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SUBJECT MATTER HEARINGS

Parks and Wildlife Bonds

BACKGROUND AND ISSUE PAPER

I. STATE PARKS

A. State Park Capital Assets

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 bond places a cap on the amount which can be expended for administrative costs, not to exceed 5% of the principal amount of bonds issued.

The specific projects the Administration intends to fund with the \$215 million had not been publicly identified at the time of the hearing.¹ 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. The Administration indicated that a breakdown of the specific projects would be included in the Governor's 5 year Infrastructure Development Plan to 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.

¹ Subsequent to the hearing, committee staff obtained a copy of the list of projects the Administration intends to fund with the \$215 million bond allocation for State Parks. A copy of the list is attached to this report. The Department also testified it is their intent that expenditure of bond monies for these specific projects would be subject to the normal budget approval process.

Committee Questions:

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?

Administration Comments: The Department testified that the \$215 million proposed for state park capital outlay represents the amount of funds the Department can reasonably spend for capital outlay in five years. Director Coleman testified that the \$215 million is needed to fund capital facility repairs and improvements, and includes projects categorized as follows: 41% for critical infrastructure deficiencies, such as repair or replacement of lifeguard stations, maintenance facilities, restrooms and visitor centers; 12% for environmental restoration, including relocation of campgrounds to protect habitats and environmentally sensitive areas, and realignment of roads to reduce runoff into stream waters; 30% for facility infrastructure modernization, including renovating, expanding and improving existing facilities to better serve the public; and 17% for public access and recreation improvement projects. The projects were selected from a list of projects, with priority given to repairing what the state has, serving underrepresented populations, enhancing resource sustainability, and providing geographic balance. Most of the projects focus on fixing what is broken, with only 17% going toward increasing public access and recreation. The Department recognizes that much of the state parks infrastructure has not been properly maintained and needs to be fixed. The Department also recognizes the need to meet the needs of new population growth, so a portion is proposed for trail and campground expansion. The Department testified that the demand for campgrounds is enormous, with many of the campgrounds filling up within minutes during peak periods, when the Department may receive over 1 million calls in a single day. The Department acknowledges that the state park system is living on the legacy of its predecessors.

Director Coleman also indicated, in response to the committee's question of how the \$215 million relates to DPR's overall infrastructure needs, that the Department's actual major capital outlay needs for the next ten years are \$1.7 billion.

B. Deferred Maintenance Backlog Unfunded

DPR has a backlog of \$906 million 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.

Committee Questions:

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 Comments: The Department testified that the \$215 million for State Park capital assets in the Governor's proposal is not intended to cover any of the \$906 million in deferred maintenance. The Administration did not present a plan for funding the deferred maintenance backlog. Director Coleman distinguished deferred maintenance as repairing and replacing in kind facilities, and capital outlay as building something new, but stated that it also can include fixing what is broken. She acknowledged that the distinction between maintenance and capital outlay can be blurry. The Administration agrees there are potential opportunities for expanding public/private partnerships to address some State Park needs, not through outsourcing state jobs or commercializing the parks, but through exploring entrepreneurial ways State Parks can work with the private sector to better serve the public while also generating revenue. DPR is looking at ways the California State University system has used such business enterprise models. DPR is also looking at expanding the use of concessions, and is exploring other creative ideas such as bio massing energy generation at State Parks.

Staff Findings: The \$215 million proposed by the Governor for development, restoration and improvement of existing State Park capital assets appears justified, as DPR's need for funds for capital outlay over the next ten years significantly exceeds this amount. Consideration should also be given to including funding in the bond package for State Park deferred maintenance. DPR indicates the deferred maintenance includes projects which involve capital outlay components. It is also noted that other parts of the Governor's bond package, such as the transportation bond, include proposed use of bond funding for deferred maintenance projects. Consideration should be given to requiring that, of whatever amount is allocated to State Parks in the bond, only a specified percentage may be used for acquisition or development, and that the balance be allocated to deferred maintenance.

