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**SUBJECT MATTER HEARING
Parks and Wildlife Bonds
Wednesday, January 25, 2006 – 10:00 a.m.**

Background and Issue Paper

State Parks

Administration's Strategic Growth Plan – AB 1831/SB 1163 – Proposes \$215 million for State Park capital assets.

The Governor's proposed California Critical Infrastructure Facilities Bond Act of 2006, as introduced in AB 1831/SB 1163, includes \$427 million for the development, restoration, or improvement of state park system capital assets; for seismic retrofitting of high-risk state buildings; and for the renovation, improvement, or construction of state mental health facilities. The bills as introduced do not include a breakdown of specific categories of expenditures for these funds. However, the Administration has indicated it intends to amend the bill to clarify that \$215 million of this amount is to be allocated for state park system capital assets.

The specific projects the Administration intends to fund with these dollars have not been publicly identified. The Administration has indicated that a breakdown of the specific projects will be included in the Governor's 5 year Infrastructure Development Plan which will be released in the near future. State law requires the Governor to submit to the Legislature each January a comprehensive 5 year infrastructure development plan for state agencies, along with a proposal for its funding. The last plan was submitted in 2003, but an updated plan has not been submitted since that time. The Administration has indicated that it is in the process of completing the updated plan, which it hopes to have ready for release by March.

According to the Department of Finance, the State Park projects to be funded with the bonds, which would be allocated for expenditure over the next five years, include capitol improvements and renovations on physical structures such as bathrooms, visitor centers, museums, and sewer systems.

Issues:

- (1) What does the \$215 million cover, and how were these projects selected and prioritized?*
- (2) How do these projects relate to the overall infrastructure needs of state parks?*

Deferred Maintenance Backlog Unfunded

DPR has a backlog of close to \$1 billion in deferred maintenance projects, some of which include capital outlay components. The LAO's January 2006 primer on the state's infrastructure and use of bonds notes that "examples of a general deterioration of the state's infrastructure are found in the resource area. These include the state parks system which has a backlog of over \$900 million in deferred maintenance, which adversely impacts the quality of the experience for state park visitors." The LAO's analysis of the strategic growth plan also notes that the plan does not address "parts of the state's infrastructure such as deferred maintenance in the State Park system."

According to DPR's 2004 Performance Management Report, surveys conducted over a seven year period also show a slow but steady decline in visitor satisfaction with the overall condition of state park facilities. The report notes that this is likely affected by the growing deferred maintenance issues facing state parks. However, the \$215 million proposed in the Administration's strategic growth plan for State Park capital outlay does not include any of the projects that are part of the \$900+ million in deferred maintenance.

Issues:

(1) Why doesn't the Administration's strategic growth plan include any funds for addressing State Park's deferred maintenance backlog, particularly those projects that involve capital outlay expenditures?

(2) If the deferred maintenance will not be financed through bonds, how does the Administration propose to fund it?

(3) Would increasing the bond funding for DPR development projects free up more General Fund dollars for ongoing maintenance that cannot be funded through bonds?

(4) Are there benefits that could be achieved through expansion of public/private partnerships in support of park resources?

Administration Proposes No Bonds for New State, Regional or Local parks

The Governor's proposed budget for DPR indicates that "*the mission of the California Department of Parks and Recreation is to provide for the health, inspiration, and education of the people of California by helping to preserve the state's extraordinary biological diversity, protecting its most valued natural, cultural and historical resources, and creating opportunities for high-quality outdoor recreation for current and future generations to enjoy.*" It also states that "*with increased urbanization, the establishment of park units and recreation areas accessible to the major population centers of the state has become particularly important.*"

The Administration's Strategic Growth Plan does not include any funds for new park acquisitions. DOF indicates that the Administration has decided that expanding the state park system through the acquisition of new parks is not a priority at this time.

