

United Spanish War Veterans Commission—Continued

ANALYSIS

The decrease noted in the budget request is a result of actual experience in the operation of the commission's activities and due to the fact that the commission is receiving certain endowments from outside sources.

In our analysis of the 1958-59 Budget Act, we pointed out this item as one of the areas for policy reappraisal, in that it had not been the policy of the State in the past to subsidize any veterans organization to the extent of providing it with a headquarters office, and since the subsidizing of veterans organizations cannot be considered an essential state service, we recommend deletion of this item from the budget.

DEPARTMENT OF WATER RESOURCES

ITEM 260 of the Budget Bill Budget page 579

**FOR SUPPORT OF DEPARTMENT OF WATER RESOURCES
FROM THE GENERAL FUND**

Amount requested	\$5,700,222
Estimated to be expended in 1958-59 Fiscal Year	5,456,784
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Increase (4.5 percent)	\$243,438
TOTAL RECOMMENDED REDUCTION	\$486,000

GENERAL SUMMARY

The Department of Water Resources was established in July, 1956, by the consolidation of several independent water agencies. Its principal organization structure consists of the Director's Office, the Divisions of Administration, Resources Planning, Design and Construction and the Southern California District Office. Besides certain statutory responsibilities, such as providing watermaster service, supervision of safety of dams, licensing weather modification projects, gathering data on ground water levels and streamflow, flood project operations and flood control emergency operations, etc., the department prepares plans for new water resource projects and is currently authorized to design and construct the Feather River Project, the five Upper Feather River Projects and the North Bay Aqueduct. In addition, the department is constructing the Whale Rock Project in San Luis Obispo County, the Upper San Joaquin River Flood Control Project and smaller works under reimbursable contracts from other state agencies.

ANALYSIS	Summary of Reductions	<i>Budget</i>	
		<i>Amount</i>	<i>Page Line</i>
Operating expenses:			
General expense		\$120,000	589 60
Printing expense		90,000	589 60
In-state travel		100,000	589 60
Out-of-state travel		15,000	589 60
Equipment		161,000	589 62
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Total recommended reduction		\$486,000	

(Note: Some of the above recommendations, although being itemized for reduction in the support budget, will actually reduce the California Water Development Planning Program. For this reason, the recommended reductions in the California Water Development Planning Program should be made first.)

General Summary—Continued

This is the third budget submitted by the department since its organization in 1956. Each of the three years has shown progress toward a better organized budget and a more adequate representation of the activities for which funds are being appropriated. But in the midst of this progress the number of problems seems to increase.

The report to the Joint Legislative Audit Committee last fall by the Auditor General listed numerous deficiencies in the department's accounting system and concluded that its accounting records were so deficient that an audit could not be made of the department's expenditures for the preceding fiscal year. As a result of this report, there has been a renewed interest in the department's accounting problems, but there has been no agreement with respect to their solution. There is disagreement within and between the Departments of Water Resources and Finance on what should be done. We understand also that the Department of Finance has removed from this budget the funds suggested by the Joint Legislative Audit Committee and requested by the Department of Water Resources for a study of accounting procedures.

Another problem stems from an observed tendency to minimize the relation of the department's accounting problems to the instability in the department's budgetary program and general lack of policies and program controls. A clear indication of the disruption caused by instability of departmental programming is the fact that the department began at the end of the last session to revise the current year's program in the light of legislative changes to that program. Although we frequently requested it, we could not get, nor did the department have, a completely revised program until mid-December when next year's budget was submitted. The budget for both the current year and next year was completed almost two months after the budget due date established by the Department of Finance. These budgetary problems inevitably create difficulties in accounting for expenditures already made or in the process of being made.

We have also noted that very little of the department's budget for the current year has been revised from that submitted last year. However, these current year budget figures in the Fiscal Year 1959-60 Budget are considerably at variance with the actual expenditures and accomplishments of the department to date. As a result, it appears that the department may fall short of its current year expenditure program by an amount equivalent to the \$600,000 which it could not spend in the last year. The Department of Water Resources does not yet issue regular accounting reports showing this data. On the basis of the lack of regular accounting data and the probable inability of the Department of Water Resources to complete the current year program, *it is recommended that the Department of Finance be directed to review the unexpended balances and periodically to withdraw any surpluses so that they will not be expended for low priority activities.*

There is also good reason to believe that the department's accounting problems cannot be fully resolved and its accounting structure be made to effectively control expenditures and programs until the department's budget is further reorganized and clarified. At present, there is much

General Summary—Continued

work being done which can be charged to one or more programs being conducted by the department. Therefore, if funds are inadequate in one investigation to undertake a particular job, the work may be charged to an overlapping investigation or to sustaining activities. Until the work authorized by the budget can be more accurately defined and limited with overlaps and areas of duplication removed or minimized, the department's budget is a poor basis for control of expenditures. This situation applies particularly to a wide range of activities which can be charged to either the support budget or the California Water Development Program.

Another problem is the extraordinarily high level of expenditures for consulting services. During the current year, the department is budgeting \$280,750 from salaries and wages for consultants and \$108,900 next year. This is not all, for there are unknown amounts for consultants carried under contracts and budgeted as engineering expense. The department currently has 24 consultants and consulting firms on a contract basis and 57 additional consultants on temporary employment whose services are used or are available. It must be admitted that the department has some very difficult problems before it concerning which the advice and recommendations of outstanding consultants should be secured. It is also true that the department should not try to employ permanent staff for every technical job that must be done, but should call upon outside assistance.

However, we find that the department is using consultants for purposes which we feel are questionable. Many of the major investigations of the department are conducted with a board of consultants reviewing the studies, conclusions and reports of the department. The Legislature has provided funds and the department has established a large number of high level engineering positions within the department. The high cost of engineering work should not be further increased by the unnecessary use of consultants upon whom the department can place some of the responsibility for decision making for which its own personnel is being paid.

In addition we are concerned with other uses of consultants concerning which the following example may or may not be typical. The department was authorized in the current year budget to establish a position of financial advisor at \$13,200 per year to work on financing proposals for project construction. This position has now been established but, in addition, the department has scheduled under ACR 14 studies, a sum of \$13,000 for outside studies of project financing alternatives by consultants. One of these two expenditures is unnecessary. *We recommend that the department be directed to establish a strict policy on the employment of consultants which will reduce their services to more economical and moderate levels.*

Operating Expenses

This is the first year we have felt that the details of the department's budget were sufficiently firm to warrant a detailed review. The following is a review of the department's operating expenses.

General Summary—Continued

The department's requests for operating expenses in Fiscal Year 1959-60 are difficult to evaluate both because of changes in the methods of estimating them and moving of expenditures from one division of the department to another. An examination of the general expense item, which covers numerous small expenditures such as letterhead printing, subscription, etc., shows an increase from \$628,401 in the current year to \$774,252 in the next year. Most of the increase results from the use of too high a cost factor in estimating based on the experience of last year which has been shown to be too high by expenditures of the current year to date. *It is, therefore, recommended that \$120,000 be removed from the department's general expense to compensate for this overbudgeting.* This will still leave an increase of \$25,000 over the current year.

Although we have pointed out in past years the department's tendency to print its reports in expensive formats, with elaborate charts, pictures and the use of glossy paper, there has been no change in the department's practices. Next fiscal year the department is requesting \$211,585 to publish reports and investigative data. The department has no standards governing the factors which contribute to printing costs. Our review of the printing request for next year shows the proposed printing of excessive numbers of highly technical reports, the use of high cost printing when lower cost methods would suffice and the publication of certain reports which are of very limited interest throughout the State. *It is recommended that \$90,000 be removed from the department's printing request and that the Department of Finance review the current year needs with a view of curtailing current expenditures.*

The operating expense item for in-state travel for the department has also been overbudgeted for next fiscal year. In view of the experience in the current fiscal year and since there is no apparent basic change in the department's program to warrant an increase from \$658,535 in the current year to \$816,323 in the next fiscal year, *it is recommended that in-state travel be reduced by \$100,000.* This reduction will still leave an increase of \$57,788 for within state travel and an increase of \$24,618 in automobile rental.

The department's request for out-of-state travel, amounting to \$46,546 is excessive. There is a range of from \$360 to a high of \$600 included in the budget for a single, relatively comparable trip to Washington, D. C. Most trips seem to be overbudgeted. In addition, over half of the department's original out-of-state travel budget before being reduced by the Department of Finance, was for attendance at conventions or associations, to read papers, inspect work and observe activities of other agencies. A check of the proposed travel showed six employees traveling to TVA to study or observe various phases of its activities; eight employees traveling to the Columbia River Basin, mostly two at a time, to observe and study construction and activities there; 15 employees traveling to Glen Canyon and other Colorado River projects to study design and construction practices; and at least four employees attending all meetings of the Pacific Southwest Interagency

General Summary—Continued

Committee. We have computed that travel for purely official duties, training and field collection of basic data amounts to only \$25,917 even at the rate being requested. \$4,000 to \$5,000 for attendance at conventions and associations would appear to be sufficient. *We, therefore, recommend reducing the department's out-of-state travel request by \$15,000 in addition to the reduction made by the Department of Finance to eliminate unnecessary attendance at conventions and associations.*

Equipment

The department's request for equipment is down next year to \$593,585 from the current year level of \$925,175. The very high level of equipment expenditures in the current year and last year has been due to the rapid expansion of the department with respect both to equipping new employees and undertaking new activities. There is a net reduction in man years in the department's budget next year. It does not appear that equipment expenses have been reduced proportionately to the stabilizing employment level of the department.

