

## **Summary of 9-24-12 interview of William Herms**

Interview and summary by Thomas M. Patton, Deputy Attorney General

William Herms served some 5 and ½ years, from 2007 to 2012, as deputy director for legislation in the California Department of Parks and Recreation. (William Herms transcript (WHtr), pp. 2-5.) In that role Herms served as liaison between the Parks Department, the Legislature, and the Governor's Office. (WHtr, p. 3.)

Prior to working at State Parks, Herms served in various positions with the Legislature, including chief of staff to Assemblymember Parra, and chief consultant to both the Veterans Committee and the Joint Legislative Audit Committee. (WHtr, pp. 4-5.) Herms currently serves as chief of staff to Assemblyman Roger Hernandez. (WHtr, p. 2.)

### **Off-Highway Vehicle Fund Balance Reports**

When asked what he knew about disparities in fund balances reported to the State Controller's Office and the Department of Finance, Herms indicated he was aware that the fund balance for the Off-Highway Vehicle (OHV) fund would significantly change from year to year. Herms explained that because he was involved in the legislative process he was aware of legislative restructuring relating to how the OHV fund received monies. Herms also recalled that the OHV division was looking to expand and purchase new land and facilities but had trouble doing so, and meanwhile the OHV trust fund balance would continue to grow. At the same time, both the current and former executive administrations would borrow monies from the OHV Fund to help fill the gap in the General Fund. (WHtr, pp. 7-8.)

Specifically, Herms recalled that over the past several years, more than \$100 million had been loaned from the OHV trust fund. Herms also recalled that gas tax dollars had been credited to the OHV fund going back 20 to 30 years. Herms did not recall ever hearing any discussions relating to disparities in OHV fund balance reports going to the Controller's Office versus the Department of Finance. (WHtr, pp. 39-41.)

### **State Parks and Recreation Fund Balance Reports**

With regard to the State Parks and Recreations Fund (SPRF), Herms indicated he had never heard anything relating to any additional monies being reserved or available in that fund.

Herms stated that, in fact, the concern was always about whether the Department would run into a deficit spending scenario. (WHtr, pp. 8-9.) Herms recalled executive committee discussions about revenue projections and proposals to increase revenue through fees, but recalled no discussion about there being any surplus of funds. (WHtr, pp. 32-36.)

Herms further explained that during his time at Parks, one of the big challenges was dealing with a \$22 million general fund reduction ordered by the Brown administration. That reduction and how to deal with it were discussed at executive team meetings, and Herms did not recall the team ever addressing the topic of dealing with a surplus of funds. (WHtr, p. 12.)

Herms went on to explain that a \$22 million reduction constituted an approximate 10 percent cut of the Department's approximate \$200 million in operating funds. The executive team discussions that he remembers focused on how to manage that cut. The plan ultimately devised entailed closing some 70 parks which, which Herms noted accounted for some 25 percent of the total number of parks, but actually only accounted for some 6 to 8 percent of the visitor count and revenues derived within the parks system. (WHtr, pp. 14-20.)

Herms recalled that volunteer groups came forward to help save parks from closure, and recalled that the Legislature did give the Department authority to coordinate with private entities. (WHtr, pp. 26-27.) Herms indicated that while such donations were helpful, they by no means bridged the \$22 million general fund budget cut that was imposed. (WHtr, p. 30.) Herms opined that the possible closure of parks is a sensitive political issue. He noted that closures ultimately have not occurred and explained that services have been cut instead. Herms further opined that Parks has entered a woeful era of underfunding, with resulting public safety and environmental concerns being compromised. (WHtr, pp. 30-31, 52-53.)

### **Automated Pay Machine Revenues**

Herms was asked if he knew anything about the Department retaining any revenues received through automated pay machines. Herms stated he was aware of a program to install pay machines in locations where manned kiosks did not exist. Herms explained this as a legislatively-approved entrepreneurial system where Parks could implement automated pay machines and other programs to increase fees, with half of additional revenues flowing back to the implementing parks districts as an incentive, and half flowing to Parks Headquarters to be

divided among districts that were unable to increase such revenues. Herms did not have any knowledge, however, about automated pay machine revenues being routed into a reimbursement account, as other witnesses such as Dorothy Kroll have indicated. (WHtr, pp. 42-45.)

### **Conversations With Michael Harris and Ruth Coleman**

Herms stated that he has spoken with Michael Harris since the report of fund discrepancies came out, but they did not discuss the issue. (WHtr, p. 35.)

Herms indicated he has also talked with Ruth Coleman since the story concerning fund reporting discrepancies broke, but they also did not discuss the subject. (WHtr, pp. 46-47.) Herms did recall discussing the fund discrepancy topic with Coleman at some point as the story was unfolding. He recalled that both of them had expressed surprise and shock over the reports then coming out in the newspapers. (WHtr, pp. 47-49.)