

DEPARTMENT OF WATER RESOURCES

ITEM 265 of the Budget Bill

Budget page 633

FOR EXPENDITURE BY THE DEPARTMENT OF WATER RESOURCES
FROM THE WATER RESOURCES REVOLVING FUND

Amount requested -----\$23,440,773

TOTAL RECOMMENDED REDUCTION ----- See last paragraph of this item

ANALYSIS

The Department of Water Resources is responsible for the planning, design, construction and operation of the State Water Facilities. In addition, it carries on an extensive water resources planning and investigation program, collects data involved in water resources development and use, administers a number of statutory functions related to water, allocates local assistance funds for flood control and carries out the state's responsibilities for beach erosion control.

The department's total expenditure program is \$58,041,727 or approximately \$1,500,000 greater than the current year. The department's program, exclusive of contract construction and land acquisition costs is \$23,440,773 which is approximately \$1,700,000 greater than the current year. Of this amount the portion financed from the General Fund is \$10,260,360 or approximately \$1,000,000 less than last year while the California Water Fund portion is \$13,155,413 or approximately \$2,900,000 greater. The total man-years increases by 158 in fiscal year 1961-62 to a total of 2,054. The new positions being requested are located as follows:

Director's Office -----	14
Division of Administration -----	13
Division of Resources Planning -----	20
Division of Design and Construction -----	43
Division of Operations -----	48

There is no budget item in fiscal year 1961-62 for appropriations from the California Water Fund because these expenditures are proposed to be made under the continuing appropriation provisions of Senate Bill 1106 (Chapter 1762, Statutes of 1959). For fiscal year 1961-62 the following activities, which have been traditionally described as support, are budgeted under Capital Outlay and are being financed from the California Water Fund under the continuing appropriation provisions of Senate Bill 1106 for construction of the State Water Facilities:

General Administration	
Additional administrative cost for departmental overhead -----	\$818,795
California Water Planning Program	
Salinity control barrier -----	275,600
San Joaquin Valley drainage investigation -----	488,124
Operations and Maintenance Program	
Various activities (see page 664, lines 50 to 61, Governor's Budget) -----	1,078,432
Other Projects and Activities Program	
Administration of financial assistance to local projects (Davis-Grunsky Act) -----	227,027
Co-ordination of federal-state projects -----	52,992
Applied nuclear engineering -----	15,000
Crustal strain and fault movement -----	45,000
Federal sea water conversion plant -----	28,040

Department of Water Resources—Continued

Continuing Appropriations Pursuant to Senate Bill 1106

An understanding of the role of the California Water Fund in the financing of the water program is essential to consideration of the budget requests of the Department of Water Resources for fiscal year 1961-62. The approval by the electorate on November 8 of Proposition No. 1, which authorizes \$1,750,000,000 in General Obligation Bonds to finance the state water program, has brought the continuing or automatic appropriation provisions of Senate Bill 1106 into operation. These provisions appropriate both the bond proceeds and any money in the California Water Fund to the Department of Water Resources for construction of projects.

The balance in the California Water Fund is estimated to be approximately \$110,015,122 as of July 1, 1961 and \$72,909,974 as of June 30, 1962. The accruals, which come largely from the Long Beach tidelands oil settlement, have been estimated by the Department of Water Resources at approximately \$7,500,000 per year averaged over the next 25 years. However, at present these accruals are approximately \$10,000,000 per year including interest on balances in the fund. Senate Bill 1106 appropriates "all moneys in the California Water Fund and all accruals" to the department without regard to fiscal year, except that in any fiscal year the Legislature may appropriate from the California Water Fund any unexpended balance.

Senate Bill 1106 also requires that all project revenues be used annually only for the following purposes and in the following order (1) payment of operation and maintenance costs, (2) payment of principal and interest on bonds issued, (3) transfer to the California Water Fund as reimbursement for funds utilized from that fund for construction of the system, and (4) construction of additions to the water program.

Much work has been done since the passage of Senate Bill 1106 in analyzing problems associated with the construction of the state water facilities. This work has identified a number of problems and unusual difficulties involved in the functioning of the California Water Fund. Among these are the following:

1. The final report of Charles T. Main, Inc., dated October, 1960 (page 5-13) concludes that the \$1,750,000,000 bond issue would be short \$57,000,000 in the amount of money required to construct the state water facilities, assuming no escalation of costs. Under Senate Bill 1106 any California Water Fund money available must be used to finance construction of the state water facilities including Davis-Grunsky Act loans and grants before bonds proceeds are used and an equal amount of bonds must be set aside and can be used only for construction of additional facilities to augment the Delta supplies and to build local projects. Thus, while the California Water Fund is committed to construct the state water facilities, it does not increase the available capital nor is it available for use in the event of a shortage of construction funds. Now that it appears there will be insufficient bond proceeds to build the state water facilities, the effect of the bond offset provision is not the same as originally contemplated.

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2. The report of Charles T. Main, Inc. (page 5-1) contains the opinion of their counsel that under Senate Bill 1106 the California Water Fund cannot be paid interest for either past or future expenditures made from the fund for construction purposes until all bonds are repaid. If interest on California Water Fund expenditures is included in the price charged the water users, this revenue must be used to pay debt charges or operation and maintenance costs of the project. If it is not used for these purposes it must go into the California Water Fund where it further reduces the amount of bonds that can be sold to construct the state water facilities. If interest is not charged the water users on California Water Fund expenditures, the state water facilities will not be self-supporting and it will be necessary to determine who will receive the benefit from the interest-free money.