Our review of the department's equipment requests shows a very high proportion lies in additional equipment rather than in replacement equipment, particularly in those items such as cameras, binoculars, typewriters, adding machines, calculators, copying machines, engineering and survey tools, etc. We are advised by the department that it does not know how many items of this equipment it now has, nor what use that equipment is now receiving. However, a frequent justification for the purchase of additional equipment is that there are not sufficient pieces of the equipment available. In just one case it is known that the department has eighty cameras, yet it is requesting funds to purchase more.

The department is starting a camera pool on an experimental basis in the immediate future. It does not propose to establish other pools now because it cannot guarantee the availability of equipment from the pool to those persons now possessing such equipment and feels that it must have sufficient equipment to be able to assure satisfactory service for all proposed users of equipment before a pool can be started. If the department waits until it has sufficient equipment to satisfy all individual users, whether high or low priority users, it then has an excessive amount of equipment when it is placed in a central pool and it is too late to save any money. The equipment must be placed in a pool before the full needs of the department are satisfied if money is to be saved. In addition, if there is a shortage of equipment, only by the use of a pool can the highest priority uses of available equipment be assured. *For these reasons we recommend that the department be directed to establish an equipment pool for all minor items of office and engineering equipment.*

Since the department does not now know how many items of minor equipment it has or what use this equipment is receiving, we cannot see a very sound justification for the purchase of more equipment. *We, therefore, recommend that a reduction of approximately 10 percent or \$60,000 be made in the total for equipment purchases to approximate*

General Summary—Continued

the elimination of items which should be placed in an equipment pool, and to remove funds for miscellaneous items of low priority equipment.

This is the third year the department has failed to publish the report on its basic data gathering program requested by this office and repeatedly promised by the department. In so far as we can tell, the department has not completed this report because of a major disagreement within the department on the extent and nature of the basic data gathering program. Still, the department continues to request large sums for the expansion of its basic data activities. This year, one of the principal increases related to basic data gathering is for new **additional equipment** including two seismographs, stream gauging and meteorologic instruments. *On the basis of lack of justification, we recommend that all this new equipment related to basic data gathering activities, totaling \$101,000, be deleted.*

The department is also requesting funds to buy additional automobiles, mobile radios and stationary radio equipment to add to its existing fleet which is purportedly justified on the basis of the department's flood control operations. The Division of Forestry has large numbers of vehicles equipped with radios which stand idle during the flood season both because there are no fires in the Central Valley during the flood season and because the division has no seasonal personnel to man them. The Division of Forestry and the Department of Water Resources operate programs with complimentary equipment requirements and even have their radio transmitting stations at the same locations in certain instances.

In addition to the equipment reduction recommendations above, it is recommended that the Department of Finance release funds for the Department of Water Resources to purchase new vehicles for radio uses and new radio equipment for vehicles only until, and to the extent, that it finds after careful investigation and reports to the Joint Legislative Budget Committee that:

- 1. There is no possibility of exchanging vehicles and radios either as units or separately during the flood and forest fire danger seasons.*
- 2. There is no possibility of purchasing mobile radios which the Department of Water Resources can place in Department of Finance pool cars for temporary or emergency purposes.*
- 3. There is no radio equipment available elsewhere among state agencies which can be used during the relatively short and infrequent flood danger periods.*
- 4. If none of the above arrangements can be consummated, the Department of Water Resources, pursuant to statements made to this office, will purchase new mobile radios only to the extent that existing rented equipment is replaced by the new equipment.*

North Bay Aqueduct

The North and South Bay Aqueducts constitute substantial problem areas in the consideration of the department's budget this year. The exact status of the North Bay Aqueduct is somewhat obscure. The

General Summary—Continued

department is curtailing all work on it because of lack of support from areas to be served by the project. We do not know whether the department will propose withdrawing the authorization for the project, or whether it will merely let the project remain dormant.

The Budget Bill of 1957 appropriated \$1,349,563 for preliminary design and surveys of the North Bay Aqueduct. The department expended \$206,946 during Fiscal Year 1957-58; it proposes to expend \$581,983 during the current year of which about \$163,000 has been spent as of January 1, 1959. It proposes to spend \$15,266 next year. This will leave an unexpended balance of \$566,717, the disposition of which has not been announced. It is difficult to justify spending any further funds on the project after the decision was made to hold up on the project. *It is, therefore, recommended that the department cease all further work immediately on the project and that the balance of the appropriation remaining at this time, which is approximately \$1,000,000, be reverted by the addition of language in the Budget Bill to accomplish this purpose.*

South Bay Aqueduct

The South Bay Aqueduct, somewhat like the North Bay Aqueduct, is also experiencing difficulties due to lack of local support and insufficient demand for project water. The project was authorized for construction as a branch aqueduct of the Feather River Project to pump water from the State's San Joaquin Valley Aqueduct over the coastal range into Southern Alameda County. The water was to flow through aqueducts as far as southern Santa Clara County. This last year the department replanned the project so that water was to be pumped on an interim basis from the Delta Mendota Canal of the Bureau of Reclamation and released through Brushy Peak Tunnel to flow down natural stream beds into southern Alameda County. This was stage one of the project and was designed to provide an immediate water supply to the Niles Cone area and Livermore Valley. At a later date it was planned to construct an aqueduct to Airpoint Reservoir near Milpitas and a reregulating reservoir at the Arroyo del Valle site near Livermore Valley. With this background, some of the problems confronting the South Bay Aqueduct are discussed below.

1. At the behest of Santa Clara County and other counties outside the South Bay Aqueduct service area, the Bureau of Reclamation has received planning money to study an alternative project to serve Santa Clara County and other counties by an aqueduct through Pacheco Pass. This federal project could serve some areas which are now within the contemplated service area of the South Bay Aqueduct. The actual service area of the bureau's Pacheco Pass Project will not be known until the bureau finishes its work. In the meantime, those areas of Santa Clara County which could be served by both the bureau's and the State's project are supporting both construction of the first stage of the State's project and planning of the bureau's project.
2. The City and County of San Francisco has for years served portions of the South San Francisco Bay area with municipal and

General Summary—Continued

industrial water. The proposed South Bay Aqueduct will substantially parallel and duplicate the main transmission facilities of San Francisco. This has been justified by the department on the basis that its project would serve primarily the agricultural markets which the City of San Francisco cannot legally serve. Yet the South Bay Aqueduct needs the higher revenues from the municipal and industrial markets which the City of San Francisco is serving and the City of San Francisco has announced that it will oppose the South Bay Aqueduct if the State should undercut its markets. There is no agreement between the State and the City of San Francisco which would divide up the market and it is doubtful that such an agreement is economically or physically feasible.

3. The Santa Clara County Farm Bureau, which is associated with the major agricultural market for water from the South Bay Aqueduct in Santa Clara County is opposed to immediate construction of the South Bay Aqueduct. The Farm Bureau does not feel that the necessary information is available to select the best method of serving the area.
4. The State's proposed South Bay Aqueduct does not include distribution facilities to transmit water from the terminal reservoir at Airpoint near Milpitas to the central and western part of the Santa Clara Valley. This area includes almost half of the market claimed for the South Bay Aqueduct. The Santa Clara-Alameda-San Benito Water Authority, in its progress report of October 1, 1958, indicates that it is currently planning a distribution system to serve this area but at present it is not known what the costs of such a system may be or whether it will be built. This distribution system will undoubtedly cost more than agriculture can afford to pay although agriculture is the main market for the water at this time. On the other hand, any effort to sell this water to municipalities involves conflicts with the City of San Francisco.
5. Probably the most acute water supply problem in the South Bay Aqueduct service area is the result of salt water intrusion in the Niles Cone located in Southern Alameda County. Here the Department of Water Resources is making a two-year study of the intrusion problem. This work is not complete and the solution to the intrusion problem in this area is not known. It can only be assumed that additional water supplies from the South Bay Aqueduct are the answer to this problem.
6. While the South Bay Aqueduct may be one solution to the saline water intrusion problem in the Niles Cone area, it may not be the only one. The Alameda County Water District and the Pleasanton Township County Water District are preparing plans and have received a permit from the State Water Rights Board to construct a project on the Arroyo del Valle which would supply most of their immediate water needs and alleviate the overdraft on the Niles Cone. The local project on the Arroyo del Valle

General Summary—Continued

would be constructed only if the South Bay Aqueduct is not built. The two local water districts are now waiting to see what will happen to the South Bay Aqueduct. In the meantime they support its construction while working on plans and financing for their own project. Furthermore, it is because of the water problems in southern Alameda County and the Livermore Valley that the Santa Clara County water agencies support the construction of the South Bay Aqueduct *to serve the Niles Cone and Livermore Valley areas and not because they presently desire water from the project.*

7. The Arroyo del Valle site is also proposed to be used by the State for a regulating reservoir along the South Bay Aqueduct. However, if this is done, its yield as a local project will be cut approximately in half. Even at one-half its yield as a local project, it still will assist in solving the local water problems but will also constitute a further reduction of the market for water from the South Bay Aqueduct. *As a local project*, the Arroyo del Valle site will substantially meet the immediate needs for water in the Niles Cone and Livermore Valley areas. The Department of Water Resources has an agreement with the two local agencies for future integration of the project in the South Bay Aqueduct if the aqueduct should be feasible at some future time. *As a state project*, the Arroyo del Valle site will oversupply these immediate local needs and will eliminate construction of a local project which is adequate for the present.
8. If the South Bay Aqueduct is built now, it cannot immediately receive its water supply from the San Joaquin Valley Aqueduct of the Feather River Project. Instead, it will be necessary to construct interim facilities to pump water from the Bureau of Reclamation's Delta-Mendota Canal. The cost of these interim facilities is slightly more than \$500,000. This investment will presumably be lost when the permanent facilities are installed.
9. The agricultural water users who contemplate receiving water from the South Bay Aqueduct have not committed themselves to repay the project costs and probably will have to be subsidized heavily for many years if the project is built as presently contemplated. No repayment agreement has been signed by any water agencies.
10. The department's revised plan for the South Bay Aqueduct was to cost \$32,000,000. The department has recently added \$5,000,000 in additional facilities including the Doolan Canyon branch aqueduct and reservoir which is to serve areas in southwestern Contra Costa County. This branch aqueduct appears to be a local service facility of the type which we had generally understood would be constructed by local water agencies and not by the State.
11. The department has already spent approximately \$1,000,000 in acquisition of the site for the Airport Reservoir. With the revised plan the Airport Reservoir will be reduced in size. The State has

General Summary—Continued

already acquired about \$500,000 more land than will be needed for present plans.

