations. The Governor's budget proposes \$456 million, a decrease of \$34.5 million or seven percent.

In adopting the budget last year, the Legislature required the Board to report on the major causes of water quality degradation by non-point source pollution discharges, the Board's implementation strategies to address these causes, an estimate of the time frame for implementation, capital outlay and infrastructure needs, and a ten year projected financial plan. The major proposal for the State Water Resources Control Board is \$6 million (Federal Trust Fund) to address non-point source water pollution in priority watersheds.

AIR RESOURCES BOARD

The Air Resources Board (ARB) has the primary responsibility for protecting air quality through regulatory and investment programs. The Governor's budget proposes \$117.5 million, a decrease of \$28.6 million.

The Governor's budget, the Secretary of Environmental Protection to examine the potential phase-out of MTBE and the effects of MTBE on water systems and small businesses in which affected parties may be assisted in MTBE-related cleanup activities.

DEPARTMENT OF TOXIC SUBSTANCES CONTROL

The department is responsible for protecting the public health and the environment by regulating hazardous waste management activities, performing cleanup activities at sites contaminated with hazardous substances, encouraging pollution prevention, and providing regulatory assistance. The Governor's budget proposes \$131 million (\$36.6 million General Fund) a slight decrease from the current year.

Last year the Legislature clarified the timing and processes for the department's comprehensive review and restructuring the system for identifying and regulating the management of hazardous waste (RSU). However, it is not clear that the department followed these standards in the expenditure of funds. Of ongoing concern is the development and implementation of a cost-effective strategy for the final development of the manifest tracking system for hazardous and toxic waste.

MAJOR PROPOSALS

The major proposals for the Department of Toxic and Substance Control include:

- Commits to support statutory reauthorization of the program along with changes needed to improve the program;
- \$7 million to continue cleanup of the Stringfellow Hazardous Waste Site; and
- Commits the Secretary of Environmental Protection to review the Certified Unified Program Agencies program funding structure and make recommendations to improve the equity of fees among the CUPAs.

DEPARTMENT OF PESTICIDE REGULATION

The department is responsible for regulating pesticide sale and use, including maintaining safety in the work place. The Governor's budget proposes expenditures of \$48.9 million, a decrease of 5.4 percent from last year.

In adopting the budget last year, the Legislature adopted performance standards for protecting public health in conjunction with pesticide use. Performance standards were set for the implementation of the Toxic Air Contaminants program including scientific review of certain air pesticides by the Air Resources Board, a reduction in the backlog of studies on priority high-risk pesticide ingredients, studies of pesticide impacts on groundwater, and improvement of worker protections including increased field testing and monitoring. The Legislature will review the Department's compliance with these standards as well as progress on the development of the enforcement database during the budget hearing process.

INTEGRATED WASTE MANAGEMENT BOARD

The Integrated Waste Management Board (Board) has the responsibility for addressing the state's solid waste management needs and assisting local governments in reducing solid waste. The Governor's budget proposes \$84 million, a slight decrease from current year expenditures. The Legislature requested the Board to report on the Recycling Market Development Zone Loan Program and the progress made to increase recycling by state agencies.

MAJOR PROPOSALS

The major proposals for the Integrated Waste Management Board include:

- \$ 3.3 million (Integrated Waste Management Fund) to increase grass recycling;
- \$1.8 million (Integrated Waste Management Fund) to bring solid waste facilities throughout the state into compliance with standards and regulations, with particular attention to landfills in rural areas and to expedite compliance and correct long-term violations; and

- Commits the Board to report to the Legislature by May 1, 1999 with recommendations for legislation that will evaluate California's existing waste tire management programs and policies and recommend reforms to foster sustainable markets and eliminate illegal waste tire stockpiles.