3. Senate Bill 1106 contains no reserves for operation of the state water facilities. Therefore, interest payments during construction or other costs which are not paid by water users each year, such as certain costs included in the Delta Pool, must be paid by the General Fund. No reserve is provided in Senate Bill 1106 for the replacement costs of worn out project components. In the event of accident or physical wearing out of parts before the bonds are paid off, the replacement costs can be paid only from the revenues available each year. If annual revenues are used for replacement costs, any deficiency in annual revenues to pay debt service and operation and maintenance costs must come from the General Fund. The annual project costs of any water users, for whom capacity is included in the project but from whom no commitment to pay is received or no funds are forthcoming, also must be borne by the General Fund. Presently the State's policy is to require contracts to be signed for 75 percent of the costs of a facility before construction starts. It may be necessary to secure a higher percentage of repayment commitments before bonds can be sold, but an uncontracted residual of costs may occur. In general, the California Water Fund is committed exclusively to the construction of the state water facilities and the General Fund is the only reserve available for the project.

4. The California Water Fund provides no benefits for the bond purchasers since it neither underwrites their annual principal and interest payments nor assures the availability of sufficient funds to complete the construction of the facilities which are constructed with the bond proceeds. As Senate Bill 1106 is written the California Water Fund does not pay the principal and interest on grants to local projects under the Davis-Grunsky Act, although the Governor's Budget for fiscal year 1961-62 proposes to use California Water Fund money to pay for administering the act. There is no prescribed method to repay these bonds other than by borrowing from the General Fund. This borrowing from the General Fund would eventually be paid by other project beneficiaries.

5. The California Water Fund in Senate Bill 1106 was intended, through the bond offset provisions, to provide funds to construct additional facilities to "augment" Delta supplies of water and to construct local projects. In this regard it may not assist in furthering the State's

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water development program if the following factors, some of which were not foreseen in drafting the bill, should occur; (a) inflation of costs or diversion of bond proceeds to undefined features of the state water facilities make the bonds authorized inadequate to complete the water storage and transportation features of the state water facilities, (b) available balances in the California Water Fund are appropriated by the Legislature for nonproject purposes, (c) the present forecasts of substantial need for Delta Pool replenishment are not excessive so that construction of replenishment facilities will not be needed as originally conceived, and (d) the needs for local development are adequately taken care of by the provisions of the Davis-Grunsky Act, local financing and federal construction. In any event Article 16(d) of the contract executed by the Department of Water Resources and the Metropolitan Water District limits the expenditure of bond proceeds derived from the bond offset provisions until 1995 to the construction of facilities to replenish the original 4,000,000 acre-foot contract demand against the Delta Pool plus those local projects associated with such replenishment.

6. The continuing appropriation provision of Senate Bill 1106 may permit the department to use the California Water Fund to commit the State to the construction of facilities and future expenditures of bond proceeds which will create presently unforeseen problems, since use of the California Water Fund avoids the considerable restraining influence exercised by the bond market on the use of bond proceeds.

7. Financial assistance to local projects through loans and grants under the Davis-Grunsky Act is made a part of the State Water Facilities by Section 12934(d)(6) of Senate Bill 1106. Section 14 of the Davis-Grunsky Act provides for the abolition of the Local Projects Assistance Fund, which was the financing medium of the Davis-Grunsky Act, upon the enactment of Senate Bill 1106. With the approval of the water bond issue on November 8, 1960, the Local Projects Assistance Fund was abolished and the balance returned to the California Water Fund as shown on page 943, line 22, of the Governor's Budget. Since it is not planned to sell any water bonds until perhaps 1963, neither the Local Projects Assistance Fund nor the water bonds make funding currently available for Davis-Grunsky Act loans and grants.

Financial assistance to local projects is a part of the State Water Facilities for which continuing appropriations are available under the provisions of Section 12938 of the Water Code, and the Governor's Budget for fiscal year 1961-62 provides for money to be so appropriated from the California Water Fund to finance the loans and grants in both fiscal year 1960-61 and fiscal year 1961-62. Use of the California Water Fund to fund these loans and grants will result in the offset of water bond proceeds and will reduce the net effective funds available to construct the State Water Facilities. If this practice is followed for an extended number of years, that is, financial assistance to local projects is given a priority with respect to accruals to the California Water Fund over the construction of the State Water Facilities, the amount of money available for loans and grants will be greatly expanded while

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the bond offset provisions will simultaneously reduce by a similar amount the bond proceeds available to construct the State Water Facilities.

In summary, the department has the authority under Senate Bill 1106 to spend approximately \$2,000,000,000 without any statutory limitation other than that it be used for construction of the enumerated State Water Facilities. In general, the California Water Fund does not add to the stability and soundness of the water program, from the point of view of either the taxpayer or the bond purchasers. In return for assuring possible future benefits in replenishment of the Delta Pool and construction of local projects, it opens possibilities of using funds for purposes which may have the net effect of weakening the water program.

Several possibilities remain to the Legislature if it should desire to alter the above situation. Legislative Counsel in a written opinion has stated, with respect to legislative control over the expenditure of the water bond proceeds, "It is well established that despite the existence of continuing appropriations such as these, the Legislature may thereafter place a limitation or restriction upon the amount of money available for the purposes for which appropriated. This power of the Legislature would be subject to the limitation, of course, that the rights of bondholders could not be substantially impaired. Thus, while we believe that the Legislature could limit or restrict the amounts to be expended from this (bond) fund for the State Water Facilities, it could not, in our opinion, appropriate the money in this fund for other purposes." The Legislature could place similar limitations upon the expenditure of California Water Fund money by the department, and Senate Bill 1106 expressly permits the Legislature to appropriate this money for any lawful purpose.

It seems apparent then that the Legislature can (1) limit the expenditure of both California Water Fund money and bond proceeds. The California Water Fund money as so limited would still have to be spent before any bonds could be issued. However, the Legislature could (2) appropriate all balances in the California Water Fund each year, which could include an appropriation into a reserve fund for operation and financing of the State Water Facilities. This would remove the California Water Fund money from the expenditure control of the department as well as removing it from the offset provisions of Senate Bill 1106, and could substantially remove the liability of the General Fund to pay for project deficiencies.

As an alternative to (1) and (2) above, it might be possible (3) for the Legislature to abolish the California Water Fund and to place all balances and accruals in the General Fund or in another water fund where the money would be available as a reserve for the State Water Facilities. This reserve could be earmarked for deficiencies in operation and maintenance or principal and interest costs and also might assure a reserve to complete construction in the event of inflation of costs. Abolition of the California Water Fund may, however, be invalidated by the courts as altering the program submitted by the Legislature to the electorate for their approval in Proposition No. 1.

