
SENATE COMMITTEE ON NATURAL RESOURCES AND WATER

Senator Dave Min, Chair
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Subject: The Conservation Stewardship Endowment Fund

SUMMARY

This bill would establish the Conservation Stewardship Endowment Fund to support the maintenance and stewardship of lands owned and managed by the Department of Parks and Recreation (State Parks). It would direct the Treasurer to invest moneys in this fund to generate earnings to cover the costs of this purpose. It would direct the secretary of the California Natural Resources Agency (CNRA) to establish a governing body to oversee the administration of and the disbursement of moneys in this fund.

BACKGROUND AND EXISTING LAW

Background:

State Parks. State Parks' mission 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 and cultural resources, and creating opportunities for high-quality outdoor recreation. With 280 state park units, covering nearly 1.6 million acres, over 340 miles of coastline, 970 miles of lake and river frontage, 15,000 campsites, 5,200 miles of trails, 3,195 historic buildings, and more than 11,000 known prehistoric and historic archaeological sites, State Parks contains the largest and most diverse recreational, natural, and cultural heritage holdings of any state agency in the nation. More than 68 million people annually visit California's state park system.

Paying for State Parks. The state has provided support for capital outlay in order to acquire and develop park lands. The development and expansion of California's state park system has generally been financed with bond funding and General Fund dollars. Existing law typically limits the use of bond funds to costs associated with the construction or acquisition of capital assets. The General Fund typically pays for general obligation bond debt service—including for both the principal and interest costs—over a couple decades.

The State Parks and Recreation Fund (SPRF) is the primary special fund supporting State Parks. The single largest source of funding for SPRF, providing about \$125 million annually, is fees charged to park users, such as park entrance fees and overnight camping fees. After user fees, the second largest source of support for SPRF—providing about \$100 million annually—is transfers from the Motor Vehicle Fuel Account. SPRF also receives some revenue from other sources, including

contracts with concessionaires that provide certain services, as well as transfers from the Highway Users Tax Account.

SPRF moneys are used to support numerous aspects of State Parks' operations, such as staff to maintain and operate state parks and contracts with park vendors (such as for services like trash collection). In some cases, SPRF is also used to support capital projects, such as to replace aging park facilities.

The state has also used the General Fund for State Parks support, but the level of funding has varied over time, in large part based on variations in the state's overall General Fund condition. In addition to SPRF and the General Fund, State Parks also receives financial support from various other sources, including smaller special funds, federal funds, and reimbursements.

Existing law:

- 1) Establishes State Parks in CNRA under the control of the State Parks director. *Public Resources Code (PRC) §501.*
- 2) Vests State Parks with control of the state park system (*PRC §5001*) and directs State Parks to:
 - a) Administer, protect, develop, and interpret the state park system for the use and enjoyment of the public. *PRC §5003.*
 - b) Protect the state park system from damage and preserve the peace. *PRC §5008.*
- 3) Authorizes State Parks to enter into a statewide agreement with a park support organization, as defined, to facilitate the implementation of specified reforms and to develop and secure expertise, services, resources, and projects that are not readily available to the state park system, for multiple purposes, including to develop and engage new sources of public and private funding for the state park system. *PRC §521.*
- 4) Establishes the State Parks and Recreation Fund in the State Treasury and makes all funds in this fund available for expenditure for state park planning, acquisition, and development projects, operation of the state park system, and resource and property management and protection, when appropriated by the Legislature. *PRC §5010.*
- 5) Generally limits the use of proceeds from the sale of state general obligation bonds to the costs of construction or acquisition of capital assets, as defined. *Government Code §16727.*

PROPOSED LAW

This bill would:

- 1) Establish the Conservation Stewardship Endowment Fund (Endowment Fund) in the State Treasury and require the deposit of moneys received by CNRA for the purposes set forth in (2) into the Endowment Fund.