Other Bond Proposals:

Other bond proposals introduced by members of this Legislature propose significant investments in new state and regional parks. SB 153 (Chesbro), which is also to be considered in the conference committee on infrastructure, would, if passed and approved by the voters, authorize \$3.9 billion in general obligation bonds for park and resource

protection, including \$1.74 billion for neighborhood, community and regional parks, and \$1.3 billion for state parks and wildlife. Of that amount, approximately \$500 million would be authorized for state parks, \$500 million for local and regional parks, and \$500 million for urban parks. AB 1269 (Pavley) would also authorize issuance of general obligation bonds for resource protection and parks, including an unspecified amount for state, regional, local, and urban parks. In November, a proposed \$5.38 billion resource bond ballot initiative was filed that includes, among other things, \$400 million for state parks and \$400 million for local and regional parks.

Prior Park Bond Measures:

The voters in 2000 and 2002 approved Propositions 12 and 40 which together allocated about \$2.3 billion for state and local park projects and for historical and cultural resources preservation. Of that amount, approximately \$725 million was for support of state parks, about half of which was used for facilities development and restoration, and \$1.64 billion was for local parks. According to the Legislative Analyst's Office, after expenditures for these purposes in 2005-06, essentially no balance is left for new projects. Funds for park projects have essentially all been depleted. In addition, virtually all bond funds for historical and cultural resources preservation have been appropriated.

The LAO's report on state infrastructure (figure 2, page 3) appears to show that of total state expenditures on capital outlay over the past 25 years, somewhere between 5 and 10% has been spent for resources protection, including parks. In the last twenty years voters have authorized \$88 billion dollars in long term debt, of which approximately 6% has been for parks and other conservation investments.

Current and Future Need/Public Demand for Parks:

Data collected by DPR for its 2004 Performance Management Report indicates that during peak season many parks, especially campgrounds, reach capacity. According to DPR's analysis, the data demonstrates that the demand for park recreation far exceeds the number of parks locally available. Day use of state parks has also increased, and campgrounds are often filled to capacity, regardless of fee level.

The Department has also identified areas of the state that are currently underserved by park resources. Recent projects include DPR's "Central Valley Vision." The Central Valley Vision report notes that as an ecological region the Central Valley has the least amount of publicly protected areas. The report notes that in years to come the Central Valley will experience phenomenal development, and is already experiencing explosive population growth. As part of the project, DPR conducted numerous public outreach meetings in 2005 to identify the resources that are most important to Valley residents to protect before they are lost. The report recommends strategies for both new property acquisition and expansion of existing state parks, including recreational facilities, preservation of natural resources once more abundant in the Central Valley, and better interpretation and preservation of the Valley's history.

DPR is also the largest owner of historical and cultural resources in the state. DPR's 2004 Performance Management Report identifies cultural and historical resource protection as a high priority. Visitor surveys indicate that there has been a drop in visitor satisfaction with the level of protection offered to these resources. Californians also rate

visiting museums and historical sites among the top five recreational activities with high unmet demand in the state.

Demand for parks is not limited to state parks, but includes regional and local parks. As one indication of the demand and support for local parks, the California Parks and Recreation Society notes that the total amount of funds requested through Proposition 40's competitive grant program for local parks alone exceeded available funds by \$1.135 billion. Park bonds are also the major source of funding for parks in disadvantaged communities.

Urban parks

The Legislature, in passing the Urban Parks Act of 2001 identified meeting the park needs of urban residents as a priority. The Act recognizes the importance of urban parks for providing safe recreational opportunities for children, and for meeting the recreational and social needs of senior citizens and other urban residents (Public Resource Code Section 5641). The Act recognizes the need to finance parks in areas that are currently underserved and the importance of parks for healthy communities and neighborhood vitality. In addition to the amount of acreage, the location of parks is a factor in addressing the needs of California residents for access to parks, open space and outdoor recreation. According to a research report prepared by the Trust for Public Lands (TPL), only 33% of children in Los Angeles live within walking distance of a park, as compared to 91% of children in New York.

Research performed by TPL also notes that access to parks in urban environments are important for numerous quality of life reasons, including providing opportunities for outdoor exercise that help counter childhood obesity, reduce juvenile crime, improve air quality, increase storm water runoff absorption, and contribute to neighborhood economic revitalization. In light of these benefits, TPL and other park advocates assert that parks are as important to urban infrastructure as roads, bridges and utilities. According to research performed by the State Parks Foundation, visitors to state parks also spend an estimated \$2.6 billion annually in communities near State Parks, contributing to the state and local economies.