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A more limited alternative (4) would only remove appropriations for Davis-Grunsky Act loans and grants and appropriations for General Administration, the California Water Planning Program, the Operations and Maintenance Program and various other Projects and Activities from the bond offset provisions of Senate Bill 1106 during fiscal year 1961-62. This alternative would involve adding a Budget Bill item for these expenditures so that the appropriation for these programs would be outside the continuing appropriation provision of Senate Bill 1106 and would not result in reducing the bond proceeds available to construct the State Water Facilities. This alternative would not have any effect upon other fiscal aspects of the California Water Fund or the State Water Facilities, and would only involve a portion of the appropriation for fiscal year 1961-62.

Legislative Limitation of Expenditures

The Budget Bill as introduced contains a partial expenditure limitation of the type described in (1) above, by using the language in Budget Item 265. A similar expenditure limitation item for the Department of Water Resources first appeared in Item 252.5 of the Budget Act of 1960 and operated as described below for the department's program budget. Money was transferred into the Water Resources Revolving Fund of the department for a number of support programs and for the salaries, wages, operating expenses and equipment pertaining to the capital outlay program by a series of individual budget items. These transfers provided for the customary one-year availability of the money and constituted a definition and limitation of the department's budget by individual programs. Budget Item 252.5 consolidated the money for all the programs funded under the above transfer items and by means of a limitation on expenditures constituted the traditional legislative control upon the objects for which the money could be spent, that is, salaries and wages, operating equipment and expenses. Along with the control provided by the above budget items, the Budget Act also contained specific capital outlay appropriations for direct contract construction and land acquisition costs.

The Budget Bill for 1961, as introduced, also contains in Item 265 a partial expenditure limitation somewhat the same as last year. Budget Item 266 transfers money for the department's support program from the General Fund into the Water Resources Revolving Fund by program with a one-year availability. The department's costs for salaries, wages, operating expenses and equipment for capital outlay projects of the State Water Facilities are appropriated under the continuing appropriation provisions of Senate Bill 1106, but are included along with the support appropriation from the General Fund in the total expenditure control by objects established by Item 265 as follows:

Support programs	\$10,285,360
Salaries, wages, operating expenses, and equipment for Capital Outlay projects	13,155,413
Total of Item 265	\$23,440,773

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Money for direct contract construction and land acquisition for Capital Outlay projects is appropriated under the continuing appropriation provisions of Senate Bill 1106 and does not appear as a Capital Outlay item in the Budget Bill. The absence of an appropriation item for direct construction and land acquisition costs eliminates the customary legislative control over these expenditures, but is pursuant to Senate Bill 1106 which provides for continuing or automatic appropriations of both bond proceeds and balances in the California Water Fund to the department for construction of the state water facilities. Senate Bill 1106, however, does not foreclose to the Legislature the expenditure control which was provided by Budget Item 252.5 last year and contained in Item 265 this year. The missing element in the 1961 Budget Bill is the expenditure control on Capital Outlay for direct contract construction and land acquisition. Pursuant to the Legislative Counsel opinion cited in the paragraphs above, and the precedent established last year by Item 252.5 and Item 265 this year, the Legislature may, if it desires, establish expenditure limitations upon the entire expenditure program of the Department of Water Resources.

To accomplish full legislative expenditure control over the department's programs, it is recommended that Budget Item 265 be amended by adding the following language "(e) capital outlay, direct construction and acquisition costs, \$34,600,954" immediately under the language "less estimated reimbursements" and the total of the item be increased to \$58,041,727. This recommended language will only limit the Capital Outlay expenditures to the total shown in (e) and will not provide any limitation on expenditures for individual projects. If the Legislature desires to limit expenditures for individual projects, as has been done in prior years by individual appropriations in the Budget Bill, it can insert a schedule under (e) showing the desired detail of limitation.

Budget Item 265, both as originally contained in the Budget Bill and as recommended for amendment in the paragraph above, is a summary control item. It should be amended to conform to any reductions or augmentations made by the Legislature in the department's budget, such as the recommendation for reductions contained in our analysis of the department's support budget appropriation contained in Budget Item 266. Subject to such further amendment, approval of the item is recommended.

DEPARTMENT OF WATER RESOURCES

ITEM 266 of the Budget Bill

Budget page 633

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

Amount requested	\$10,260,360
Estimated to be expended in 1960-61 fiscal year	11,321,832
Decrease (9.2 percent)	\$1,036,472
TOTAL RECOMMENDED REDUCTION	\$337,944*

* Including recommended transfer of \$161,641 to Item 272.

Department of Water Resources—Continued

Summary of Recommended Reductions

	Budget		
	Amount	Page	Line
General Administration			
Recommendation for temporary rather than permanent positions in policy and program staffs-----	--	634	58
California Water Planning Program			
Recommendation for progress reports on major project investigations and elimination of tributary projects-----	Unknown	644	25
Reschedule delta planning-----	--	645	13
Central coastal area basic planning studies-----	\$90,100	644	35
Flood plain zoning study-----	54,705	644	70
Operations and Maintenance			
Watermaster administration-----	31,498	664	33
Other Projects and Activities			
Transfer advisory services to water pollution control boards-----	161,641	666	72

ANALYSIS

Budget Item 266 is for support of the Department of Water Resources. The individual programs of the support budget will be discussed in this portion of the analysis along with certain comments on the Capital Outlay program as it relates to the California Water Development Program.