C. 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.

1. 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.

2. 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. The Governor's Budget overview indicates that in the last twenty years voters have authorized \$88 billion dollars in long term debt, of which approximately 11% has been for parks and other resource conservation investments.

3. 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.

4. 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 Resources 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.

Committee Questions:

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?

Administration Comments:

The Resources Agency describes the Governor's bond measure as a comprehensive plan and a first installment in a twenty year investment in California. In response to questions as to why the Governor's infrastructure plan does not include any funds for acquisition of new parks, the

Administration stated that the state has acquired title or easements on 900,000 acres over the last ten years, and the Administration had to set priorities in funding the state's infrastructure needs. The Resources Secretary also stated that of the \$6 billion in bonds authorized through Propositions 12, 13, 40 and 50, a significant amount remains unallocated. The Agency agreed to provide additional details to the committee on the specific funds that remain available for future expenditures.

Director Coleman explained that of the bond dollars authorized for parks, all of Proposition 12 has been fully expended. In addition, Proposition 40 authorized approximately \$200 million for state parks, less than half of which went to acquisition, and approximately \$120 million of which went for capital outlay. All of those funds have also been obligated.

The Department of Parks and Recreation cites critical infrastructure, environmental restoration, facility/infrastructure modernization, and public access and recreation as areas of critical need. Priority goals that guide DPR requests for funding include accessible and sustainable resources, maintenance and repairs of existing infrastructure, resources for underprivileged populations, and geographic balance throughout the state.

In response to questions from the committee as to how DPR planned to implement its Central Valley vision, the Department replied that although there are no funds for acquisition at this time, they hoped that some of the monies in the Governor's proposed water bond could be used for development of water recreation opportunities in the Central Valley. Director Coleman also stated that the Department is looking at ways to meet recreational needs through other means than land acquisition, such as providing public access points to rivers and river corridors.

Witness Comments:

Los Angeles Water and Power Commission Board member Mary Nichols emphasizes the multiple positive impacts of parks in the areas of health, environment, and quality of life, and cites the importance of properly funding parks projects. She recommends tying fees to consumption and directing greater attention to smart-growth multi-objective projects.

The California State Parks Foundation characterizes parks as chronically under-funded and advises that growth in parks should be commensurate with the growth of the state population and the demand for parks. The Foundation advocates funding \$500 million to the Department of Parks and Recreation for restoration and improvements of park facilities and natural resource protection as a first step to addressing funding needs as proposed in SB 153 (Chesbro).

The California Parks and Recreation Society cites the need for funding for park-poor areas, with priority on acquisition and repairs of existing infrastructure for local parks, stressing the relationship between access to parks, childhood obesity, and the health of the community.

The Trust for Public Lands points to an increased demand for urban parks and the economic benefits of urban parks as a reason the proposed bond package is inadequate for current park needs. The Trust recommends the Legislature insert SB 153 (Chesbro) into any bond package dealing with parks and recommends \$1 billion be included for urban parks.

The California Association of Councils of Governments recommends incentives for smart growth strategies and state financial assistance for regional plans.

The City of Irvine advocates state matching funds for regional urban parks like the Orange County Great Park, a 1,347 acre park being developed on a former Marine base.

The Sierra Fund requests the Legislature include SB 153 (Chesbro) into the bond package, and to earmark \$100 million for the Sierra Nevada Conservancy.

The Plumas County Flood Control and Water Conservation Agency supports integrating parks into water projects and emphasizes the need for projects to be built and maintained in natural infrastructure.

The California Center for Public Health emphasizes the importance of local parks to addressing childhood obesity.

The American Federation of State, County & Municipal Employees, AFL-CIO supports enhanced bond funding for state and local parks.

People for Parks urges inclusion of urban parks and recommends that at least \$1 billion be earmarked for competitive urban park grants.