Issues:

(1)The Strategic Growth Plan includes a significant investment in new infrastructure to accommodate anticipated population growth and development. Along with this growth in population will come increased demand for access to parks, open space and other forms of outdoor recreation. How will these future park needs be met, especially in light of indications that the existing park system is inadequate to meet current demand?

(2)How will delays in acquisition or development of parks affect future costs and/or opportunities for acquisition or development of park lands identified as having significant natural, cultural or recreational values?

(3)Now that the Proposition 12 and 40 bond funds have for the most part been allocated, where are the remaining gaps in state park needs?

(4)How does the Department propose to fund its Central Valley Initiative?

(5) Does DPR have updated figures on the user levels and demand for park resources? Is the existing state park system adequate to meet the existing and future projected demand for park services?

(6) Other issues raised by LAO: Should only state parks with statewide significance in terms of their natural or cultural resources be a state responsibility? Or, should the state assist local communities in meeting park needs, particularly in areas of the state that are currently underserved? Should the development of new parks be conditioned on identification of funding for ongoing operation and maintenance?

Department of Fish & Game

Propositions 204, 12, 40 and 50 together allocated about \$3.2 billion for a broad array of land acquisition and restoration projects. These allocations included funding to the state conservancies and the Wildlife Conservation Board, as well as for ecosystem restoration, agricultural land preservation, urban forestry, and river parkway systems. Some of these areas fall under the jurisdiction of the Assembly Natural Resources Committee and may be addressed in later hearings of that committee or in the conference committee. Areas that fall under the jurisdiction of the Assembly Water, Parks and Wildlife Committee include the Wildlife Conservation Board and activities of the Department of Fish and Game (DFG), including habitat conservation and the Natural Community Conservation Planning (NCCP) program.

The Governor's strategic growth plan does not appear to specifically address any infrastructure needs of DFG. The strategic growth plan also does not include any funding for the Wildlife Conservation Board, or, with one exception, for habitat conservation responsibilities of DFG. While there are some funds proposed in the Integrated Regional Water Management bond proposal for resource stewardship and ecosystem restoration, including habitat conservation planning (see AB 1839, p. 27), it is unclear how the funds authorized for this purpose would be prioritized with respect to the other purposes authorized in that section. It is staff's understanding that one of the activities the Administration is considering funding with bond funds authorized by that section is development of a Central Valley wide habitat conservation plan for water development and flood control activities. As the funds authorized in that section would presumably be administered by DWR, it is unclear what amount would be available for DFG activities related to habitat conservation planning.

Affect of Infrastructure Development and growth on habitat conservation needs: The strategic growth plan will fund a number of infrastructure projects, including transportation projects, that are designed to accommodate anticipated development and future population growth. This development, in many instances, will involve habitat impacts that will trigger requirements for habitat conservation or mitigation. One way that the state has attempted to address the needs for habitat conservation while also accommodating development, is through regional habitat conservation plans or NCCPs. The primary objective of the NCCP program is to conserve natural communities at the ecosystem scale while accommodating compatible land use. DFG has provided grants to local governments to assist in the development and implementation of NCCPs to assist in meeting state and federal endangered species and wildlife protection requirements in fast growing areas of the state. To date, these expenditures have been primarily in Southern California (San Diego, Riverside, and Los Angeles Counties), however, a number of

Northern California counties are now in the process of developing these plans. NCCPs are resource intensive, and involve inter agency cooperation and long term monitoring. Presumably, new growth and development will increase the need for DFG services and funding in the future for habitat conservation and NCCP development.

The Administration's Strategic Growth Plan appears to provide limited funds for conservation or habitat protection, with the exception of funds in the water management area, as discussed above. Because the Strategic Growth Plan purports to use up the debt capacity for the next 15 years for capital outlay, no additional bonding capacity may be available for conservation and other resource protection programs if the bonds are approved as proposed.

