

DEPARTMENT OF PARKS AND RECREATION (3790)

The Department of Parks and Recreation (DPR) acquires, develops, and manages the natural, cultural, and recreational resources in the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state.

The state park system consists of 278 units, including 31 units administered by local and regional agencies. The system contains approximately 1.5 million acres, which includes 4,100 miles of trails, 300 miles of coastline, 970 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

The budget proposes \$411 million in total expenditures for the department in 2006-07. This is an overall decrease of \$426 million below estimated current-year expenditures. Most of this reflects a decrease in available bond funds.

The budget proposes \$336.2 million in departmental support, \$45.4 million in local assistance, and \$29.4 million in capital outlay expenditures. Of the total proposed expenditures in 2006-07, about \$112.8 million (27 percent) will come from the General Fund; \$30.9 million (7 percent) will come from bond funding; \$121.2 million (29 percent) from the State Parks and Recreation Fund; \$60.8 million (15 percent) from the Off-Highway Vehicle Trust Fund (OHVF); and the remainder \$85.3 million (21 percent) from various other state funds, federal funds, and reimbursements. Major budget proposals include \$5 million (General Fund) for hazardous material remediation at Empire Mine State Historic Park and \$1.4 million (General Fund) to improve the operation and management of water and wastewater systems in state parks.

Off-Highway Motor Vehicle Recreation Grant Program off Track

We recommend deletion of \$18 million for local assistance for the Off-Highway Motor Vehicle Recreation grant program because significant concerns raised in a program audit have not been addressed. Without the resolution of these issues, the effectiveness of this program cannot be assured. (Reduce Item 3790-101-0263 by \$18 million.)

Off-Highway Motor Vehicle Recreation (OHV) Program: State Parks and Grants. The Off-Highway Motor Vehicle Recreation Program (OHV Program) administered by the department's Off-Highway Motor Vehicle Recreation Division (Division) provides opportunities for OHV recreation while protecting California's natural and cultural resources from the negative environmental impacts of OHV recreation. The Division operates eight OHV-related state parks referred to as State Vehicular Recreation Areas (SVRA). In addition, the Division administers a local assistance grants program discussed below.

Under current law, the OHV Commission (Commission) establishes policy for the program and must also approve grant applications. The Commission is made up of seven members who are required to represent a broad range of interests related to OHV recreation, including OHV enthusiasts, nonmotorized recreation interests, biologists, rural landowners, law enforcement, soil scientists, and environmental interests.

The OHV Local Assistance Program. The OHV grant program provides grant funding to local agencies, non-profit organizations, and federal agencies. The Governor's budget proposes \$18 million (OHVF) for the OHV grant program in 2006-07. The grants are available for a variety of activities related to OHV recreation, including acquisition and development of OHV facilities, law enforcement operations, resource management, safety and education, and equipment projects.

Significant Concerns Raised in Audit About OHV Grant Program. A recent report by the Bureau of State Audits (BSA), *Off-Highway Motor Vehicle Recreation Program: The Lack of a Shared Vision and Questionable Use of Program Funds Limit Its Effectiveness*, raised many concerns specifically with the OHV grant program. These included findings that there are a lack of guidelines and established funding priorities for the grant program and problems with grant management and auditing. The audit also found areas in current law governing the OHV Program where further statutory clarification is needed. Specifically, the audit recommends the Legislature consider amending current law to clarify: (1) whether the use of OHVF to restore land damaged by OHV usage requires that those lands be permanently closed to OHV recreation, and (2) the allowable uses of OHVF. The BSA report also identified overall concerns with the OHV Program, most

notably the lack of a shared vision between the Division in the department and the Commission, which sets policy and must approve grants.