Comments from Legislators:

Chairman Wolk expressed concerns about the need for funding for parks and other resources to be included as part of an overall infrastructure bond package, and noted that the amount of funding allocated in the proposals for these purposes did not appear adequate, particularly given the estimate of need and the amount of funds that have proportionately been dedicated for these purposes in the past, and approved by the voters. She noted in particular the need for funding for habitat conservation and enhancement, agriculture and open space conservation, and for the work Department of Fish and Game will have to do to permit the infrastructure projects.

Vice Chairman Villines expressed support for the funding of improvements in State Parks necessary for ADA compliance.

Assembly Member Matthews expressed concern over the need to fund deferred maintenance of state parks, and the need to acquire lands for future state parks, particularly in high growth areas such as the Central Valley where not enough parks have been set aside, while the land is still available and affordable.

Assembly Member Pavley makes a number of recommendations, including that additional funds be added to the bond package to address chronic, severe financial shortages for state parks, state conservancies and urban park infrastructure. Specific recommendations include \$500 million for state park deferred maintenance, and funding for urban parks and parks in underserved rural communities. Assembly Member Pavley also expressed concern that the state can not afford to wait another ten years to save the last great open spaces. She also emphasized the importance of multi-objective projects that protect both open space and water quality.

Assembly Member Saldana recommends that funding be included in the strategic growth plan for state and local parks, and urges that funding allocations at the levels proposed in SB 153 (Chesbro) be included.

Assembly Member Frommer, in a letter to the committee cosigned by twenty other Assembly members, recommends that significant funding be included in the bond package to address the still unmet need for urban parks. Assembly Member Frommer notes that while strides were made under Propositions 12 and 40 towards closing the gap in urban park needs, there is still a significant need for major investments to accommodate current and future projected growth. He also notes that many communities in the state, not just in Los Angeles but also in the Bay Area and

Central Valley, are park poor. He further notes the socio economic inequities in the distribution of parks and the number of low-income and minority children without access to neighborhood parks.

Staff Findings: Consideration should be given to including funding in the proposed bond package for acquisition and development of new regional and urban parks, particularly for geographic areas of the state that have been determined to be underserved or park poor. Bond funding for park infrastructure should be commensurate with growth in the state's population and the demonstrated need for park access. While funding for operations and maintenance continues to be a challenge, costs to the state for acquisition of park lands is only likely to increase if those decisions are postponed for ten years, and some opportunities will be lost if lands now available are developed or sold for other purposes.

II. Department of Fish & Game, Wildlife Conservation Board and Other Resource Needs

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. 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, if any, 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, which 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 some 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 would be available for conservation and other resource protection programs if the bonds were 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. SB 153 would also allocate \$150 million to the WCB for NCCPs. 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.

A. Wildlife Conservation Board

The Wildlife Conservation Board administers a statewide capital outlay program for the acquisition, restoration and enhancement of wildlife habitat, and development of wildlife-oriented public access and recreational facilities. The program's three main functions are (1) land acquisition, (2) habitat restoration and enhancement of facilities, including conservation of inland wetlands, riparian habitat, oak woodlands, and protection of rangeland, grazing land and grasslands, and (3) development of wildlife-oriented public access and recreational areas.

The Governor's proposed budget for the WCB gives a clear indication of the fact that prior bond funds approved for the WCB will run out in the near future. Actual expenditures for the WCB in the 2004/05 fiscal year from all sources were \$203 million, and estimated total expenditures in 2005/06 are \$544 million. In comparison, the Governor's budget proposes infrastructure expenditures for WCB in 2006/07 from all sources of only \$36 million. Information provided to the committee indicates that most of the remaining bond funds for the programs WCB administers will be allocated in the near future, or have already been earmarked for identified projects. After this year, there will be no remaining funds for new statewide projects, and a backlog of approximately \$140 million in identified projects which WCB will be unable to fund with existing monies. There is approximately \$130 million left available for five southern California coastal counties. Current statewide projected need is estimated at \$500 million, though this figure could change dramatically depending on how much is required for the state's share of restoration of the Salton Sea. The actual projected need over the next five to ten years for all these programs is unknown, since the Administration has not produced an updated 5 year infrastructure plan since 2003. The 2003 plan proposed expenditures of \$842 million over 5 years for the WCB. That figure does not include funding needs for state conservancies, which was estimated in the 2003 5-year plan at \$1.1 billion.