This year as last year, the department's support budget is presented by eight major programs; General Administration, Technical Co-ordination, California Water Planning Program, California Water Development Program, Basic Data, Operation and Maintenance, Services to Other Agencies, and Other Projects and Activities. The operation and maintenance program is new this year and its presence in the budget signifies the department's decision to activate an operations division during fiscal year 1961-62. The detail of salaries and wages including new positions is shown in the organization budget which is included in the Appendix of the Governor's Budget, page 1033:

Section 12938 of the Water Code, as enacted by Senate Bill 1106, provides that all money in the California Water Fund is appropriated for expenditure and allocation for the State Water Resources Development System. Elsewhere, the section states that any money in the California Water Fund shall be used for the "construction" of the State Water Facilities. The proposal in the budget to meet the deficiency in general administration funds, to finance certain planning work and to finance operations studies and other activities including the administration of the Davis-Grusky Act by using the continuing appropriation authority of Senate Bill 1106 may involve questions of legality of the appropriations. If not illegal, some of these expenditures, such as for the deficiency in general administration, may still constitute a questionable use of the continuing appropriation authority of Senate Bill 1106 and may establish an undesirable precedent. Legislative Counsel has been asked to prepare an opinion on the legality of these appropriations but their opinion was not completed prior to printing of this analysis.

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General Administration

The General Administration program includes all activities and expenses which are overhead and not directly chargeable to specific activities or parts of the department's other programs. In general, it includes the top level staffs from the director down to and including the section chiefs and all their associates and staffs. The policy and program staffs, the legal staff, personnel activities, public information, fiscal services and purchasing and stores are included.

All these activities in the General Administration Program are financed from an overhead charge which is assessed against each identifiable project and activity through a 38 percent charge added onto salaries and wages. During the current year the charge was 33 percent, but this was increased by five percent for next fiscal year, when it was found that the lesser charge would not return sufficient funds to pay the contemplated costs of general administration. The 38 percent charge was later found to be insufficient and rather than revise the whole budget to increase the overhead charge to approximately 43 percent to cover all costs of general administration, a special charge of \$818,000 was made against the State Water Facilities and financed under the continuing appropriation provisions of Chapter 1762, the Burns-Porter Act. As a result, actual expenditures for general administration which were \$3,087,794 in fiscal year 1959-60 became \$3,699,649 for fiscal year 1960-61 and are estimated to increase by almost \$1,400,000 in fiscal year 1961-62 to \$5,036,807.

The proposed method for funding the costs of General Administration, by charging the California Water Fund with any costs in excess of the funds derived from the 38 percent assessed against each project and activity, actually means that the only legislative limitation on General Administration expenditures is through Budget Item 265. The General Fund appropriation for general administration is no limitation since without an expenditure limitation it can be exceeded at any time by using more California Water Fund money available under the continuing appropriation provision of Senate Bill 1106. It would therefore be easy for the department to establish positions, purchase equipment which would not be approved by the Legislature, and undertake many new activities so long as they are charged to General Administration. The dangers inherent in the proposed funding of General Administration costs in fiscal year 1961-62 are clear. Unless the general administration expenditure limitation is maintained, the Legislature will have no effective control over general administrative costs of the department and budget manipulation could permit the department overhead to grow without effective legislative restraint or any necessary relationship of overhead to program.

The department is also requesting the sum of \$506,779 for the program entitled Technical Co-ordination. This program covers the supervisory costs of a variety of specialized service activities which perform work for other parts of the department and whose costs, exclusive of supervision, are charged to individual projects and activities. As described in the budget, Technical Co-ordination would appear to be a

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proper overhead administrative cost, but it probably should be charged to individual projects and activities because these service activities exist only to serve other projects and activities.

The rapid increase in the general administrative costs of the department constitutes a serious problem. Most of these costs are charged to and are borne by almost all departmental programs and activities and they result in at least 38 percent of the costs of a project being placed beyond the control of a project supervisor. This high administrative cost is also a formidable obstacle to any co-operative financing of work by the department and local water agencies. It may virtually preclude local agency participation in many projects. Thus, the State must not only pay the high costs of administration but also the costs which might otherwise be assumed by a local water agency in a co-operative endeavor.

Certain increases in the legal, accounting, personnel and management analysis staffs appear to be reasonable in terms of the important work to be done and the increasing size and complexity of the department and its programs. However, the public information program was increased by \$50,000 to \$140,000 during the current year because of the water bond election and is continued at the same level during fiscal year 1961-62 on the basis of increased requests for information related to the construction of the State Water Facilities. When the Legislature provided funds for a public information office in the department several years ago, it approved an active program in which the department would take its views to the people of the State. The funds being requested continue this approach.

The reasons for the high administrative costs of the department are not easy to isolate. Three categories of the general administration costs are high, (1) the director's office, (2) the costs of division, branch and section supervision, and (3) the policy and program staffs. In these three areas the department's administrative costs appears to have grown much faster than the department's program and other staffing expenditures, nor is there any indication of a leveling off in the increase.

The budget request for fiscal year 1961-62 includes a director, three deputy directors and a chief engineer who are surrounded by program and policy staffs, and co-ordinators for geology and maps and surveys. The costs of these positions is \$671,829 which is exclusively for top-level, departmentwide direction.

The largest increase in general administration is for line supervision. The department is requesting \$2,373,193 for fiscal year 1961-62 which is an increase of \$836,000 over the current year and is \$525,000 more than expended during the past year. Of the \$836,000 increase for next year, only \$184,465 is requested for the new Division of Operations and not all of this is an increase. Most of the remaining increase appears to be in the Divisions of Resources Planning and Design and Construction and part of this is for division program management staffs.

Some of the costs of line supervision might more properly be directly charged to the individual projects and activities rather than being included in overhead. Some basic organization changes might consolidate supervision of similar work such as geology, economics and certain

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aspects of planning work which are scattered through the department and require expensive multiple supervision and even co-ordination by special staffs in the director's office. In certain instances it appears that high salaried supervisors have no real authority because they supervise only a limited aspect of a given type of work. This in turn may lead to a need for special positions at a higher organizational level to co-ordinate the work that the supervisor is being paid to do. Control staffs, special forms and complex procedures tend to increase while the line supervisors are either helpless to act or are not required to act. In the end it takes several positions to do what one line supervisor might do better. This does not mean that control and co-ordination are not needed and desirable, but they should supplement the line supervisors and not displace them. Some of the increasing administration costs within the department results from adding control agency to control agency without reducing or eliminating other positions which the new control agency tends to displace.