12. We understand that the department is considering further reducing the size of the South Bay Aqueduct, eliminating Brushy Peak Tunnel and substituting a higher elevation closed conduit. If the project is sized to serve only the needs of Southern Alameda County and the Livermore Valley area and no service will be provided Santa Clara County, the project can easily be constructed by local agencies rather than by the State.

In view of the above considerations, we conclude that a locally constructed project at the Arroyo del Valle site will substantially meet the water deficiencies of the Niles Cone and Livermore Valley areas without jeopardizing future construction of the South Bay Aqueduct. In any event, the information is not available at this time to resolve the many problems involved in the South Bay Aqueduct. Some time will be required for the Bureau of Reclamation to complete its Pacheco Pass project plan work and for Santa Clara County to resolve the water distributing problems in the Santa Clara Valley. *It is recommended that the department immediately cease all further design, acquisition and construction work on the South Bay Aqueduct and that the remaining appropriated funds amounting to approximately \$675,000 as of January 1, 1959 be reverted by language in the Budget Bill.*

Southern California Branch of Design and Construction

In the Budget Act of 1956, funds were appropriated to initiate work in the Southern California District Office on further studies of alternative aqueduct routes for the Feather River Project into Southern California. In all, a total of \$2,530,900 has been appropriated for that crash program. A basically new staff now totaling 109 positions was recruited to undertake this task and an office was established at Glendale. In addition to the work on alternative aqueduct routes, this staff also was given the task of designing and supervising the construction of the Whale Rock Project on a reimbursable basis.

By June 30, 1959, the work of the Glendale office on the alternative aqueduct route studies will be completed. Except for the staff required to continue work on the Whale Rock Project, there will be no funds or work for the remaining personnel. In these circumstances, the department has elected to reorganize the Glendale office to make it into a Branch of Design and Construction as a counterpart of the Division of Design and Construction in Sacramento. To the extent that this same reorganization is reflected in the Southern California District Office by establishing a Branch of Administration and a Branch of Planning, which organization changes are not under discussion here, it will bring that office into organizational harmony with the department in Sacramento and will be beneficial. However, we cannot agree with any move to establish a Branch of Design and Construction in Southern California.

It has been decided to begin on July 1, 1959, with the design and preparation of materials and contract specifications and marketing

General Summary—Continued

negotiations on the aqueduct into Southern California. The department's justification states:

“On the San Joaquin Valley-Southern California Aqueduct System, work will be centered on the development of basic design criteria, surveys, cross drainage investigation, delineation of right-of-way requirements and other related activities, together with preliminary work leading to contract negotiations for sale of water. Basic pumping plant design and model studies will be initiated on Pumping Plant III and on pumping installations to the south that will depend on the aqueduct system adopted by the Legislature.”

In reviewing this proposed staff and its budget requirements we find that on a workload basis there is no logical grounds for us to make any recommendation to the Legislature regarding the number of positions being requested or the money to cover them. All we know is that on July 1, 1959, this staff will start design work “in the vicinity of Avenal at the terminus of the San Luis Canal and will so schedule its work as to be able to complete a substantial portion of the design on the first 20-mile section within Fiscal Year 1959-60. This would permit work to commence the following year on the system south of the Kings-Kern county line, depending on the route adopted by the Legislature.”

There is a very basic question whether the department should establish a large, highly skilled design staff in Los Angeles rather than doing all the design work in Sacramento. The department has not resolved this problem in next year's budget or given adequate consideration to it. There are inherently greater costs involved in maintaining two design staffs, particularly when such highly skilled and technical work as the design of pumping plants, unprecedented in size, is concerned. There is no understanding between the Los Angeles and Sacramento offices regarding the specialists that will be maintained in one or the other office when there is insufficient work to justify maintaining specialists in each office. The Southern California District Office recognizes that it will be necessary to establish a field office, probably at Taft, in order to handle the field aspects of the design work. But this field office could be supervised out of Sacramento just as well as from Los Angeles.

There are some activities which we feel should not be conducted in the Los Angeles District Office under any foreseeable circumstances. The Economics and Water Demand Unit of the new Branch of Design and Construction, among other duties, will “conduct negotiations with (water) purchasing agencies as to schedules, amount, rate, quantities, time and points of delivery of project water.” Last year the department requested and received eight new positions in the Marketing Section at Sacramento for collecting and evaluating data for the marketing of water and power, the Governor's Budget, page 605, line 12, gave the following justification for the eight positions. “Analyses and recommendations are made of rates to be charged for various classes of water and power by areas which are based on ability of the market

General Summary—Continued

to absorb and ability of consumer to pay. Contracts for the sale of water and power will be negotiated by the staff in this section." The staff to do this work was granted to the department in the budget last year. The department in Sacramento has not set up top level positions to work on marketing policy nor has it established policy for the negotiation of contracts with customers. Under such circumstances, it would be most unfortunate to permit a subordinate staff to start negotiations with important project customers.

It is also proposed to establish in the Branch of Design and Construction a contract group to advertise and award contracts, a right-of-way group to secure appraisals and assist in condemnations and a specifications group to develop standard specifications and prepare other specifications in anticipation of awarding contracts. These activities are traditionally highly centralized in any well managed agency and must be highly centralized.

Since the Department of Water Resources has not resolved these basic problems, we do not understand how it has been possible to budget a meaningful organization plan for a Branch of Design and Construction at Glendale. The inclusion in the budget of the plan for a Branch of Design and Construction is one of the best indications we have seen that the department does not use its budgetary processes to resolve its problems and to establish achievable work objectives and schedules. This defeats the budgetary processes. It is not surprising that the department has profound difficulties, as described by the report of the Auditor General, in accounting for its activities in relation to its budgetary program.

We recognize the desire of the department to preserve continuity in personnel and workload. When properly employed, this desire can be beneficial, but the proposed organization places the personnel of the Branch of Design and Construction, except those working on the Whale Rock Project, in a particularly hazardous position. It is easily conceivable under this proposal that most of these positions would have to be abolished unless many fortunate circumstances occur. *We, therefore, make the following recommendations in lieu of the proposed Branch of Design and Construction:*

- a. *Designate the staff working on the Whale Rock Project so that it will not be disturbed.*
- b. *Transfer to Sacramento all the highly specialized positions for which there is workload in Sacramento.*
- c. *If a field office is established in Taft, supervise that office from Sacramento.*
- d. *Transfer from the remaining personnel those needed for the underground water basin studies which are to be undertaken by a new staff financed under special appropriations.*
- e. *Abolish any remaining positions.*

These recommendations will not impede any work desired by the Legislature on the San Joaquin Valley Aqueduct and the pump lifts, but will save substantial sums and avoid confusion.

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Department of Water Resources

WORK IN CO-OPERATION WITH THE FEDERAL GOVERNMENT

ITEM ~~201~~ of the Budget Bill

Budget page 603

FOR WORK IN CO-OPERATION WITH THE FEDERAL GOVERNMENT,
DEPARTMENT OF WATER RESOURCES, FROM THE GENERAL FUND

Amount requested	\$1,154,763
Estimated to be expended in 1958-59 Fiscal Year	1,000,625
Increase (15.4 percent)	\$154,138

TOTAL RECOMMENDED REDUCTION

None

ANALYSIS

This item includes a series of studies, investigations and research projects covering various aspects of water resources problems in which the Federal Government and the State have joint interests. The costs of these projects are shared equally. The request for next year is slightly higher which reflects higher operating costs and the transfer of \$78,000 in projects from other parts of the budget to this item where they properly belong. Approval is recommended.

255 *Water Pollution Study Sacto. River*

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Department of Water Resources

CALIFORNIA WATER DEVELOPMENT PLANNING

ITEM ~~202~~ of the Budget Bill

Budget page 604

FOR CONDUCTING CALIFORNIA WATER DEVELOPMENT PLANNING,
DEPARTMENT OF WATER RESOURCES, FROM THE INVESTMENT
FUND

Amount requested	\$4,277,781
Estimated to be expended in 1958-59 Fiscal Year	3,787,056
Increase (13.0 percent)	\$490,725

TOTAL RECOMMENDED REDUCTION

\$421,487

ANALYSIS

Summary of Reductions

	Amount	Budget	
		Page	Line
Aqueduct design	\$25,000	600	40
Madera area investigation	144,811	596	34
Upper Putah Creek investigation	100,506	596	53
Inventory of water resources	30,563	601	26
Sacramento Valley seepage	50,607	600	49
Advance mapping	70,000	595	4
Total recommended reduction	\$421,487		

The California Water Development Planning Program is the department's project planning and general investigation program as set forth in the table below. It is financed from the Investment Fund. This year the program continues its customary increase in costs over each preceding year, with an increase of almost \$500,000 being requested. The request of \$4,277,781 for next year is twice the expenditure in Fiscal Year 1956-57, the first year of the department's existence.