B. State Conservancies and Coastal Protection

The following information is taken in part from background information on bond funding for state conservancies and coastal protection provided by the Assembly Natural Resources Committee.

Protection of California's diverse landscapes and natural resources is accomplished to a large degree by the various state established conservancies, such as the State Coastal Conservancy, the California Tahoe Conservancy, the Santa Monica Mountains Conservancy, and the newly created Sierra Nevada Conservancy. A review of bond funding for land based conservancies in recent years shows that the passage of Propositions 12 and 40 helped compensate for the lack of investment in the state's natural resources in the 1990's. The Safe Neighborhood Parks, Clean

Water, Clean Air, and Coastal Protection Bond Act of 2000 (Proposition 12) provided \$355.4 million or 17 percent, of the overall \$2.1 billion dollar funding to conservancies in California. This included funding to a number of geographically focused conservancies. The California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40) also funded conservancies by providing \$455 million for acquisition, development and restoration projects. In addition, a recently filed proposed ballot initiative, entitled the Water Quality, Safety and Supply, Flood Control, Natural Resource Protection, and Park Improvements Bond Initiative, proposes approximately \$532 million for conservancies in California. SB 153 (Chesbro) would provide \$300 million for state conservancies.

A quick look at recent bond funding also shows a strong commitment by the State to investment in protection of California's coastal and ocean resources. Proposition 12 provided \$250.4 million in funding to the State Coastal Conservancy to purchase, protect, restore and enhance coastal resources and access. The State Coastal Conservancy also received \$240 million from Proposition 40 and \$140 million from Proposition 50. In addition, the State Water Resources Control Board (SWRCB) has received funds earmarked for protection of the state's beaches and coastal waters from contaminants, pollution, and other environmental threats. Under Proposition 40, the SWRCB received \$175.1 million and was able to continue funding their work with \$450 million from Proposition 50.

In 2004, the Governor signed into law SB 1319 (Chapter 719, Statutes of 2004) which created the Ocean Protection Council. According to the California Resources Agency, the Council, which is charged with coordinating and improving the protection and management of California's ocean and coastal resources, has received \$5 million of the State Coastal Conservancy's Proposition 40 and 50 bond funds and \$10 million of Proposition 50 funds from the SWRCB for ocean protection projects. Additionally, the 2005 Budget provides \$10 million in one-time funding for the Council from tidelands oil revenues. No additional funding is proposed in the 2006-07 budget.

SB 153 (Chesbro) would earmark \$100 million for the Ocean Protection Council. A proposed ballot initiative currently in circulation would provide \$540 million for protection of Beaches, Bays and Coastal Waters.

The Governor's infrastructure bond does not propose any new funding for land based conservancies. As indicated above, funding needs for the state conservancies was estimated in the Governor's 2003 5-year Infrastructure plan at \$1.1 billion. The Administration at the January 25, 2006 informational hearing indicated there are still some unspent bond monies from prior bond measures which may be available to the state conservancies for expenditure. Further information is being sought to determine the actual amount and availability of any remaining bond funds for the various conservancies. Information provided by the Department of Finance indicates that there may be approximately \$200 million left available for expenditure from Propositions 12, 13, 40 and 50 combined for the State Coastal Conservancy, and approximately \$94 million total left available from these bond measures for other regional conservancies. The \$200 million potentially left available to the Coastal Conservancy represents less than 33% of the funds initially allocated to the Conservancy through these past bond measures.