Typical of this problem is the request for funds to finance a series of program and policy staffs. Our office has strongly supported the need for program and policy controls in both the formulation and execution of the department's budget. Our position remains unchanged in this regard.

Our review of the department's budget, however, has indicated that the department may have budgeted excessively for its program and policy staffs. The fiscal year 1961-62 Budget request is for more than 40 positions, most of them new positions, to be used exclusively for program and policy work. More than half of these positions are in the director's office with the remainder at the division level. The department has only limited experience with program and policy control and the new director has not had an opportunity to review the staffing proposed. In addition it would be unfortunate if positions were removed from the budget request which were later found to be needed.

It is recommended that all of the approximately 40 positions for program control and policy management be allowed for one year with the agreement that the funds provided for these positions will be available only for those positions and not subject to diversion to other work if not used for the program and policy positions. All of the positions should be reviewed and rejustified in the fiscal year 1962-63 budget request. As part of the justification for continuing the positions, the department should submit a memorandum report indicating (1) the way the program control work has been co-ordinated with existing budgetary, accounting, administrative services and branch executive assistant activities, (2) steps that have been taken to assure that the program and policy staffs enhance rather than undermine the line supervisors or reduce their program and policy responsibilities and (3) the long-term workload for program and policy staffs after the initial control systems have been established and placed in operation.

Basic Data Program

The department's basic data program includes the collection, analysis and certain applications of the various types of data used in water

Department of Water Resources—Continued

resources development. Overall, there is a slight reduction in the request for the basic data program in fiscal year 1961-62. There is a shift in emphasis towards water quality work and some reduction or elimination of several other activities.

During the hearings on the fiscal year 1960-61 budget and upon the recommendation of this office, the sum of \$75,000 was allocated in the Budget Act for a basic data study. This study was to be undertaken by the department with the concurrence of the Department of Finance and the Legislative Analyst's office. Its objective was to establish guides and priorities for managing and budgeting the department's basic data program. A contract was signed with Carroll Bradberry and Associates to conduct an analysis of the department's hydrologic data program, that is, the collection of data regarding the quantity and characteristics of water in the State. Their report is currently being released.

We are pleased to report from present indications that the study has been very beneficial and well received by all participants. A classification system for hydrologic data has been developed which facilitates management and description of the hydrologic data by segregating the long-range continuous data collection from the operational data, and the data needed for certain short-term investigations and planning work. A system of priorities has also been developed which is intended to insure that a logical and consistent pattern is followed in selecting and budgeting for the individual stations which gather the data.

The department is now applying the classification and priority system. Both the system and the experience gained with it should be used in formulating the department's fiscal year 1962-63 budget request for its hydrologic data program. Now that the application of these techniques to hydrologic data has been demonstrated, it is hoped that the department will apply similar approaches to its other data collection activities.

California Water Planning Program

The California Water Planning Program includes the project planning and special investigation activities of the department. In past years we have commented critically about this program because of its size and content. The request for fiscal year 1961-62 is approximately \$1,000,000 and 20 positions below the comparable program level of the current year. The content of the program is substantially improved over previous years. The individual investigations are more logically conceived and inter-related. A concept of the scope and objectives of an appropriate long-range planning program for the State is beginning to evolve. Work will be started next fiscal year on a planning manual to establish the policies and practices to be used in planning work. The planning of local projects has been substantially reduced through the completion of several investigations. Several other investigations should be completed or go into reduced phases of expenditure after fiscal year 1961-62 which should result in further reductions in the planning program in the year following.

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The category of investigation and completion date for the project planning and investigation work of the department during next fiscal year are set forth in the table below. It will be noted that only projects which the State is to build as part of the State Water Facilities, plus the ground water basin studies in Southern California, are now budgeted as category three studies involving complete and detail planning. The other planning work has been reduced to category two, which is a more general investigation to develop an overall plan and does not provide the detailed data for project authorization and construction. In addition the North Coastal Investigation has been given a short term completion date of 1963 compared to the completion date of 1970 in last year's budget.

California Water Planning Program—Department of Water Resources
Fiscal Year 1961-62

<i>Programs</i>	<i>Category</i>	<i>Completion date</i>
North Coastal Area Investigation.....	2	January 1963
Upper Sacramento River Basin Investigation....	2	January 1963
Yuba and Bear River Drainage Basins Investigation	2	June 1962
Planning Manual Program	Information	June 1963
Local Area Water Development Program:		
Northeast Counties Ground Water Investigation	Information	a
Mokelumne, Stanislaus, and Calaveras River Basins Investigation	2	a
Mariposa Area Investigation	2	a
Tuolumne County Investigation	2	a
Colusa Basin Studies	2	a
Upper Putah Creek Basin Investigation.....	1	a
Madera Area Investigation	2	January 1964
Mt. Shasta City-Dunsmuir Areas Investigation	2	June 1962
Sacramento Valley East Side Stream Group Studies	2	July 1964
Co-ordination With Other Agencies	Information	Continuing
Flood Control Program	Information	Continuing
Delta Levees Investigation	3	July 1962
Delta and Suisun Bay Pollution Investigation....	2	July 1964
Central Coastal Area Basic Planning Studies....	Information	Continuing
Water Requirements and Project Staging Program	Information	Continuing
Sacramento Valley Seepage Investigation.....	2	July 1963
San Joaquin Valley Drainage Investigation.....	3	July 1963
Sea-Water Intrusion Investigation, Southern California	Information	Continuing
Ground Water Basin Studies, Southern California	3	Continuing
Hydrologic Studies, Southern California.....	Information	Continuing
Coachella Valley Investigation.....	2	July 1962

a Report to be reviewed and printed in 1961-62.