- 2) Provide that moneys in the Endowment Fund shall be allocated to CNRA, upon appropriation by the Legislature, to:
 - a) Support the maintenance and stewardship of lands owned and managed by State Parks, and
 - b) Generate funding through investment earnings for the support of stewardship and maintenance of these lands.
- 3) Direct the Treasurer to invest moneys in the Endowment Fund with the goal of achieving capital appreciation to create a balance sufficient to generate ongoing earnings to cover the estimated annual costs associated with maintenance and stewardship of lands owned and managed by State Parks.
- 4) Authorize the Endowment Fund to receive donations and contributions from specified entities and sources.
- 5) Require earnings generated by the Endowment Fund to be retained by the Endowment Fund.
- 6) Provide that moneys deposited in the Endowment Fund are exempt from requirements for special funds in state law related to being charged, by the Department of Finance, a fair share of the state's administrative costs, as defined, related to the function supported by that fund.
- 7) Direct the CNRA secretary to establish a governing body to oversee the administration of and the disbursement of moneys in the Endowment Fund. Require this governing body to consist of the following members:
 - a) The CNRA secretary.
 - b) The Controller.
 - c) The Director of Finance.
 - d) The Director of State Parks.
- 8) Define terms, including "stewardship," which would encompass the range of activities involved in controlling, monitoring, and managing for conservation purposes a property, or a conservation or open-space easement, as defined by the terms of the easement, and its attendant resources.
- 9) Make findings and declarations, including:
 - a) While general obligation bond funding can be used for land acquisition to protect and enhance fish and wildlife habitat and achieve the state's biodiversity and conservation goals, bond funding cannot be used for stewardship and management of these lands.
 - b) Due to decades of underinvestment, the Department of Parks and Recreation has a maintenance backlog of approximately \$1 billion. Deferred maintenance projects are critical to increasing the resilience of California's state parks to climate impacts.

ARGUMENTS IN SUPPORT

According to the author, “California’s state parks and other protected lands provide significant benefits that include outdoor recreation, climate change mitigation, water and air purification, and more. As such, these lands play a crucial role in achieving California’s climate goals and several high-priority state initiatives including the 30x30 Initiative, the Outdoors for All Initiative, and the Water Supply Strategy, among others. California has made significant investments to protect and conserve these lands; however, dedicated resources for stewardship and management are necessary to ensure that they remain healthy landscapes. Unfortunately, those funds have been historically left out of this conversation, forcing State Parks to grapple with a \$1 billion deferred maintenance backlog!”

“To provide dedicated resources for the stewardship and management of California’s state parks, SB 1332 establishes the Conservation Stewardship Fund. The bill also creates a governing body to oversee administration of the Fund, consisting of the California Secretary of Natural Resources, State Controller, Director of Finance, and Director of Parks and Recreation. By establishing a dedicated stewardship and maintenance fund, SB 1332 allows California to protect its investments in state parks and conservation lands, as well as help increase their resilience to climate change. In doing so, this bill will ensure these lands continue to provide important benefits to all Californians for generations to come.”

According to the sponsor, “California has made significant investments to protect and conserve [State Parks] lands, however, dedicated resources for stewardship and management are necessary to ensure that they remain healthy landscapes and continue to benefit all Californians. While general obligation bond funding can be used to acquire and protect these lands, stewardship and management activities are not eligible for bond funding. The lack of funding for maintenance and stewardship has resulted in a deferred maintenance backlog totaling more than \$1 billion for the Department of Parks and Recreation alone. As the impacts of climate change intensify, management and stewardship of California’s state parks and conservation lands will become increasingly important.”

“SB 1332 would establish the Conservation Stewardship Endowment Fund to provide dedicated resources for the stewardship and management of California’s state park lands. The creation of a stewardship endowment fund will allow California to protect its investments in state parks and will increase the climate resilience of these important lands. As such, SB 1332 will ensure that our state parks continue to provide important benefits for all Californians for generations to come.”

ARGUMENTS IN OPPOSITION

None received.

COMMENTS

The need for the bill. The public has made longstanding calls to improve the operations and maintenance (O&M) of the state park system. Generating sufficient, long-term sources of funding for O&M has been an ongoing challenge. Bond funding can only be used for capital outlay, General Fund is not always available, and SPRF is significant, but not enough, and, as noted below, is in danger of becoming insolvent.

The lack of adequate, ongoing funding for park maintenance has contributed to the development of a backlog of deferred maintenance projects that State Parks estimates exceeds \$1 billion.

Managing state park lands under a changing climate further adds to O&M challenges. For example, the risk of wildfire is increasing and the state has not historically incorporated sufficient management and prevention activities on its lands. Other climate change impacts, such as more frequent and intense droughts, as well as the threat that sea-level rise poses to the coast, will create new management needs for state lands. In recent years, the Legislature has appropriated funding to State Parks to address some of these growing risks from climate change, but this funding is typically one-time and does not provide a long-term solution to this issue.