Figure 1 highlights selected recommendations from the BSA report to address some of the significant concerns with the OHV Program. Figure 1 also notes the status of the implementation of these recommendations by the Division and Commission based on our review.

| Figure 1 Bureau of State Audit's Recommendations For Improving OHV Program | Implementation On Track? |
|--|---|
| Action to Be Taken by OHV Division and Commission | |
| • Establish a strategic plan, supported by the Off-Highway Motor Vehicle Recreation (OHV) Division and Commission. | No |
| • Establish clear guidelines or priorities for grant applicants. | No |
| • Submit reports to Legislature as required by statute. | No |
| • Develop a land acquisition strategy to ensure investments meet OHV program goals. | Yes |
| • Improve contracting practices. | Yes |
| • Improve management and auditing of grants. | Yes |
| • Provide grant funding only for those projects that meet the intent of the OHV program. | Yes |
| • Reevaluate the current spending restrictions in law. | Yes |

Many Concerns Are Unresolved. As shown in Figure 1, while the department appears to be on track in addressing some of the issues—particularly in the area of grant management, significant issues remain unresolved. For example, the establishment of a clear set of grant guidelines and procedures, essential in order to award grants and ensure funds are spent consistent with statute, has not yet occurred. While the Division has recently established emergency regulations which include guidelines and has used those guidelines to evaluate grant proposals, the Commission at a December 2005 meeting adopted a significantly different set of grant guidelines. Thus, there are currently two inconsistent sets of guidelines.

Furthermore, as indicated in the BSA audit, the lack of a shared strategic plan between the Commission and Division limits the ability of the Division to implement the grant program consistent with the goals and priorities of the overall OHV Program. The Division indicates that efforts to develop the strategic plan have been delayed by the fact that it is still

waiting for a study, required by statute, which will provide information on the number, type, and location of OHV users. This study will also be used to determine the specific allocation of funding available for the OHVF from fuel taxes.

Recommend Deleting Funding Until Problems Are Resolved. Until various actions are taken by the department and Commission to address concerns raised in the BSA audit, the effectiveness of the grant program cannot be assured. Therefore, we recommend the Legislature delete the \$18 million proposed for the OHV grant program. Funding could be restored during the course of budget hearings if the Legislature is presented with information that satisfies it that the department and Commission are adequately addressing the recommendations from the BSA audit that are noted in Figure 1 as not yet implemented. The Legislature will be given another opportunity to consider the department's and Commission's progress in addressing the audit recommendations when evaluating legislation to reauthorize the Off-Highway Motor Vehicle Recreation Act, which is scheduled to sunset on January 1, 2007. If at such time the audit issues have been addressed to the Legislature's satisfaction, the Legislature could include an appropriation for the OHV grant program in the reauthorizing legislation.

For a discussion of the department's OHV capital outlay proposals, please see the "Department of Parks and Recreation (Item 3790)" write-up in the Capital Outlay chapter of this *Analysis*.

Concession and Operating Agreement Proposals

The budget includes five proposals for concessions and five proposals for operating agreements requiring legislative approval. While we find all of the operating agreement proposals warranted, we recommend the Legislature withhold approval of all of the concession proposals until each has received commission approval and the department, based on the completed economic analysis, provides the Legislature with information on the specific minimum rent to be paid to the state.

Under current law, the Legislature is required to review and approve any proposed or amended concession contract that involves a total investment or annual gross sales over \$500,000. Concessions are private businesses operating under contract in state parks to provide services such as food that are not normally provided by state parks. The Legislature is also required to approve most types of operating agreements, which are agreements between the department and other government entities (mainly local governments) to allow these entities to operate and maintain a state park unit. In past years, the Legislature has provided the required approvals in the supplemental report of the budget act.

As shown in Figure 2, the department has included five concession proposals and five operating agreement proposals in its budget that require legislative approval. While we find the operating agreement proposals warranted, we recommend the Legislature withhold approval of all of the concession proposals.

| Figure 2 | | | |
|---|----------------------------|--|---|
| Department of Parks and Recreation | | | |
| Concession and Operating Agreement Proposals | | | |
| | Term (In Years) | Minimum Rent To State | Minimum Capital Investment |
| State Park Concession Proposals | | | |
| Millerton Lake State Recreation Area | | | |
| • Operate marina | Up to 30 | Not Determined | \$2 million |
| Asilomar State Beach | | | |
| • Lodging | Not Determined | Not Determined | Not Determined |
| Hollister Hills State Vehicular Area | | | |
| • Park store | 10 | Not Determined | Not Determined |
| Old Town San Diego State Park | | | |
| • Food or retail | Up to 10 | \$5,000 or 8% of sales ^a | \$100,000 |
| Pismo State Beach | | | |
| • Lodging and restaurant | | Uncertain | \$14 million to \$17 million |
| Operating Agreements | | | |
| Woodland Opera House State Park | 25 | | |
| Folsom Lake State Recreation Area | Up to 20 | | |
| Stone Lake Property | 25 | | |
| Lighthouse Field State Beach | 80 | | |
| Lucadra and Moonlight State Beaches | 20 | | |
| ^a Whichever is higher. | | | |