California Water Development Planning—Continued

California Water Development Planning Program
Department of Water Resources—Fiscal Year 1959-60

Project	Category	Completion date	Estimated expenditures		
			1957-58	1958-59	1959-60
Mokelumne-Calaveras-Stanislaus River Basins Investigation	3	1/61	\$41,276	\$258,272	\$136,336
Upper Feather River Investigation	2	6/59	264,634	20,000	--
Salinity Control Barrier Investigation	3	6/61	210,190	264,879	285,540
San Joaquin Valley Drainage Investigation	2 and 3	6/61	95,168	318,192	472,968
Northeastern Counties Ground Water Investigation	Information	6/61	131,147	143,757	166,791
Shasta County Co-operative Investigation	2	4/59	50,154	--	--
North Coastal Development Investigation (El River)	3	1/63	165,149	387,900	482,343
Upper Sacramento River Development	3	1/63	10,409	130,700	254,508
Yuba-Bear River Development	3	1/63	152,149	340,900	253,474
Staging and Programming	--	--	--	300,070	322,536
Central Valley Operations	--	--	--	101,222	100,967
Aqueduct Design	1	6/61	--	52,273	50,861
Sacramento Valley Seepage	2	6/63	--	--	50,607
Inventory Water Resources (Regan Investigation)	Information	1968 +	259,901	395,200	422,177
Southern Alameda County Salt- Water Intrusion Study	2	6/59	69,255	192,380	--
Lower San Joaquin Valley Water Quality Investigation— Co-operative	Information	6/60	9,854	8,880	14,390
Shasta Valley Investigation	3	6/59	73,558	84,472	--
Upper Pit River Investigation	3	6/59	113,739	25,000	--
Tuolumne County Water District No. 2 Co-operative Investigation	3	7/60	--	66,190	7,619
Southern Tuolumne County Co-operative Investigation	2	12/60	--	9,000	8,577
Branscomb Investigation	3	6/60	--	81,723	70,696
Cache Creek Basin Investigation	3	1/60	26,396	84,593	71,187
Mariposa Area Investigation	2	7/60	28,832	126,581	133,650
Klamath River Investigation	2	2/59	1,830	2,000	--
Sacramento Trial Distribution— Feather Trial Distribution	Information	6/60	180,849	233,000	251,684
City of San Diego	2	6/58	--	10,566	--
Upper Tule River Basin	2	--	--	2,500	--
West Walker Investigation	Information	8/59	--	12,000	4,750
Madera Area Investigation	2	1/63	--	--	144,811
Upper Putah Creek Investigation	2	1/62	--	--	100,506
Cosumnes River Basin Investigation	2	1/63	--	--	122,012

An important problem confronting the Department of Water Resources, the Department of Finance, and the Legislature is the need to hold down costs of the program. Illustrative of this is the fact that with a slight net reduction in the number of personnel working on the program, the total costs compared to the current year have increased almost \$500,000. Not only is there no justification given for the increase, but the total program itself is too large. For example, the sur-

California Water Development Planning—Continued

veys and investigations of the Sacramento Regional Office of the Bureau of Reclamation for the current year are budgeted at approximately \$1,000,000 and the bureau's total planning budget for the 17 western states this year is only \$300,000 more than the \$4,277,781 being requested by the Department of Water Resources next year for planning purposes. The department's request is almost half as much as the \$10,188,500 received by the Corps of Engineers this year for planning work of all kinds throughout the entire Nation.

The objectives and policies for the department's planning program have never been precisely set forth. This lack of limitation is not only a significant reason for its increasing scope and higher costs, but it also introduces other dangers. The program has started into new fields of investigations, assumed new burdens for the State, and entered into new relationships with federal planning and construction agencies. Nine investigations and studies of the department are partially justified by, or are in some other way partially related to, federal investigations. There would be no cause for concern if the activities of the department and the federal agencies could be assured to be complementary or at least were not competitive, but such programs have an inevitable tendency towards competition and a desire to check the work of the other agency. For example, it may be noted that as soon as the Bureau of Reclamation announced plans this last year for studying an aqueduct down the east side of the San Joaquin Valley, the department included funds in its budget request which, when added to work already under way, blankets all the watersheds above the bureau's study area. This is done on the basis of investigating exportation of surplus waters or planning local projects for areas of origin. But at the same time the department is requesting funds next year to begin planning of alternative aqueducts to the bureau's plan to serve the east side of the San Joaquin Valley (Governor's Budget, page 592, lines 84 to 87). While some of this work may be desirable, it is questionable whether the State needs to study so many of the same watersheds and problems that the federal agencies have under study. If there are such basic differences between the federal views and the department's concepts of project planning that simultaneous planning in watersheds is required, then there is need for exhaustive consideration of the roles of federal and state programs, rather than engaging in competitive project planning.

It is recommended that \$25,000 be removed from the budget to eliminate the east side San Joaquin Valley aqueduct planning work.

It is commonly assumed that the department is only planning projects to be constructed by the State in the immediate future. That is not correct. It is also planning projects for local agencies who intend to apply for federal loans for construction or to permit local agencies to construct projects through their own sources of financing. In addition, on the basis of comprehensive planning, the department is planning projects for which there is no need in the foreseeable future. There is also, of course, a large segment of planning work which relates to projects which may some day be built by the State, but the large num-

California Water Development Planning—Continued

ber of these projects and their high costs raise doubt that the State will soon be able to finance them. All of these problems are largely due to the lack of departmental and legislative policies and objectives which would limit the amount of work done, its cost to the State or its possible contentious or competitive implications. Thus, policies and objectives are needed in addition to management and budgetary controls before the increasing costs of this program are brought under control.

We have commented in the past on the difficulties of managing this program and traced some of these difficulties to budgetary and organizational problems. Although this budget shows improvements in the technical accuracy and completeness of the budgeted program, the basic organizational and management difficulties persist and are perhaps more noticeable than in previous years because of improved accuracy in the budget submission.

Even though the department had originally scheduled nine planning reports for publication by this time, only three of these have yet appeared and they are not major reports. It is not possible to judge what the State is receiving for the large sums it is spending on project planning. A thorough evaluation of results in comparison to costs might appropriately be made after the publication of a number of the department's reports.

The actual expenditures for Fiscal Year 1957-58 compared with the estimated expenditures contained in last year's budget show that the program failed in most instances to meet its budgeted expenditures, occasionally by spending much larger sums than budgeted, but most frequently by falling behind the budgeted estimates.

A point of particular concern in this year's budget submission is that there has been a major setback in scheduled completion of individual projects. This setback varies from several months to several years for individual projects and in most cases indicates also that costs are increasing. It is not possible to tell to what extent costs are increasing because so many projects have completion dates beyond the data included in the budget. This leaves these projects open-ended, without an estimate of total cost. This in turn makes it impossible to judge whether the cost involved in each project is reasonable for the work to be done and the accomplishments expected.

For example, we note that work on the San Joaquin Valley Drainage Investigation is now estimated to cost a total of \$886,328 for the first three years of a four-year study which was originally estimated to cost \$600,000 for all four years. One reason for the higher cost is that this drainage study has been used, along with the staging and programming study as the vehicle for an extensive program of land and water use investigations in the San Joaquin Valley in co-operation with the Bureau of Reclamation. While this may or may not be a worthy undertaking, it was never contemplated in the authorization for the drainage study.

We are mentioning these difficulties because the engineers of the department have repeatedly assured us for more than a year that they have developed procedures and controls which permit them to manage

California Water Development Planning—Continued

the program and relate expenditures to elapsed time and work progress. Although the deficiencies of the department's accounting system weaken any such a control system, we also doubt that the determination to control costs exists as strongly as it should. Repeatedly we are advised of the urgency of work to be done, its important relationship to critical water problems, but only infrequently do we hear mentioned the counterconsideration of the high costs which may be involved. *Because of all these factors we recommend that the department include in its budget justification statement the total estimated cost for the completion of each planning project or investigation, and that this be revised each year to keep it current.*

Since the organization of the Department of Water Resources and the initiation of a large planning program, the amount of planning work done under co-operative cost sharing agreements with local agencies has become a very small part of the department's budget. We have observed that the areas and agencies now sharing the costs of planning work are frequently less able to contribute the funds than are other areas and agencies which are paying no portions of costs for equivalent studies benefiting them. This inequity is very striking in certain instances and constitutes an unfair burden on those areas which are willing to pay their portion of investigation costs. *We recommend that the department develop a comprehensive, fair and workable arrangement whereby areas and agencies directly benefiting from planning work will pay an equitable portion of the costs. This new policy should be the basis for inclusion of new projects in the department's budget in Fiscal Year 1960-61.*

The department is requesting funds to undertake three new investigations during the next fiscal year. In view of the department's support of an augmentation to its budget for a study of ground water basins in Southern California which the department did not include in its budget request, we have carefully considered the priority of the requested new investigations. Although the department has pointed out the urgency of these new investigations, it has not presented any objective data demonstrating any urgency for including them in the budget during a year of deficiency in General Fund moneys. This does not mean that these three new investigations may not be as important as other investigations previously undertaken. In fact, several investigations now being conducted by the department have no higher priority in our view and likewise have no urgency for their completion. They could be suspended or lengthened to conserve funds during the next fiscal year without any serious effect. Proof of this may be readily deduced by the action of the department itself when it extended the completion dates of investigations now under way in order to meet the department's own purposes.