Certain continuing work and new investigations being proposed for fiscal year 1961-62 present some problems. The major projects investigation in the North Coastal Area and in the Upper Sacramento River basin have been underway for several years. Last year we pointed out that progress reports were needed on this work to permit judging its accomplishments and the department promised to prepare such reports.

Department of Water Resources—Continued

To date these reports have not been released although we understand they are to be released shortly. *Until progress reports are received on the North Coastal and Upper Sacramento River Investigations, we have no adequate, factual basis to review accomplishments in this work and we cannot recommend approval of the request until these reports have been received and reviewed.* It does appear, however, from our limited review of this work that a portion of the Upper Sacramento River Investigation is to plan local projects on tributary streams, only a few of which are related to basin-wide planning of a major project to export water. *It is recommended that funds for these tributary projects be removed from the budget request and that such funds be allowed only upon specific justification as a local project investigation.*

The major problem area we have found in reviewing the requests for the planning program for fiscal year 1961-62 is the lack of a schedule which clearly ties together the three investigations which involve the Sacramento-San Joaquin Delta. Our budget review indicates that a report recommending the features of the Delta Water Project proposed to be constructed by the department is to be published this fiscal year. However, the department proposes further planning effort on these features of the Delta Water Project for an indefinite number of years. The nature, extent and need for this planning in relation to the design work and operating studies to be undertaken elsewhere in the department is not clear.

Collection and analysis of data for planning of the San Joaquin Valley Drainage System, a feature of the State Water Facilities, has been under way for several years. Final location and sizing of the entire drainage conduit will be undertaken next year, but these decisions are important factors in the planning of the Delta Water Project whose major features are to be recommended this fiscal year. Even so, a new three year Delta and Suisun Bay Pollution Investigation, in addition to the San Francisco Bay and Sacramento River Water Quality Investigations now under way, is to be undertaken next year. The results of this investigation are vital to the location of the disposal point for the San Joaquin Valley Drainage System but will not be available in time for consideration next year in that investigation. Furthermore, it appears that the Bureau of Reclamation intends to construct the northern portion of the San Joaquin Valley Drainage System as part of its San Luis Project. It is not known where the bureau may locate the drainage conduit or that the department's investigations will influence the bureau's location of the drainage conduit. Finally, the department proposes in its California Water Development Program to start construction design of the master levee system for the Delta Water Project during the next fiscal year. *It is recommended that the department be directed to reschedule the Salinity Control Barrier Investigation, the San Joaquin Valley Drainage Investigation, and the Delta and Suisun Bay Pollution Investigation to assure a step-by-step collection and analysis of data leading to an orderly series of decisions on the department's Delta planning work.*

Department of Water Resources—Continued

It is recommended that \$90,100 for central coastal area basic planning studies be eliminated. The department is requesting \$90,100 to begin a study of the water problems in the areas adjacent to the San Francisco Bay. Essentially this is a long-range activity intended to permit the department's planners to gain and maintain familiarity with the water problems of the area and to identify water problems for future study. To the extent that this is an effort to seek out problems not now known and to generate work, it appears to be very low priority and justifiable only if there should be a surplus of funds. To the extent that the department would use this money to achieve a general familiarity with the water problems of the area, there may be a need. However, the department now is organized with many activities such as review of federal reports, financial assistance to local projects, work for district securities commission, waste water reclamation studies, and other activities set up in separate organization units. As a result no working group in the Resources Planning Division has a truly comprehensive knowledge of the water problems of an area. Each supervisor of an activity has only a limited view of the water problems of an area. This is a serious limitation for a planning program in which the comprehensive approach is important. It may also be one reason for the many planning investigations which seemingly overlap and tend to restudy the same problems.

The department has seriously considered changing its organization to solve this problem. Until it is demonstrated that a different organization which provides for more efficient use of available funds and personnel will not accomplish the same result with existing funds, we cannot recommend approval of additional expenditures.

It is recommended that \$54,705 for initiation of a flood plain zoning study be denied. This request is for funds to begin a long-range study of the use of flood plain zoning in solving flood control problems with one of the first steps being an inventory of flood plain areas. The objective of flood plain zoning is to limit development of areas most likely to flood. Flood plain zoning replaces or supplements the physical retention or control of flood waters by levees or dams.

We have no disagreement with the department on the importance and desirability of flood plain zoning and particularly the need for a better understanding of its economic aspects. However, flood plain zoning is essentially a federal function which the Corps of Engineers are testing on a pilot project basis along the Upper Sacramento River. Until the federal government adopts flood plain zoning as a major policy, it is not apparent how a state study can contribute more to the formulation of federal policy than would an endorsement of the principle by the State. In essence, a state study on flood plain zoning is a study of the policy which should be adopted by the federal government because the State has no planning responsibility in the matter. We find no evidence that there is an objective for this study which will bring any definite returns. If the department wishes to undertake flood plain zoning, it has an excellent opportunity to do so with the San Joaquin River Flood

Department of Water Resources—Continued

Control Project on which the department is now doing the planning and design work. We are not aware of any flood plain zoning on this project although the project appears to provide an excellent opportunity for its application.

A general comment appears appropriate regarding the department's planning and investigation activities as these activities relate to the refinement of techniques for the collection and analysis of water related data. The short-term, immediate planning activities of the department are being reduced in scope as planning on the more important and urgent projects in the State nears completion. Concurrently, a natural tendency is occurring in the department to anticipate planning work, to undertake investigations which have no local support and to plan farther into the future. This anticipatory planning generates a need to project future conditions when there is no current development in an area. This leads to the need for refined methods of analysis which in turn results in research to develop such refined methodology. A self-generated workload is built up which must be realistically limited to work which will provide plans that are needed and will not have to be extensively reworked in the future.

The department is devoting an increasing portion of its planning, investigation and data analysis work to long-range, future conditions. This is apparent in certain aspects of staging and programming work, investigations of future water quality conditions, vegetative water use studies, urban related water use studies, land and water use studies and inventory of water resources and requirements all of which, in varying ways, involves certain work sufficiently far in advance of current conditions that there is room to question the need to undertake some of the work at this time. Such work will require careful review and justification in the preparation of next year's budget to assure that the practical and realistic limits of effective planning are not exceeded. The extension of planning into future conditions is a subject worthy of careful treatment in the department's new planning manual.