The Governor's budget again gives an indication that existing bond funding for the State Coastal Conservancy is likely running out. Proposed infrastructure expenditures for the State Coastal Conservancy in the Governor's 2006/07 budget from all sources is only \$33 million, as compared to \$218 million estimated expenditures in 2005/06, and \$148 million actual expenditures in 2004/05. Information provided to the committee indicates that funding needs for the State Coastal Conservancy over the next five to ten years may be in the range of \$400 to \$500 million.

The Tahoe Conservancy manages programs to help protect Lake Tahoe's water quality and clarity, and to conserve wildlife habitat, watersheds, and public access on the California side of the Lake Tahoe Basin. The Conservancy is the primary implementer of the State of California's responsibilities under the Environmental Improvement Program for the Lake Tahoe Basin, a 1997 agreement between California, Nevada, the Tahoe Regional Planning Agency, the federal government, local governments, and various private entities. The Governor's budget proposes \$8.6 million for the Tahoe Conservancy in 2006/07, as compared to \$21 million in 2005/06. It is estimated that approximately \$100 million is needed over the next five years for the Tahoe Conservancy to fund the state's share of the Environmental Improvement Program.

The Governor's proposed budget for the Santa Monica Mountains Conservancy for infrastructure needs in 2006/07 is \$8.5 million, as compared to \$22 million in 2005/06 and \$17 million in 2004/05. Other regional conservancies which are funded at lesser amounts include the Sierra Nevada, San Gabriel and Lower Los Angeles Rivers and Mountains, San Joaquin River, Coachella Valley Mountains, Baldwin Hills, and San Diego River Conservancies.

Committee Questions:

1. How does the Administration's Strategic Growth Plan address the infrastructure needs of the WCB, DFG, and state conservancies?
2. How will 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?

Administration Comments: The Resources Agency describes the resource stewardship aspect of the Governor's strategic growth plan as a holistic approach that looks at water and land together. The Governor's proposal, in the water management section, includes \$700 million for resource stewardship and ecosystem restoration, including \$200 million in 2006 and \$500 million in 2010. These monies are allocated to DWR, but are authorized to be spent for a number of purposes, including habitat conservation. The Secretary of Resources stated that these funds will allow the Administration to address key habitat and restoration needs throughout California, including the Bay-Delta, CALFED, the Salton Sea, and the NCCP program. The Governor's proposal also includes \$20 million for public benefits at surface storage projects that can be used for additional recreational opportunities on reservoirs like Folsom and Oroville.

The Secretary acknowledged that DFG is essential to coordination of efforts on habitat conservation, ecosystem restoration and enhancement, and acknowledged the ongoing funding challenges facing the Department. The Administration will be making recommendations through the budget process to address some of the challenges facing DFG, including improvements in internal accounting systems and other recommendations for reorganization to improve efficiencies. According to the Secretary, the Governor's bond proposal does not include additional money for WCB because there are still bond monies left over from previous bond measures that have not yet been expended. The Administration estimates there is still a significant balance in unallocated bond monies left, half of which will go to WCB, a continuously appropriated agency. Some portion of these remaining funds will also go to the State Coastal Conservancy, and to other state conservancies. The Resources Secretary stressed that the actual amounts of prior bond funds still available needed to be confirmed and agreed to provide the committee with further details. According to the Resources Secretary, some of these existing bond monies will be spent for such projects as Merced River habitat improvements, Battle Creek fish screens, issues related to Klamath River dams and electricity generation, and Bolsa Chica wetlands. The Resources

Secretary also noted several achievements over the last two years, including the creation of the Sierra Nevada Conservancy in 2004, the acquisition of the Hearst Ranch property in 2005, and the creation of the Ocean Protection Council, which is currently funded at \$26.2 million. The Secretary noted that parks and wildlife are important aspects of the state's quality of life and it is the state's responsibility to sustain that quality of life to the greatest extent possible.