Amador County may receive funds from the East Bay Municipal Utility District which may permit it to undertake project planning and construction shortly. We would conclude on this basis that funds for the Cosumnes River Basin investigation might be provided. *We*

California Water Development Planning—Continued

recommend that the \$144,811 requested for the Madera Area investigation and \$100,506 requested for the Upper Putah Creek Investigation, or a total of \$245,317 be deleted from the budget request, until a later date when the department has recovered its slippages in scheduled work and the State has more funds available.

The costs for the investigation known as the inventory of water resources continues to be high. One of the principal reasons for the high costs is including work which is not essential to the investigation. Even though the stated purpose of the inventory is to determine the future water requirements of watersheds in order to safeguard these requirements when export projects are constructed, the department is inventorying streams on which no export projects are contemplated, such as the Mattole River, and where there is no surplus water, such as the Tule River. In addition, the department is using this investigation as a medium to gather more data on present water quality conditions even though the possible export of water from the watersheds may be far in the future at a time when water quality conditions on the stream may be substantially different. The department is also accelerating land and water use surveys during the next fiscal year because it fell behind schedule during the last fiscal year. We know of no reason for expediting this aspect of the investigation, particularly when the full investigation is not scheduled for completion until after 1968. It does not seem wise to accelerate this work unnecessarily during a period of revenue deficiency. *We recommend that the work on the inventory of water resources be limited to those areas where export of water is expected to occur and that \$8,677 for water quality work, \$21,856 for land and water use surveys, or a total of \$30,563 be removed from the budget.*

Ever since the Central Valley Project began to operate, the Bureau of Reclamation and the State have collected data on the diversions and uses of water along the Sacramento River. This work has been financed through a co-operative program between the Bureau of Reclamation and the State with the State assuming an ever larger part of the costs. The data so collected have been the basis for efforts of the department to work out an agreement between the water users and the bureau covering payments for Central Valley Project water used. The collection of the data has continued year after year at no cost to the water users and at an increasing cost to the State which now exceeds \$100,000 per year.

The justification given for continuing the collection of this data involves both the efforts to arrive at an agreement between the water users and the Bureau of Reclamation on payment for water and the expected establishment of a watermaster service area after such an agreement is signed. If a watermaster service area is established, the State's costs would be shared between the State and the water users. The justification given above may support continuing the work, but it does not support continuing it at the expense of the State rather than sharing the costs with the water users. *It is recommended that*

California Water Development Planning—Continued

the department negotiate an interim agreement with the water users for a sharing of the costs of collecting this data until a watermaster service area is established and that \$50,000, or approximately half of the State's present costs be removed from the budget for next year.

For the last four years at budget justification time, we have been assured that substantial progress is being made in arriving at an agreement between the bureau and the water users. This agreement has not yet been reached. In our last two analyses we have recommended reductions or made other efforts to clarify the department's role in this work and to speed its consummation. Last year a meeting was held with the State Water Rights Board and the department to explore the possibility of co-ordinating their activities and reaching some agreement between these agencies on the handling of the complex problems related to Sacramento River water rights and the Central Valley Project. No agreement to co-ordinate activities was possible and each agency insisted on continuing its activities independently. The State Water Rights Board last fall announced hearings on the applications of the Bureau of Reclamation for permits for the Central Valley Project and is now preparing to exercise its jurisdiction. In the meantime, the Department of Water Resources carries on its own approach to the same problem. We feel that both the department and the Water Rights Board are not recognizing the public interests of the citizens of California when they continue unco-ordinated efforts.

The department was authorized last year by Budget Act amendment to do additional work on the seepage problem along the Sacramento River. No financing was added to the department's budget since the work was to be done by adjustment of funds. No work has been undertaken during the current year and instead the department now proposes a new investigation at a cost of \$50,607 during the next fiscal year, the first year of the new investigation. This investigation is to review the \$58,000 report to the Water Project Authority of June 1955, recently collected data and further evaluate the economic losses.

The following conclusions are quoted from the June 1955 report:

"The amount of damage reported depends on the type of crop affected. Orchards suffered the highest loss per acre because of the capital investment and pastureland the least. The highest reported loss due to seepage was \$3,892,000 in 1940-41.

"Loss due to seepage, when compared to the total agricultural income of the six counties in which seepage occurred, are small.

"Most of the seepage in the Sacramento Valley appears to be 'through seepage' (that is, through the levees).

"Importation of water into the Sacramento River system above Colusa, from any proposed project, when river stage is at or near bank-full conditions, could increase the seepage potential.

"The use of some form of positive cutoff wall, although expensive, may be feasible in areas where seepage conditions originate in short river reaches. The effect of such walls on ground water recharge from

California Water Development Planning—Continued

the rivers and drainage to the rivers should be considered in evaluating their feasibility.”

The report also proposes a \$1,620,000 study extending over a period of five years, not to remedy the problem, but merely to further investigate the problem. It can be seen from the first conclusion quoted above, that the cost of the study alone will be almost half the highest reported annual loss. There is no data available on the probable cost of corrective construction measures, but the last conclusion quoted reports that such measures will be very expensive and may interfere with ground water supplies and natural drainage, thus further compounding the difficulties.

In addition to the above hurdles to be overcome by any seepage control measures, the economic justification for such control measures seems to be lacking. Among the proposed study areas there are large orchards which suffer the most damage from seepage, as stated in the first conclusion, but these orchards are planted right up to the levees where they will be most subject to damage. Furthermore, there are orchards on the inside of the levees and we are informed that new orchards are now being started within the levees where they have no protection whatever from high water or seepage. It appears that one solution to the problem is to adjust cropping patterns and to recognize the limitations of certain soils as far as seepage is concerned, plus the proper use of local drainage facilities. More studies of existing studies do not appear to be warranted and expensive construction may only create new and more expensive problems for the old ones they solve. *It is recommended that the request for \$50,607 to undertake a Sacramento Valley seepage study be denied.*

The department included in its current year budget a sum of \$70,000 for advance mapping in order to expedite project planning the following year when planning and investigation funds are appropriated. An additional sum of \$70,000 is included in next year's request for the same purpose. The practice of doing advance work in anticipation of legislative approval of planning expenditures during the next year, that is, assuming that legislative approval will be forthcoming to validate the expenditures of the department, cannot be approved. In addition, this practice relates as directly as anything can to the reasons why we have requested for three years that the department set forth its basic data gathering program in a report to permit study and review of it. Having failed three years in a row to prepare this report, the department continues to expand its basic data programs, such as this example illustrates. *It is recommended that the \$70,000 be removed from next year's budget and that the Department of Finance impound any remaining funds for advance mapping contained in the department's current year budget.*

Water Resources

Item 263

258

Department of Water Resources
SPECIAL STUDIES AND INVESTIGATIONS

ITEM 263 of the Budget Bill

Budget page 602

FOR SPECIAL STUDIES AND INVESTIGATIONS FROM
THE INVESTMENT FUND

Amount requested	\$320,441
Estimated to be expended in 1958-59 Fiscal Year	263,636
<hr/>	
Increase (21.5 percent)	\$ 56,805
TOTAL RECOMMENDED REDUCTION	\$250,000

GENERAL SUMMARY

This budget item includes a number of special studies and investigations which have been financed in the past by special appropriations or resolutions.

ANALYSIS

Summary of Reductions

	Amount	Page	Budget Line
Economic Studies—Assembly Concurrent Resolution No. 14	\$250,000	602	6

Last session the Legislature passed Assembly Concurrent Resolution No. 14 which directed the department to undertake a study of the social and economic impacts of water resources development policies in California. When the resolution was originally introduced, the department intended to finance the work from adjustments within its regular budget. Later in the session, the resolution was amended to increase its scope and financing was added to the department's budget in conference committee by Budget Item 257.1. The department hired a consulting board to advise it on the studies and subsequently, added further work outside the authorization of the resolution. The project's total estimated costs are now \$437,785 of which \$250,000 is being requested in next year's budget.

We have been unable to determine who is actually responsible for managing the Assembly Concurrent Resolution No. 14 research program, whether it is the director's office, the department's staff, the Consulting Board or the California Water Commission. Our observation to date is that control is being exercised in the direction of expansion by these offices, but no control is exercised in the direction of limiting or curtailing the study. We have been lead to believe that work related to the Assembly Concurrent Resolution No. 14 studies but done elsewhere in the department would be curtailed, but we have seen no evidence of any reduction. The Assembly Concurrent Resolution No. 14 studies have been added to the department's other work.