Operations and Maintenance

The Operations and Maintenance Program is new. It represents the decision of the department to organize an Operations Division in fiscal year 1961-62. Included in this program are the costs of operations and contract studies pertaining to water conservation and power generation at the State Water Facilities. Eventually both the operation and maintenance costs of the State Water Facilities, upon activation of each unit, will be contained in this program. The first revenues from the State Water Facilities will be received towards the end of the next fiscal year. Thereafter, increasing portions of the Operations and Maintenance Program will be reimbursed from project revenues. In the meantime, the costs of operations and contract studies pertaining to the State Water Facilities are being financed under the continuing appropriation provisions of Senate Bill 1106 and will be capitalized to assure repayment.

Our review of the proposed expenditures of \$1,078,432 for operation studies and contract negotiations indicates the amount is high. The

Department of Water Resources—Continued

organization of the new Division of Operations is indefinite and its staffing needs are not too clear with respect to the work of the Program and Policy office on the director's staff. There is also an inadequate differentiation of work between the Operations Division and the Division of Resources Planning. For example, the Delta operating studies with the Bureau of Reclamation are the responsibility of the Division of Resources Planning instead of the Operations Division, even though the Operations Division has scheduled work on the Delta.

The proposed operations work does not reflect sufficient scheduling of priorities. The sum of \$72,697 is scheduled to be expended for operations studies and contract negotiations on the South Bay Aqueduct during fiscal year 1961-62, although the contract may be signed this fiscal year rather than next fiscal year. In addition, \$44,158 is to be expended for similar work on the North Bay Aqueduct which is now being replanned. It cannot be clear until the replanning is completed whether there is a need for work on the North Bay Aqueduct during the next fiscal year.

The major portion of the request for the Operation and Maintenance Program next fiscal year is \$1,767,441 for existing activities which have been in the Division of Design and Construction in past years and which are being transferred into the new Division of Operations. Included in this category are the State's existing flood control activities in the Central Valley, the watermaster service, the heavy equipment pool and the communications system, most of which are continued at the same levels of performance.

It is recommended that \$31,498 be removed from the activity watermaster administration in Sacramento and in Southern California. These funds pay for certain administrative overhead, supervisory personnel and for the salaries of watermaster field personnel during off-season periods. Field costs of providing watermaster service are shared as provided by law but these administrative costs are not shared. The watermaster service was established by the Water Code to provide a nonpartisan method to execute court decrees on streams where the water rights have been adjudicated. The watermaster carries out the terms of the decree by allocating the available water among the users on the basis of the terms of the decree. Because the water belongs to private parties, the Water Code prescribes that the costs of the watermaster service be shared equally by the State and the water users.

Section 4200 of the Water Code states, "The department may incur such expense and make such expenditures as may be necessary to provide for the administration of any service area and the distribution of water therein." Section 4201 states, "One-half of the cost of administration of a service area and the distribution of water therein shall be paid by the State and one-half shall be paid by the owners of the rights to divert or store water within the service area as provided in this chapter." The Water Code does not detail the nature of the costs to be shared, but the principle is clear that the costs shall be shared. We therefore recommend that the appropriation for administration of

Department of Water Resources—Continued

watermaster service be reduced by one-half and that the reimbursements received by the department from the water users be increased correspondingly. The watermaster service is one of several activities in the budget which are not charged any portion of the department's administrative overhead. This situation should be corrected in next year's budget.

It may be observed that the activity entitled Trial Distribution, Sacramento River and Delta disappears from the fiscal year 1961-62 budget request and is replaced by a new activity entitled Watermaster Service, Sacramento River and Delta, in which the Bureau of Reclamation and the water users are both scheduled to pay a third of the costs. Most of the one-third which the State is to pay is included in other portions of the department's budget under the activity entitled Surface Water Flow Measurement.

Other Projects and Activities

The program entitled, "Other Projects and Activities," is a collection of activities which do not relate directly to the other programs of the department. Included in this program is the activity "Advisory Services for Water Pollution Control Boards." It finances work done by the department's water quality section in providing comments, advice, technical assistance and other information to the regional water pollution control boards for use of the boards in executing their regional responsibilities and is one of several activities in the department which relate to the work of the regional boards. In the case of this activity, judging from both the title and the description of the work, the funds should be budgeted with Water Pollution Control Board rather than with the department. Budgeting the funds with the Water Pollution Control Board would also be consistent with the policy of the Department of Finance to budget funds with the agency which has the statutory responsibility and to provide for reimbursement to the agency doing the work. There is already an activity under the program, "Service to Other Agencies," in the department's budget for this purpose but it is only for \$36,817. *It is therefore recommended that the sum of \$161,641 be removed from the department's budget and placed in the budget of the Water Pollution Control Board.* This recommendation does not change the program but only revises the method of budgeting.

**Design and Construction of State Water Facilities on
California Water Development Program**

The expenditures for salaries and wages, and operating expenses for the design, land acquisition and construction work of the department pertaining to the State Water Facilities is shown under the California Water Development Program. It is funded by reimbursement from the capital outlay portion of the budget. Contract construction and costs of land being acquired are shown as capital outlay expenditures on pages 936 to 942 of the Governor's Budget. The Capital Outlay Program, including the California Water Development Program in fiscal year 1961-62 is as follows:

Department of Water Resources—Continued

Planning	\$876,716
Design	7,283,633
Construction:	
Feather River Project.....	19,084,954
San Joaquin Valley-Southern California Aqueduct.....	10,512,233
South Bay Aqueduct.....	4,104,635
North Bay Aqueduct.....	369,447
Operation and maintenance.....	1,078,432
Sea water conversion plant.....	28,040
Financial assistance to local projects (Davis-Grunsky Act) ..	4,418,277
Total	\$47,756,367

Of the appropriations made in the Budget Act of 1960, somewhat less than half of the funds provided for Oroville relocation work will be expended during the current year with most of the remainder scheduled for expenditure during fiscal year 1961-62. The Budget Act of 1960 appropriated \$8,362,922 for the second stage construction of the South Bay Aqueduct, \$4,037,646 for the construction of subsidence facilities in the San Joaquin Valley in preparation for construction of the San Joaquin Valley-Southern California Aqueduct, and \$150,000 for repayment assistance on the Sacramento Valleys Canals Unit of the Central Valley Project. None of these three appropriations will be expended during the current year and none is scheduled for expenditure during the next fiscal year.