Witness Comments:

The Nature Conservancy advocates funding the Natural Community Conservation Program (NCCP) for the next ten years. The Nature Conservancy describes NCCPs as a crucial means to reduce the environmental conflicts that arise in infrastructure planning, and believes eliminating the State as a paying partner will destroy the program's viability and cause regulatory delays. They note state funding is also needed to leverage available federal funds for this program.

The Northern California Conservancy Planning Partners requests \$500 million to the Wildlife Conservation Board to aid the recovery of species through regional conservation plans. NCCPP proposes a local 1:1 matching funds provision in the bond measure.

Environmental Defense recommends greater legislative oversight in the bond measure as well as funding water projects based on beneficiary pays principles to protect public interest and the environment.

The California Rangeland Trust advocates investing in natural resources and warns against under funding natural resources based on a perception that they are already funded. The Trust emphasizes a need to conserve open space and recommends utilizing conservation easements as an alternative to fee title acquisition. The Trust surveyed land owners and determined the state cost-share needed to meet demand for conservation easements is at least \$400 million.

The California Waterfowl Association suggests mitigation will be needed to address negative environmental impacts resulting from infrastructure projects, including roads which will fragment critical habitat. The Association supports the inclusion of SB 153 (Chesbro) into any bond package, and additionally recommends funding Central Valley Wildlife Habitat Programs, habitat projects in the Tulare Basin, and the state's share of Central Valley Project Improvement Act (CVPIA) Level 4 water deliveries for wildlife habitat (estimated state share \$90 million).

Other Written Comments Received By the Committee:

The Tulare Basin Wildlife Partners note that the Tulare Basin region of the Great Central Valley expects to see the highest relative growth in population of any area of the State over the next decade. In anticipation of this growth TBWP is completing a comprehensive regional plan for land and water conservation covering 630,000 acres. TBWP recommends funding for this effort be included in the infrastructure bond through the WCB, California State Parks and other state agencies in the amount of \$300 million.

The Sonoma County Water Agency recommends future water or resource bonds include funding of \$45 million to the DFG for salmon and steelhead restoration, \$135 million for the State Coastal Conservancy, \$108 million for the San Francisco Bay Conservancy, and \$90 million for the California Ocean Protection Trust Fund.

The Sacramento County Board of Supervisors recommends funding for parks be included in any bond that goes before the voters in 2006. They also express strong support for state funding to match local investments for acquisition and restoration of habitat through regional conservation plans, whether NCCPs or multi-species HCPs. Sacramento County is a partner with five other

Northern California counties in preparing these plans, and notes that the plans will resolve major conflicts between development and conservation of species, replacing project by project mitigation with more effective large scale habitat conservation.

The Bay Area Open Space Council urges that the infrastructure bond include investment in the protection of natural resources, and notes that in spite of strong public support, California's investment in resource protection is failing to keep pace with population growth. The Council recommends that SB 153 be included in the infrastructure funding package.

The South Bay Parkland Conservancy urges that funding is needed for parks and conservation programs, and asserts that it is not unreasonable to expect at least \$10 billion of a \$200+ billion infrastructure bond to be allocated for natural resource needs. They provide several examples of coastal areas in their region in need of restoration.

The Solano Land Trust urges that the content of SB 153 (Chesbro) be included in the bond proposal, and emphasizes that investment in natural resources must keep up with investment in infrastructure and population growth. The Trust supports inclusion of funding for land and water conservation, including open space and farmland preservation.

Additional Comments from Legislators:

Assembly Member Berg recommends that significant funds be allocated to the Wildlife Conservation Board for wetlands and riparian restoration and other habitat conservation projects that will enhance and compliment flood control projects and related habitat conservation. Assembly Member Berg also recommends that \$90 million be included for restoration of critical river habitat for coastal anadromous fish, noting that federal funds previously allocated for this program will no longer be available.