The language of Assembly Concurrent Resolution 14 is generalized and not too clear. With the broadening of the resolution by the department, the objectives and individual research tasks of the program have become more obscure. Our principal concern, however, is that we have been unable to understand what research is to be done, how the individual research tasks can be accomplished or what contributions will be derived from their completion. We are aware that the research program has not yet been finalized even after months of work on it and the

Special Studies and Investigations—Continued

expenditure of \$30,000. Although the research authorized by the resolution was primarily intended to explore economic problems, it has now been broadened to include, among others, the following subjects:

1. Which exports and which imports are substantially affected by water?
2. Is water important in the habitual activities of California citizens? Does it influence dietary habits, kinds of clothing worn, the types of houses afforded, etc.?
3. Does water have any bearing upon cultural activities illustrated by operas, symphony orchestras, and theatres?
4. To what extent is water development a controversial factor in political discussions?
5. Should the State make payments to local agencies in lieu of taxes foregone?
6. What public attitudes toward water would impede or support carrying out a state water plan?
7. Ought the number of local water agencies be reduced to simplify the tasks of local control, state supervision and financial aid?
8. To what extent, if at all, should the direct administrative and fiscal relations between federal water agencies and local water agencies be modified?
9. Review of the existing administrative relationships between the Corps of Engineers, Bureau of Reclamation, Federal Power Commission, Soil Conservation Service and the U. S. Geological Survey and the state water agencies.
10. What extension of police power over private land management activities would be essential to reduce the damages to water quality and water structures?

In view of the confusion and uncertainty surrounding the scope and objectives of this research program, three possibilities exist; allow it to drift, terminate it, or redefine it. *It is recommended that the request for \$250,000 be removed from this item and that in an appropriate manner the project be redefined.*

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THE COLORADO RIVER BOARD

ITEM ~~264~~ of the Budget Bill Budget page 608

FOR SUPPORT OF COLORADO RIVER BOARD FROM THE GENERAL FUND

Amount requested	\$236,721
Estimated to be expended in 1958-59 Fiscal Year	246,725
Decrease (4.1 percent)	\$10,004
TOTAL RECOMMENDED REDUCTION	\$20,000

GENERAL SUMMARY

The Colorado River Board was created in 1937 to protect California's rights to Colorado River water. The board and its staff collects, compiles and analyzes engineering and legal data on the existing and pro-

The Colorado River Board—Continued

posed utilization of the Colorado River water supply, appears before congressional committees and interested federal agencies, and confers with representatives of other Colorado River Basin states regarding legislation and developments affecting California's rights and interests. The board is currently active in the case of *Arizona v. California*.

ANALYSIS

The proposed budget of \$236,721 is \$10,004, or 4.1 percent, under estimated expenditures for the current year. This is the second consecutive year in which the board's request has represented a reduction from the previous year's estimated expenditures. The 1958-59 request included a \$23,340, or 8.1 percent reduction from 1957-58. In both cases the board has related the reduction to a lower level of activities associated with the case of *Arizona v. California*.

It is recommended, in the interests of realistic budgeting and sound management practices, the board's appropriation be reduced by \$20,000, with the board to determine which items of its budget will absorb the reduction.

This recommendation is prompted by two factors in the board's fiscal history:

1. The board's appropriation and personnel level were increased substantially when it became active in *Arizona v. California* but have not been adjusted downward proportionately as suit-related activity diminished.
2. For at least the last 10 years the board's fiscal history has been characterized by consistent overbudgeting.

The following table covers the board's fiscal and personnel levels for the last 10 years including two years prior to initiation of the case of *Arizona v. California*.

Year	Number of positions authorized	Total available	Actually expended	Overbudgeted
1949-50	10	\$98,618	\$80,830	\$17,788
1950-51	11	105,016	81,164	23,852
1951-52	11	108,963	85,588	23,375
1952-53	11	163,916*	109,289	54,627
1953-54	18	166,708*	142,627	24,081
1954-55	19	208,529*	159,829	48,700
1955-56	22	226,634	204,577	30,400
1956-57	22	276,422	240,276	36,146
1957-58	25.1	292,513	240,436	52,077
1958-59	24.8	277,878	259,855†	18,023‡
1959-60	23.3	249,641‡		

* Total available includes funds appropriated under Chapter 12, Statutes of 1952, related to *Arizona v. California*, as follows:

	1952-53	1953-54	1954-55
Balance available (Chapter 12)	\$46,815	\$29,583	\$28,301

† Estimated.
‡ Proposed.

As the above figures indicate, the board's authorized positions and appropriations more than doubled between 1950-51, prior to the suit, and 1955-56 when the board was highly active in the suit. In recent

The Colorado River Board—Continued

years, the board's expenditures related to the suit have declined, dropping from \$109,330, or 37.4 percent of the board's total expenditures in 1957-58, \$78,000 and 28.2 percent of total expenditures in 1958-59 and are projected to \$45,320 and 17.4 percent in 1959-60. While there have been small reductions in the board's budget requests and staffing, they are not proportionate to the drop in suit-related costs. In the present budget request, while the board expects suit-related costs to decrease \$32,680, the total budget request is reduced only \$10,214.

The rapid growth of this agency has been generally justified by the board as being required by the suit rather than by an expansion of the board's normal workload. If the expanded staff and fiscal size is to be maintained at, or near, present levels despite the diminishing of suit-related work, the board will be, in effect, increasing its level of service on its normal, continuing workload. This higher level of service does not have specific authorization nor has it been submitted for legislative review.

The recommended reduction of \$20,000, with the \$10,214 reduction already in the budget request, will approximately equal the \$32,680 reduction in suit-related costs anticipated for 1959-60. With a total reduction of approximately \$30,000, the board should be able to maintain nonsuit services at their present level. If additional funds are required to maintain the present level of nonsuit-related services, they should be so justified by the board in presenting its budget request.

The second major factor in the board's budgetary history has been consistent overbudgeting. In the last nine actual budget years, the year-end surplus has never been less than \$17,788 and has averaged \$34,561. Despite the fact this excessive budgeting was discussed in last year's analysis, the estimated surplus for 1958-59 is \$18,023. The overbudgeting was present both prior to and after the board's involvement in the suit and thus cannot be related exclusively to the suit and, because of its consistency, cannot be related to other unanticipated workload changes. There is no indication the Department of Finance or the board have changed this policy in the present budget.

In our two previous analyses of this budget we have suggested the need for a thorough review of the activities and fiscal needs of the board, reflecting a termination in the case of *Arizona v. California*. While the board has not responded directly to this problem, its supplementary budget justification material does discuss, in general terms, activities contemplated for 1959-60. It appears that as workload related to *Arizona v. California* decreases, the board intends to maintain its present enlarged level of activity and staff by operating on the premise that all acts, contemplated or actual, either by federal agencies, other states, or some other agency, which affect the waters of the Colorado Basin are the concern of the State of California through its agency, the board, and that these activities will require the expanded staff. Action along these lines would include attempts to influence congressional legislation, conferences with federal agencies, co-operation with other state agencies and agencies of other states and engineering and economic studies.

The Colorado River Board—Continued

The board's budget discussion does not direct itself to the basic question of the board's future role in State Government. After the conclusion of the suit, expected in 1959-60, a major function of the board for the last several years will cease to exist. Further, with conclusion of the case, it can be expected the rights of public agencies in California to the waters of the Colorado River will be defined and their future protection will be a legal matter. In this new situation, doubt is cast upon the necessity to maintain, at General Fund expense, an agency which has as its sole purpose the protection of certain rights of six local public agencies through studies of water developments in other states and attempts to influence federal legislation and the activities of federal agencies. These activities could presumably include protection of the water rights of the six agencies against other public agencies in California. The question of the board's future position is emphasized by its apparent intent to maintain its present personnel and budget level indefinitely even though the reason for its doubling in size is being eliminated.

Regarding the board's peculiar relationship to the six agencies claiming rights to Colorado River water, the following points are noted which tend to indicate its activities are possibly of less than statewide interest.

1. The permits and one license to the waters of the Colorado River are held in the names of the six water agencies and not the State.
2. The six board members are appointed by the Governor from a list supplied by each of the six agencies. Each district supplies two names, one of which is appointed. The board names one of its members as Colorado River Commissioner and forms its own procedures. All records and information of the board are confidential. In effect, it appears the board is a creature of the six agencies rather than the State and operates to protect the agencies' direct interests rather than those of the State.
3. Section 12550 of the Water Code establishes the Colorado River Fund which is authorized to accept any funds the six agencies or any other water agency chooses to contribute. Because of a lack of contributions, the fund has been inactive for many years.
4. As indicated above, protecting the rights to Colorado River water of the six agencies apparently includes protecting them from other public agencies of the State, a clear indication the board's interests are not in California's total rights in the river but only those of the six agencies.

If it appears that the projected activities of the board are necessary and in the statewide interest, it is possible they could be more expeditiously accomplished by the Department of Water Resources and the Department of Justice. The Department of Water Resources has been performing services related to the suit under agreements with the Department of Justice since 1956 and its much larger and more specialized engineering and economic staff would appear better equipped to accomplish peak workload inasmuch as the board's limited staff can exer-

The Colorado River Board—Continued

aise no control over these peaks. For the same reasons, the Department of Justice would seem the logical agency to carry out legal aspects of the board's projected work.

The above discussion underlines the importance of determining the board's long-run plans, both in general terms and for specific programs, and what it considers to be its future role in State Government. It is recommended that the Legislature or the committees considering the budget direct the board to submit this information prior to the next budget presentation, including answers to the following questions:

1. Does the board consider its responsibility to include the protection of all rights to Colorado River water claimed by all California agencies, public and private, and individuals, or only those rights claimed by the six agencies having representation on the board?

2. Does, or would, the board take positive action against California agencies, public and private, or individuals claiming Colorado River water rights which might appear to threaten the rights claimed by any one or all of the six agencies comprising the board?