Recommend Withhold Approval for All Concession Proposals. Current law specifies that a concession proposal must be approved either by the California State Park and Recreation Commission or, if the proposal is for a SVRA, the Off-Highway Motor Vehicle Commission. As shown in Figure 3, our review of the department's request to solicit concession proposals found that for three of the five concession proposals, the department has not yet received the required commission approval. The department anticipates these proposals will be heard by the respective commission over the next few months.

In addition, as shown in Figure 3, for three of the five concession proposals, DPR has not completed the economic feasibility study that is used to determine the minimum revenue share (rent) to be paid to the state. The DPR anticipates contracting for these studies over the next few months. Without this information, the Legislature is not able to determine whether the proposal is in the state's best interest.

Accordingly, we recommend the Legislature withhold approval of the five concession proposals until (1) they receive commission approval and (2) the department, based on the completed economic analysis, provides the Legislature with information on the specific minimum rent to be paid to the state.

Figure 3

Status of 2006-07 Concession Proposals

| | Feasibility Study Complete? | Commission Approval? |
|--------------------------------------|-----------------------------|----------------------|
| Millerton Lake State Recreation Area | No | Yes |
| Asilomar State Beach | No | Yes |
| Hollister Hills State Vehicular Area | No | No |
| Old Town San Diego State Park | Yes | No |
| Pismo State Beach | Yes | No |



Analysis of the 2006-07 Budget Bill

Legislative Analyst's Office
February 2006

Department of Parks and Recreation (3790)

The budget proposes \$29.4 million for capital outlay for the Department of Parks and Recreation. This amount includes \$17.7 million from bond funding, \$2.7 million from the Off-Highway Vehicle Trust Fund (OHVF), \$1 million from the Habitat Conservation Fund, and \$8 million from federal funds and reimbursements.

Delete Six out of Seven Minor State Vehicular Recreation Area Projects

We recommend the Legislature delete funding for six minor capital outlay projects at State Vehicular Recreation Areas because the Off-Highway Motor Vehicle Recreation Commission, as required by statute, has not approved these projects. (Reduce Item 3790-301-0263 by \$1.9 million.)

As shown in Figure 1, the budget proposes seven minor capital outlay projects totaling \$2.1 million (OHVF) to provide for improvements to existing facilities at various State Vehicular Recreation Areas. Current law requires all capital outlay projects funded from OHVF to be approved by the Off-Highway Motor Vehicle Recreation (OHMVR) Commission.

| Figure 1 State Vehicular Recreation Areas Minor Projects | | |
|--|--------|---------------------|
| <i>(In Thousands)</i> | | |
| Proposed Projects | Amount | Commission Approval |
| Hungry Valley | | |
| • Parking lot repaving | \$483 | No |
| • Restrooms | 332 | No |
| Oceano Dunes | | |
| • Restrooms | 143 | No |

| | | |
|--|----------------|-----|
| • Vehicle wash rack | 486 | No |
| • Vehicle storage | 191 | No |
| Hollister Hills | | |
| • Long Canyon Hill restoration | 202 | Yes |
| Octotillo Wells | | |
| • Residence area development | 230 | No |
| Total Off Highway Vehicle Trust Funds | \$2,067 | |

Recommend Deletion of Six Projects Lacking Required Commission Approval. At its December 2005 meeting, the OHMVR voted to reject six of the seven proposed minor capital outlay projects. Consistent with statute, we therefore recommend the Legislature reject these six proposals and reduce the appropriation for minor capital projects by a corresponding amount.

For a discussion of the Off-Highway Motor Vehicle Recreation Program, please see the ["Department of Parks and Recreation \(Item 3790\)" write-up](#) in the "Resources" chapter of this *Analysis*.

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