Assembly Member Pavley notes that even with the remaining bond monies, the state conservancies will run out of money in a couple of years.

Staff Findings: Consideration should be given to including funding in the infrastructure bond package for all of the following:

- Funding to the WCB for competitive grants to local agencies for regional conservation plans, including NCCPs or multi-species HCPs, with requirement for a 1:1 local match. The NCCP process is key to addressing regulatory challenges associated with infrastructure development. Priority should be given to projects that will link habitat corridors. Consideration should also be given to requiring that funds be identified for ongoing monitoring and enforcement.
- Funding to the WCB and DFG for wetlands and riparian conservation; agricultural, rangeland and oak woodland conservation; and other California waterfowl habitat and watershed conservation projects.
- Funding to DFG or the Coastal Conservancy for restoration of anadromous fish river habitat.
- Funding for the State Coastal Conservancy, the California Tahoe Conservancy, and other regional conservancies based on need.

III. Republican Perspective on DPR Capital 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.

2006-07 Capital Outlay 5-Year Totals - Recommended Only
Pending New Select Bond Fund (0795) - Finance Approved

	<u>Status</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>5-Year Total</u>
Resources							
<u>3790 Dept of Parks and Recreation</u>							
Critical Infrastructure Deficiencies-Existing							
90.2Y.10 Patrick's Point SP: Agate Beach Rehabilitation	F	0	160	150	1,260	0	1,570
90.42.10 MacKerricher SP: Develop New Water System	F	0	55	50	683	0	788
90.4F.10 Mendocino Woodlands SP: Wastewater Treatment Facilities	F	0	160	123	1,340	0	1,623
90.8X.10 Plumas-Eureka SP: Historic Stamp Mill Preservation	F	0	315	6,025	0	0	6,340
90.B2.10 Auburn SRA: Install Composting Toilets, Middle & No Fork of American River	F	0	145	150	1,297	0	1,592
90.B9.10 Portola Redwoods SP: Rehabilitate Wastewater System	F	0	141	88	1,219	0	1,448
90.BA.10 Big Basin Redwoods SP: Restore Historic Lodge	F	0	477	516	4,224	0	5,217
90.BD.10 Seacliff State Beach: Pier Renovation	F	0	0	230	190	1,920	2,340
90.CO.1 Wilder Ranch SP: Dairy Barn Restoration	F	0	472	261	3,636	0	4,369
90.E9.10 La Purisima Mission SHP: Install Water & Sewer Systems Unitwide	F	0	145	150	835	0	1,130
90.EF.10 El Capitan SB: Construct New Lifeguard Headquarters Building	F	0	180	200	4,949	0	5,329
90.F2.10 Gaviota SP: Water Supply System Upgrades	F	0	223	111	1,040	0	1,374
90.FJ.10 Will Rogers SHP: Restoration of Historic Carpentry Shop	F	0	338	361	3,353	0	4,052
90.I4.101 South Carlsbad SB: Maintenance Facility Improvements	F	0	112	85	885	0	1,082
90.RS.14 DPR Statewide Critical Infrastructure Deficiencies	F	0	0	5,730	14,560	7,650	27,940
90.RS.20 Statewide: State Park System Minor Capital Outlay Program	F	0	4,000	4,000	4,000	4,000	16,000
90.RS.25 Statewide: Interpretive Minor Capital Outlay Program	F	0	1,000	1,000	1,000	1,000	4,000
90.RS.60 Statewide: Budget Development	F	0	500	500	500	500	2,000
Critical Infrastructure Deficiencies-Existing Total		0	8,423	19,730	44,971	15,070	88,194
Environmental Restoration-Existing							
90.2V.10 Del Norte Coast Redwoods SP: Mill Creek Rehabilitation	F	0	542	2,322	0	0	2,864
90.2W.1 Prairie Creek Redwoods SP: Espa Creek Watershed Rehabilitation	F	0	0	160	977	0	1,137
90.42.10 MacKerricher SP: Native Dune Habitat Restoration	F	0	472	646	0	0	1,118
90.C0.10 Henry W. Coe SP: Watershed and Reservoir Management Plan	F	0	516	0	0	0	516