3. What is the board's position in controversies over Colorado River water between the agencies comprising the board?

4. Is there any reason why the engineering, economic and legal aspects of the board's work could not be performed by the Department of Water Resources and Department of Justice under service agreements?

5. What are the board's plans regarding staff levels and fiscal needs in the future, including specific types of staffing?

6. What program, or programs, does the board propose to pursue in the future and what are the relative costs of these programs including staff time?

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KLAMATH RIVER COMPACT COMMISSION

ITEM 265 of the Budget Bill

Budget page 609

FOR SUPPORT OF KLAMATH RIVER COMPACT COMMISSION FROM THE GENERAL FUND

Amount requested ----- \$2,343

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL SUMMARY

The commission was created in 1957 when the Klamath River Basin Compact between California, Oregon and the United States was ratified by the Congress. The California Legislature approved the compact by Chapter 113, Statutes of 1957. The commission has one member each representing California, Oregon and the United States. The Director of the Department of Water Resources represents California.

The compact creating the commission provides its major purposes shall be the orderly and comprehensive development of the irrigation, domestic and industrial water supply, fish and wildlife, recreation, power, flood control and navigation uses of the water resources of the Klamath River.

Klamath River Compact Commission—Continued
ANALYSIS

The commission has entered into a service agreement with the Department of Water Resources for the services of an executive director and related services. At the time the Legislature ratified the compact, \$12,000 was appropriated to finance California's portion of the commission's cost. These funds are sufficient to meet California's share of the cost through the current fiscal year when it is estimated \$4,402 will still be unexpended. This balance, plus the present budget request, is expected to meet California's share of the commission's expenditures for 1959-60.

Approval is recommended.

266 CALIFORNIA-NEVADA INTERSTATE COMPACT COMMISSION
ITEM ~~266~~ of the Budget Bill Budget page 610

FOR SUPPORT OF CALIFORNIA-NEVADA INTERSTATE COMPACT COMMISSION FROM THE GENERAL FUND

Amount requested	\$101,928
Estimated to be expended in 1958-59 Fiscal Year	118,600
Decrease (14.1 percent)	\$16,672

TOTAL RECOMMENDED REDUCTION..... None

GENERAL SUMMARY

The commission was created to co-operate with a similar commission representing Nevada in negotiating an interstate compact covering the distribution and use of the waters of Lake Tahoe and the Truckee, Carson and Walker Rivers. The commission began its work in November of 1955 and regular meetings have been held with the Nevada commission.

ANALYSIS

The commission has established a program which is designed to develop answers and eventual agreement with its Nevada counterpart on a number of very complex problems. Included among these are negotiating settlements in several water rights court cases; determining the amount of water originating in California which is available for proposed projects; generally determining the future water needs of California from the subject rivers; studying problems of pollution, fisheries, wildlife and recreation at Lake Tahoe and along the subject rivers; and studying the problem of maintaining the elevation of Lake Tahoe. The commission is working toward having a draft of a proposed compact ready for legislative review in 1962.

No major change in the level of the commission's programs are contemplated for 1959-60. It is recommended the commission's 1959-60 budget request be approved as submitted.

RECLAMATION BOARD

ITEM ²⁶²~~267~~ of the Budget Bill Budget page 606

**FOR SUPPORT OF RECLAMATION BOARD
FROM THE GENERAL FUND**

Amount requested	\$375,280
Estimated to be expended in 1958-59 Fiscal Year	345,000
Increase (8.8 percent)	\$30,280
TOTAL RECOMMENDED REDUCTION	\$16,500

GENERAL SUMMARY

The Reclamation Board co-operates with the United States Corps of Engineers in the construction of flood control projects by the acquisition of rights-of-way for such projects; acts as the governing body for the Sacramento and San Joaquin Drainage Districts; issues permits for local construction or impairment of levee systems and flood channels; fulfills such construction obligations as have been assumed by the State in its agreement with the Federal Government; and is responsible for the construction of the San Joaquin River Project.

ANALYSIS

Summary of Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
2 Associate real property appraiser and negotiator and related costs	\$16,500	607	34

The board's expenditures for 1959-60 are \$397,474, an increase of 9.1 percent, or \$33,273 over estimated expenditures for the current year. The proposed requirements of the board should include \$150,061 which is deducted in the budget as a reimbursement from capital outlay. Estimated expenditures for next year are a minimum of \$547,535, if the capital outlay reimbursement is included, an increase of \$63,014, or 13.5 percent over equivalent estimates for 1958-59. In addition, it appears the board makes expenditures directly out of capital outlay for some support items. Consequently, the board's budget does not reflect its true costs of operation.

3 Associate real property appraiser and negotiator (budget page 607, line 31)

\$21,024

Two of the appraiser and negotiator positions are justified by the board on the basis that the use of staff appraisers would represent a saving over the present practice of using fee appraisers. According to the board, fee appraisers cost \$26,000 in 1956-57 and \$23,500 in 1957-58 but details on the board's workload and past cost experience are not available for analysis as they were not itemized in the board's support budget, having been paid for out of capital outlay funds.

It is recommended that two associate real property appraiser and negotiator positions and related costs be deleted from the board's budget request for a saving of \$16,500, and one associate real property appraiser and negotiator position be allowed.

On the basis of cost and workload data in the budget, it is not possible presently to determine whether, in fact, the use of staff appraisers would be less costly than the present procedure. It may well be the

Reclamation Board—Continued

board is planning to expand its appraiser staff to accommodate peak workload but long-term requirements may not justify such an expansion. The decision to add permanent staff to meet a fluctuating workload should not be made on a comparison of costs from year to year but on a comparison of the relative efficiency of the two ways of accomplishing activity.

One of the appraiser positions requested is justified by the board and the Department of Finance as necessary to replace an appraiser presently on loan from the Department of Water Resources. It is not possible to determine the impact of the proposed position on the board's budget requirements for 1959-60 as compared to past budget costs because the borrowed appraiser was also paid for directly out of capital outlay rather than from the board's support budget. In both cases the practice of mingling the board's costs of operation with capital outlay moneys serves to confuse and distort the board's true budgetary situation.

With both the use of independent appraisers and the borrowing of a position from another agency, the related costs were a proper cost of the board's operation but were not reflected in its budgeted support expenditures. In this situation it is not possible to determine the board's true fiscal and personnel needs. It also means these expenditures and one position, the appraiser obtained from the Department of Water Resources, were not submitted for specific legislative approval and implies that only a portion of the board's support expenditures, that portion which shows in the support budget, is subject to legislative review.

To assure the support budget will reflect the true expenditures of the board, it is recommended the board and the Department of Finance itemize all of the board's costs in the support budget.

The adoption of the above recommendation concerning capital outlay would result in the board's costs for independent fee appraisers and all other costs directly related to its operation in 1958-59 and 1959-60, appearing as an item of expense in its next budget. If, on the basis of these budget item costs, it would appear to be less costly to add two appraiser positions in lieu of continuing the use of independent fee appraisers, the board should resubmit its request. In the interim, the use of independent appraisers can be continued.

Other positions requested appear to be related to workload increases and approval is recommended.

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WATER POLLUTION CONTROL BOARD	
ITEM 268 of the Budget Bill	Budget page 611
FOR SUPPORT OF WATER POLLUTION CONTROL BOARD FROM THE GENERAL FUND	
Amount requested	\$739,455
Estimated to be expended in 1958-59 Fiscal Year	741,738
Decrease (0.3 percent)	\$2,283
TOTAL RECOMMENDED REDUCTION	\$5,000

Water Pollution Control Board—Continued

GENERAL SUMMARY

The State Water Pollution Control Board formulates state-wide policy for the control of water pollution, gathers, compiles and disseminates data, and administers a program of financial assistance for water pollution control. The board consists of the following membership: The Directors of the Departments of Public Health, Agriculture, Fish and Game, Natural Resources and Water Resources, and nine appointees representative of the regions of the State and of various interests concerned with water pollution problems.

The State is divided into nine water pollution control regions which were established by the basic legislation. The governing policy-forming board of each region consists of five members appointed from within the region by the Governor. These boards carry on programs of abatement and prevention of water pollution within their areas, recommend projects for financial assistance, and prescribe waste discharge requirements.

ANALYSIS

Summary of Reductions

	Budget		
	Amount	Page	Line
In-state travel -----	\$5,000	612	55

In the analysis of the 1957-58 budget, it was recommended that the board and the Department of Finance survey the organization of the state board and the regional boards, their workload and methods of operation and plans for future operations. Despite the fact this recommendation was accepted, the Department of Finance failed to include such a survey when submitting the board's 1958-59 budget. The recommendation was repeated last year but the Department of Finance has again failed to supply the requested information.

There is reason to believe substantial savings could be realized by reorganizing the present regional board structure. In several regions, workload is small and it may be possible to merge or eliminate these boards to minimize administrative overhead costs. There is a possible question as to whether all regional boards are discharging their responsibilities with a minimum expenditure of funds. Information on regional board enforcement and operation procedures and future plans and requirements is essential to any evaluation of the State's total water pollution control program and its fiscal needs. In the absence of such a survey, it is not possible to subject the board's entire budget to a thorough analysis to determine where savings could be effected or efficiencies introduced, nor evaluate the effectiveness of its operations.