A sustainable source of funding on an ongoing basis is critical to State Parks' capacity to address its ongoing and significant O&M needs. This bill would establish the Conservation Stewardship Endowment Fund in the State Treasury to support the maintenance and stewardship of lands owned and managed by State Parks. It would direct the Treasurer to invest moneys in this fund to create a balance sufficient to generate ongoing earnings to cover the estimated annual costs associated with maintenance and stewardship of State Parks lands.

This bill could remove some pressure on the SPRF. In a February 2024 report entitled, "Insolvency Risks for Environmental and Transportation Special Funds," the Legislative Analyst's Office (LAO) identified a structure imbalance in the SPRF and the potential for this fund to become insolvent by 2028-29. This condition poses challenges for State Parks to meet ongoing demands in the state park system, especially given the outsized importance of this fund to covering State Parks' operations. The LAO offered multiple options for the Legislature to consider to address this issue, including identifying new funding sources to support State Parks' operations. This bill, if funded, could create a new fund source.

Managing endowment revenues. This bill would direct the CNRA secretary to establish a governing body to oversee the administration of and the disbursement of the moneys in the Endowment Fund. The bill would require the governing body to include the CNRA secretary, the State Parks director, the Department of Finance director, and the Controller.

Other models to consider. This bill would create an endowment that the state would invest and manage. It is unclear where the initial funding for the endowment might come, but the state might provide initial funding as well as private philanthropy. It is worth noting that there are other models that the Legislature might consider.

National Park Foundation (NPF). In 1967, the U.S. Congress established NPF as a charitable, nonprofit corporation to encourage private gifts of real and personal property or any income therefrom for the benefit of the National Park Service (Public Law 90-209, 90th Congress). NPF may sell, lease, invest, reinvest, retain, or otherwise dispose of or deal with any property or income from property it acquired.

NPF is the official nonprofit partner of the National Park Service. It seeks to generate private support and build partnerships to protect and enhance America's national parks.

The organization focuses on promoting programs and projects that protect landscapes and wilderness, historical sites, and places of cultural significance. In 2022, NPF generated \$168 million in income from foundations, corporations, individuals, and government, and awarded \$59.1 million to parks and park partners. NPF also receives federal appropriations, some of which are deposited into an endowment managed by NPF. NPF is governed by a 27-member board of directors appointed by the U.S. Secretary of the Interior.

National Fish and Wildlife Foundation (NFWF). In 1984, the U.S. Congress established NFWF as a charitable, nonprofit corporation for multiple purposes, including to encourage, accept, and administer private gifts of property for the benefit of, or in connection with, the activities and services of the U.S. Fish and Wildlife Service (Public Law 98-244, 98th Congress). NFWF may sell, donate, lease, invest, retain, or otherwise dispose of any property or income it has acquired. Congress regularly allocates funding for NFWF to match, on a one-to-one basis, contributions to the organization. NFWF is governed by a 30-member board of directors, two of which are agency heads and the remaining 28 are appointed by the U.S. Secretary of the Interior.

According to NFWF, it has grown to become the nation's largest private conservation foundation, committing more than \$10 billion to conservation projects in all 50 states and U.S. territories. The organization manages a nationwide portfolio of accounts arising from legal and regulatory actions involving natural resources and the environment. The portfolio consists of several hundred distinct accounts reflecting underlying proceedings at the federal, state, and local levels. Most of these accounts are established to manage funds arising from the settlement of enforcement actions involving natural resources and the environment or funds arising in connection with permit-required mitigation for environmental impacts. NFWF does not fund any advocacy or litigation, and does not conduct membership campaigns.

Parks California. SB 1111 (Pavley, Chapter 540, Statutes of 2016) authorized State Parks to enter into a statewide agreement with a park support organization to facilitate the implementation of certain reforms and to develop and secure expertise, services, resources, and projects that are not readily available to the state park system. The bill required the park support organization to meet certain requirements, including that it be a tax exempt 501(c)(3) organization and that it comply with the Supervision of Trustees and Fundraisers for Charitable Purposes Act. One of the defined purposes of this organization is to develop and engage new sources of public and private funding for the state park system, including philanthropic sources and enterprise and revenue generation activities, where appropriate.