2006-07 Capital Outlay 5-Year Totals - Recommended Only
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90.CG.1 Pfsiffer Big Sur SP: Construct Replacement Overnight Facilities	F	0	0	729	496	4,490	5,715
90.FR.10 McGrath State Beach: Riparian Restoration in Estuary	F	0	0	105	641	0	746
90.H6.10 Cuyamaca Rancho SP:Montane Meadow Restoration	F	0	0	0	210	1,342	1,552
90.RS.14 DPR Statewide Environmental Restoration	F	0	0	2,940	6,520	2,530	11,990
Environmental Restoration-Existing Total		0	1,530	6,902	8,844	8,362	25,638
Facility/Infrastructure Modernization-Existing							
90.47.10 Lake Oroville SRA: Bidwell Canyon: Facilities Rehabilitation	F	0	0	500	759	6,684	7,943
90.AC.10 California State Railroad Museum: History Museum Exhibit Upgrade	F	0	0	0	155	1,838	1,993
90.C0.10 Henry W. Coe SP: Visitor Center Improvements	F	0	0	305	423	2,502	3,230
90.E9.10 La Purisima Mission SHP: Replace Day Use Parking Lot	F	0	205	200	2,517	0	2,922
90.HA.10 Anza-Borrego Desert SP: Rehabilitate Tamarisk Grove Facilities	F	0	283	333	4,197	0	4,813
90.RS.14 DPR Statewide Facility/Infrastructure Modernization	F	0	0	4,430	14,230	23,000	41,660
90.RS.23 Statewide: Volunteer Enhancement Program-Minor Projects	F	0	250	250	250	250	1,000
Facility/Infrastructure Modernization-Existing Total		0	738	6,018	22,531	34,274	63,561
Public Access and Recreation-New							
90.5Y.10 Candlestick Point SRA: Construct Overlook & Day Use Facilities	F	0	465	330	2,216	0	3,011
90.6V.10 Sugarloaf Ridge SP: Develop Trail Plan and Install Trail System	F	0	140	120	120	403	783
90.8J.10 Columbia SHP: Visitor Orientation Center	F	0	0	350	410	4,741	5,501
90.9R.10 Fort Tejon SHP: Reconstruct and Interpret Hospital Building	F	0	0	440	485	5,661	6,586
90.C0.10 Henry W. Coe SP: Develop Facilities at Hunting Hollow	F	0	0	475	380	3,528	4,383
90.CE.10 Pismo State Beach: Develop New Oceano Group Camp	F	0	0	130	100	1,243	1,473
90.FU.10 California Citrus SHP: Construct Flume Bridge Across Arroyo	F	0	0	380	200	2,090	2,670
90.KZ.10 Comfields Project: Phase I Initial Development	F	0	0	400	224	5,014	5,638
90.RS.26 Statewide:Recreational Trails Program	F	0	300	300	300	300	1,200
90.RS.41 Statewide: State Park System Opportunity and Inholding Acquisitions	F	0	1,500	1,500	1,500	1,500	6,000
Public Access and Recreation-New Total		0	2,405	4,425	5,935	24,480	37,245

2006-07 Capital Outlay 5-Year Totals - Recommended Only

Pending New Select Bond Fund (0795) - Finance Approved

	<u>Status</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>5-Year Total</u>
Dept of Parks and Recreation	Total	0	13,096	37,075	82,281	82,186	214,638
Resources	Total	0	13,096	37,075	82,281	82,186	214,638
Grand Total		0	13,096	37,075	82,281	82,186	214,638