A related matter pertains to the board's budget as currently presented, which treats the regional boards on a collective basis rather than as individual budgets. This is fundamentally unrealistic and misleading as workload, methods of operations, staffing and fiscal requirements vary widely between boards. Present supplementary justification material includes details on the operating expenses and equipment costs of individual boards but no breakdown is provided for wages and salaries, nor are details on workload of the boards included. Again, in the absence of such information, it is not possible to recommend savings on a regional board basis. As the bulk of the state board's total budget

Water Pollution Control Board—Continued

is expended at the regional board level, such information is essential if this budget is to be analyzed effectively.

It is recommended the Department of Finance be directed to provide a survey such as discussed above prior to submission of the 1960-61 budget. It is further recommended that the state board be directed to include details of salaries and wages and workload of the regional boards in supplementary budget material submitted in the future.

These recommendations are not intended to question the state board's policy of transferring positions between regional boards as required by changing workload. This policy is commendable and we strongly recommend it be expanded to include equipment and operating costs, as well as positions.

Salaries and Wages

The board is requesting two positions, a senior water pollution control engineer and an intermediate typist-clerk, both for the Central Valley Regional Board. The senior engineer position was authorized administratively by the Department of Finance during the current fiscal year and paid for from funds available to the board for special studies. The clerical position is related to the above position. These positions are required, according to the board, as a result of the increase in industrial operations in the Central Valley. They appear to be justified on a workload basis and approval is recommended.

Operating Expenses

Travel—in-state (budget page 612, line 55)----- \$45,494

This item is budgeted at \$45,494 for 1959-60, an increase of \$15,140, or 49.8 percent over 1957-58, the last year for which actual cost statistics are available. *It is recommended that the in-state travel request for the regional boards be reduced by \$5,000.* In the interim, the authorized staff of the regional boards incurring travel expenses has not been increased, with the exception of the senior engineer position requested for 1959-60 by the Central Valley Board. It would appear, in view of the substantial increase in travel costs compared with the number of authorized positions, this item is being overbudgeted for 1959-60. The recommended reduction would result in the 1959-60 in-state travel budget still being \$10,140 or 33.4 percent more than for 1957-58. This recommendation recognizes that the 1957-58 traveling costs are related to positions filled, while the 1959-60 estimate is for authorized positions which may or may not be filled during the year.

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STATE WATER RIGHTS BOARD

ITEM 269 of the Budget Bill

Budget page 604

FOR SUPPORT OF STATE WATER RIGHTS BOARD
FROM THE GENERAL FUND

Amount requested -----	\$693,242
Estimated to be expended in 1958-59 Fiscal Year -----	712,495
Decrease (2.7 percent) -----	\$19,253
TOTAL RECOMMENDED REDUCTION -----	\$44,000

State Water Rights Board—Continued

GENERAL SUMMARY

The board's responsibilities include the administration and appropriation of unappropriated water through the application, permit and license procedure; assistance in adjudication of water rights through court references and statutory adjudication and administration of the recordation of certain data on ground water extractions in Southern California. The board is composed of an engineer, an attorney and a lay member. Its principal activity is to conduct hearings and to decide conflicting applications for permits to appropriate water.

ANALYSIS

Summary of Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Increased reimbursements -----	\$40,000	605	61
Instate travel -----	4,000	605	45
Total recommended reduction -----	\$44,000		

While the board's appropriation request for 1959-60 represents a small decrease from the appropriation for the current year, proposed expenditures for 1959-60 are \$15,745, or 2.2 percent more than estimated expenditures for 1958-59. The decrease in the appropriation level despite an estimated increase in expenditures results from an anticipated increase in reimbursements from \$67,168 for 1958-59 to \$74,826 in 1959-60.

The board receives reimbursements from its activities related to court references, adjudications and recordations and from fees for permits and licenses. Permit and license fees are specified in amount by law. Sections 2040, 2043, 2770 and 2852 of the Water Code direct that the board's costs related to adjudications and references will be recovered from the parties to such actions. The board's costs related to its recordation function are to be recovered, according to Section 5006 of the code, by a filing fee which shall reflect the board's average administrative cost for this activity. In both of the latter cases the Water Code directs the board to recover full costs.

A review of past practices and the present budget indicates the board is failing to collect the full costs despite the requirements set forth in the code. Estimated reimbursements in the budget from references and adjudications for 1959-60 are based on the salaries and wages of five positions, \$34,826, which are required by the San Fernando court reference and were administratively authorized by the Department of Finance specifically for this activity. They do not include any related costs of the board or its members.

The present recordation filing fee of \$3 was established by the board in January, 1958, and has not been adjusted despite a finding by the Division of Audits of the Department of Finance that, for April, 1958, the average cost per filing was \$9.

Supplementary budget material submitted by the board lists certain items of cost which can be directly attributed to the costs of reimbursable activities. These items include salaries and wages of the five positions required by the San Fernando court reference, in-state travel and printing, for a total of \$44,346. The reimbursable share of other

State Water Rights Board—Continued

items of cost not specified includes related costs of salaries and wages other than the five positions mentioned above, office expenses, communications, equipment, rent, board travel, engineering and board administrative costs.

Of the \$74,826 total listed as reimbursements in the budget, \$19,000 is estimated revenue from permit and license fees, fixed by statute. The remainder, \$55,826, is to be realized from programs required by law to be self-supporting. A workload study made by the board in November, 1958, indicates about 16 to 18 percent of the 1959-60 activity will be related to the programs legally required to be self-supporting. A pro-ration of the board's estimated expenditures indicates the costs of these programs will be approximately \$146,000. On this basis, the 1959-60 Budget, less \$146,000 in reimbursements for programs legally required to be self-supporting and \$19,000 from statutory permit and license fees should be \$648,068 rather than \$738,242, or \$90,174 less than the board now estimates.

It is recommended the board's budget request be reduced by \$40,000. This minimum recommendation is presented in recognition of the fact the board has indicated it is in the process of determining what adjustments will be required in its reimbursement system to assure it is no longer in violation of the law. The actual increase in reimbursements can be expected to be well in excess of the recommended reduction.

Two years ago when the State Water Rights Board first appeared in the budget as a separate agency, it included a listing of seven river basins on which it proposed to hold hearings. A review of the progress on these seven basins indicates that three, plus several others not scheduled two years ago, have been fairly well completed but the remaining four river basins have not been started. In spite of more than doubling its staff and expenditures, the board has made little progress on its backlog. The extent of the backlog may be judged from the following list of rivers and principal projects which are awaiting permits:

<i>River</i>	<i>Project</i>
Sacramento River	Central Valley Project
Kings River	Pine Flat Project
Santa Ynez River	Cachuma Project
Mokelumne River	Expansion by East Bay Municipal Utility District
Kern River	Isabella Project
McCloud River	Pacific Gas and Electric power projects
Klamath River	California-Oregon Power Company power projects
Stony Creek	Black Butte Project
Santa Ana River	Local projects
Feather River	Feather River Project and five Upper Feather River Projects
Yuba-Bear Rivers	Local projects
Chowchilla River	Minor projects
Fresno River	Minor projects
Merced River	Merced Irrigation District projects
Calaveras River	New Hogan Project

The above table indicates most of the important federal projects in the State have not yet received permits, even though some are constructed and in operation. In many cases, nongovernmental projects are being delayed because permits cannot be secured.

State Water Rights Board—Continued

It appears the board has sufficient staff to handle as many hearings and decisions as the board members choose to schedule and to conduct, and more staff does not appear to supply the full answer to the above backlog. If more staff were the solution, the large increases the board has received since its organization should have made more progress in solving the problem during the last two and one-half years.

A major reason for the slowness in issuing permits lies in the handling of hearings, the voluminous record the board accumulates and the detail it permits each party to present at a hearing. This has been particularly true in the San Joaquin River hearings. It is our feeling the board must develop a way to reduce the quantity of testimony presented, simplify the record and reduce the costs of hearings. One effect of the board's present practices has been the high costs of hearings which are creating serious problems for parties appearing before the board.

If the board cannot develop methods to solve this backlog problem, it is recommended it secure the advice and recommendations of a panel of engineers, attorneys and lay personnel who are familiar with the board's activities and problems. If these problems still cannot be solved, the board should return to the Legislature for guidance on speeding up its work.

Operating Costs

It is recommended the board's request for instate travel be reduced by \$4,000. The board's instate travel request of \$40,586 represents an increase of 50 percent or \$13,511 over this item in 1957-58, the last year for which actual cost statistics are available. The largest single item of this expense is \$10,249 for the travel costs of board members. Despite the fact that the board's legal headquarters and its staff are in Sacramento and board membership is a full-time position, paying \$16,500 per year, two of the three board members maintain their travel headquarters in other parts of the State. This practice was discussed in last year's analysis and the Department of Finance stated it would study the matter and establish a statewide policy prior to the submission of the 1959-60 Budget. To our knowledge, no such policy has been established. Board members have continued this practice despite the board's serious and continuing workload backlog, some of which could probably be expedited if board members were readily available in Sacramento. The above recommendation is presented both because this practice results in additional cost to the State and because it results in the board members being less available to the board headquarters.

In attempting to relate the increase in positions to the increase in estimated travel costs, it is noted the total number of positions filled in 1957-58 was 67 while the positions for 1959-60 are estimated at 84.8, an increase of 26 percent. While it is not possible to readily isolate the increase in travel positions, it appears the increase is evenly distributed among both travel and nontravel positions. On this basis, the estimated 50 percent increase in instate travel during this period appears excessive. The above recommendation would still allow for a 35.2 percent increase in instate travel costs between 1957-58 and 1959-60.