Following SB 1111, Parks California filed articles of incorporation in 2018 and became an official California nonprofit public benefit corporation in support of State Parks. Parks California administers multiple grant programs to support parks, park partners, and local nonprofits in connecting communities to the state park system. According to Parks California's most recent annual report, in 2022 the organization raised over \$3 million in revenue, including \$1.6 million from foundations and \$354,000 from private donors.

California State Parks Foundation (CSPF). This organization was founded in 1969 by William Penn Mott, Jr. to partner with State Parks to protect and preserve the California state park system. Mr. Mott, a former State Parks director,

believed State Parks needed an independent nonprofit partner to help engage a broader audience of park supporters, access and inspire philanthropy, and better serve more diverse communities. Early in its history, CSPF helped grow the state park system by acquiring land for the state. More recently, it has focused on advocacy work to vocalize the needs of the state park system in the capitol. According to CSPF, it has built a dedicated community of over 70,000 members and raised more than \$300 million to benefit state parks.

Committee amendment. A key question for the Committee is why should the state establish and manage the proposed endowment? Should it consider a different model and partner with a nonprofit organization for this purpose? Would the public and philanthropic organizations feel more comfortable donating to a nonprofit organization to manage an endowment than a government agency? If the state managed the endowment, would it be more susceptible to getting pulled and used for other purposes in tough budget years? It may be too early to provide a definitive answer to these questions. Further, it could be useful to pilot the idea proposed by the bill to learn what happens.

The Committee may wish to consider amending the bill to direct the LAO to review the endowment in five years, including its costs and benefits, the amount and types of gifts and donations, the performance and longer-term potential of the endowment, what types of costs the endowment might cover, how much of State Parks' O&M costs might reasonably and sustainably be covered by the endowment, how the endowment might relieve pressure from other State Parks' funds, how endowment revenues might support access initiatives, and recommendations for who should manage and oversee the endowment in the long-term. *[See Amendment 1]*

This bill is a work in progress. Should the bill move forward, the author may wish to consider the following:

- *Expenditure plan.* The author may wish to consider requiring CNRA, in consultation with the governing body established by the bill, to annually submit a plan for expenditures of proceeds from the Endowment Fund. This, combined with the item below, would improve the Legislature's oversight of this fund and ensure that the expenditures reflect the Legislature's goals and priorities for State Parks.
- *Endowment Fund report.* The author may wish to consider requiring CNRA and the Treasurer to annually submit a report to the Legislature on the investments and expenditures of the Endowment Fund. This could include the net amounts of investment earnings, gains, and losses; any contributions or donations to the Endowment Fund; and a detailed accounting of expenditures, including any administrative expenses, from the Endowment Fund.
- *Stakeholder outreach.* The author may wish to consider reaching out to Parks California and CSPF to solicit their input on this bill and opportunities for an endowment for State Parks O&M.

Prior legislation.

SB 1111 (Pavley, Chapter 540, Statutes of 2016) authorized State Parks to enter into a statewide agreement with a park support organization to facilitate the implementation of certain reforms and to develop and secure expertise, services, resources, and projects that are not readily available to the state park system.

AB 2202 (Gray, Chapter 756, Statutes of 2018) established the University of California, San Francisco (UCSF), San Joaquin Valley Regional Campus Medical Education Endowment Fund to support the annual operating costs of a branch campus of the UCSF School of Medicine in the San Joaquin Valley.

AMENDMENTS**AMENDMENT 1**

In Section 2, add a new subdivision (i), as follows:

(e) By December 31, 2030, the Legislative Analyst's Office shall submit a report to the Legislature that reviews the impact and performance of the endowment.

The report shall include all of the following:

- (1) A review and assessment of the costs and benefits of the endowment.
- (2) A summary of the sources and amounts of gifts and donations to the endowment.
- (3) A review of the endowment's performance and an assessment of the endowment's potential to generate revenue over time.
- (4) An assessment of what types of costs the endowment might cover and, based on this assessment and the assessment in paragraph (3), how much of the Department of Parks and Recreation's stewardship and maintenance costs the endowment might reasonably and sustainably cover.
- (5) An assessment of how the endowment might relieve pressure from other funds managed by the Department of Parks and Recreation and how it might support the state's Outdoors for All initiative.
- (6) Recommendations for the operation, management, and governance of the endowment, including whether the state or another entity should administer the endowment.

SUPPORT

The Nature Conservancy (sponsor)
California Environmental Voters (formerly CLCV)

OPPOSITION

None Received

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