Other Proposed Bond Measures:

Other bond proposals introduced by this Legislature include funding for the Wildlife Conservation Board and other habitat conservation needs. SB 153 (Chesbro) includes authorization for \$300 million in bonds to the WCB for protection of habitat that promotes the recovery of threatened or endangered species and other significant habitat areas. Of these funds, not less than \$30 million is to be used for wetlands and watershed habitats that support the Pacific Flyway. AB 1269 (Pavley) would authorize general obligation bonds in an unspecified amount for the protection of fish and wildlife pursuant to the Fish and Game Code. A proposed ballot initiative filed in November would authorize over \$200 million in bonds for wildlife conservation and NCCPs.

Issues:

(1)How does the Administration's Strategic Growth Plan address the infrastructure needs of the Department of Fish and Game?

(2)How will the Department's support of regional habitat conservation plans and the NCCP process be funded? If these programs are not funded, what will the impact be on existing efforts to establish multi-species habitat conservation plans and NCCPs in different parts of the state?

(3)Should the strategic growth plan for California include funding to address the impacts of growth on the state's wildlife habitat and other natural resources?

Republican Perspective on DPR Capitol Outlay Portion of the Governor’s Proposed Infrastructure Plan

Background on State Park Systems Capitol Assets:

Bond Language

On Page 3, Lines 37 through 39, this bill provides \$427 million of the 2006 bond infrastructure proceeds to be dedicated for the development, restoration, or improvement of state park system capital assets and for other non-state park capital projects. The Legislative Analyst Office(LAO) staff indicates that approximately \$215.8 million of the \$427 million would be earmarked for restoration of state park buildings; waste water and fresh water quality projects; public safety improvements at recreational and museum centers and restrooms. This may also include funds to be channeled toward greater public access for the disabled at such park centers and restrooms.

Past Funding for DPR Capital Outlay

In recent years, DPR funded its capital outlay program from Proposition 12 and Proposition 40 bond funds. The funds available from those propositions for the start of new projects, apparently according to DOF, are nearly depleted.

Future Funding for DPR Capital Outlay

Proceeds from this bond would apparently be part of funds sought for a portion of the five-year capital outlay plans which the Department of Parks and Recreation (DPR) has announced it has submitted to the Department of Finance (DOF). Parks legislative staff has indicated they are waiting for DOF in the next 30 to 45 days to release a list of potential projects of DPR’s highest priority projects totaling \$215.8 million in cost. This amount represents 12% of the existing \$1.8 billion that is said to be the amount needed to complete all proposed capital outlays (includes all proposed capital outlay –not just five year period). Note that DPR staff also indicates that none of the \$215.8 million would be used for any deferred maintenance costs which is currently another \$906 million. DPR also noted that they use a different account financing mechanism for disabled accessibility.

This month the LAO in “A Primer: The State’s Infrastructure and the Use of Bonds” wrote the following: ***What Criteria Should Be Considered in Setting Funding Priorities for Infrastructure Investment?*** Once the Legislature has determined which infrastructure funding requirements are appropriately state responsibilities, we think it should set state funding priorities based on a clear set of criteria. The Legislature could consider using the following criteria:

- ***Public Health and Safety.*** This would include projects that address seismic deficiencies or address major sources of environmental contamination.
- ***Statutory Requirements.*** This would include projects that fulfill legal requirements, such as federal standards for access for disabled persons and state standards for worker safety.
- ***Broad State Goals.*** This would include projects that address broad and multiple state objectives, such as transportation and water projects that facilitate economic activities.

- *Efficient Utilization of Existing Infrastructure.* This would involve funding projects that facilitate the efficient use of existing infrastructure, such as university facilities, prior to the construction of new buildings.
- *Cost-Effectiveness.* This would include projects that will provide savings in state operations or avoid future costs. For example, by rehabilitating existing facilities before those facilities deteriorate, the state can avoid or defer more significant expenditures for construction of new facilities.
- *Availability of Support Funding.* This would involve funding projects for which ongoing funding for support and maintenance is reasonably assured. **For example, the state should not develop new state parks unless it identifies funding that is likely to be available for the ongoing operation and maintenance of those parks.**

That underlined sentence is at the heart of this issue. At this time the Assembly Republican Caucus has no idea of what sites will be selected. What we do know is that the current backlog of deferred maintenance is \$906 million. DPR is not able to take care of the facilities they already have. Thus it is clear that this portion of the Infrastructure Bond Plan that is outlined in AB 1381 is NOT Supportable.