In general, the department has been unable to spend most of the funds appropriated last year and will be unable during fiscal year 1961-62 to spend \$24,000,000 of the funds appropriated in the Budget Act of 1959. Based on prior year experience it is also doubtful that the department will spend all the funds scheduled for expenditure during the current and next fiscal years, although the scheduling and control of the construction program is improving. In general, therefore, it can be concluded that the department is at least one year behind the schedule of prior appropriations and in some instances, such as the South Bay Aqueduct, is clearly two years behind schedule. Accordingly, it is reasonable to conclude that the \$32,876,161 scheduled for appropriation on page 941, line 23, of the Governor's Budget from the California Water Fund under the continuing appropriation provision of Senate Bill 1106 will not all be needed or expended.

The program control staff now being established in the Division of Design and Construction should provide considerably better scheduling of the construction program than in past years. Some of this improvement is already evident in the budget such as the schedule for design, right-of-way acquisition and construction shown by project and unit on pages 647 to 658 of the Governor's Budget. While a timing schedule has been established in the printed schedule in the Governor's Budget, it is still necessary to relate this schedule to physical accomplishment, funds budgeted and expended and staffing. Work is under way to include these further improvements in the schedule, but time is required to organize the system and get it into operation.

Briefly stated, the department's capital outlay program for fiscal year 1961-62 continues preliminary design on the major features of the

Department of Water Resources—Continued

State Water Facilities, continues the acquisition of rights-of-way for reservoirs and for project features scheduled for early construction, and continues the relocation work at Oroville, with the relocation work nearing completion at the end of fiscal year 1961-62. Construction of Frenchman Dam will be completed in fiscal year 1961-62 along with most of the work on the first stage of the South Bay Aqueduct.

Important new work proposed to be started during the next fiscal year includes initiation of clearing in Oroville Reservoir, construction of Oroville Diversion Tunnels, construction of the Feather River Fish Hatchery, preparation of designs and acquisition of lands to initiate construction of the Delta Pumping Plant and the northerly portion of the San Joaquin Valley Aqueduct in order to serve the South Bay Aqueduct by 1958, presumed initiation of construction of San Luis Dam by the Bureau of Reclamation, right-of-way acquisition for the North Bay Aqueduct and initiation of design on the master levee system and substitute water facilities in the Delta.

The above program is based upon several important assumptions which need to be set forth. The program contemplates delivery of water in Southern California by 1972 as provided in the contract signed by the department and Metropolitan Water District; it is based upon immediate construction of Oroville Dam and Reservoir; it contemplates successful negotiation of an agreement with the Bureau of Reclamation for the joint construction and operation of the San Luis features; the work in Southern California to locate the aqueducts and purchase aqueduct right-of-way is based upon certain assumed contract demands for water; and finally the schedule would appear to require the first sale of bonds in fiscal year 1963-64. It is possible therefore, that revisions may occur in this program before its execution because it is based upon presently uncertain factors.

Although there is no budget item to be analyzed for the department's Capital Outlay program, the following problem areas have been identified and appear to merit some comment:

1. For the current and next fiscal years the department has scheduled expenditures of \$206,970 and \$369,447 for right-of-way acquisition on the North Bay Aqueduct. Currently the North Bay Aqueduct is being replanned because the original plan proved to be unsatisfactory and lacked sufficient local support. Until the results of the new planning work are available, no one knows what type of project is needed, when it is needed or even whether it is needed in the next decade. It seems unwise to acquire land for this aqueduct until much more information is available and it is clear that there is a need to begin work on the aqueduct. Perhaps land acquisition should be included in the costs which the department should not incur until a 75 percent repayment of project costs is assured by signed contracts. The limitation placed on Item 353, Budget Act of 1960 requiring the 75 percent sign-up for the South Bay Aqueduct, does not appear to permit land acquisition for the South Bay Aqueduct in advance of a contract. However, the contract signed by the department and the Metropolitan Water District does not include land acquisition within the 75 percent sign-up requirement.

Department of Water Resources—Continued

2. The sum of \$31,661 is scheduled for design of recreation facilities at Oroville, but no report on the recreation development at that project has yet been released. Similarly, no report has been released as yet on the recreation facilities to be constructed at Frenchman. In the case of Frenchman no funds have been budgeted for recreation facilities at that project.

3. In the case of the San Luis project, \$160,000 has been budgeted for design, and \$43,448 for construction supervision during the next fiscal year. The Bureau of Reclamation is to do the design work on the San Luis project. Presumably the department will follow the progress of the bureau and review its work, but whether \$200,000 should be spent for review of the bureau's work is questionable.

Also included in the budget for expenditure on San Luis is \$2,800,000 which was originally proposed to be advanced to the Bureau of Reclamation for the bureau to start design and exploration work in San Luis. A recent news report from Washington, D. C., indicates that the bureau expects the department to advance \$400,000 this fiscal year and \$1,900,000 next fiscal year. The bureau will ask Congress for \$1,500,000 for design work next fiscal year. These matters are subject to final negotiation in the agreement between the bureau and the department which the federal San Luis authorizing bill requires to be signed by December, 1961. The bureau's present plan is to start construction of San Luis between July 1962 and July 1963 according to the news report.

4. Design work on the master levee system, the delta cross channel and substitute water facilities of the Delta Water Project is scheduled to the extent of \$383,898 for next fiscal year. As observed in our comments pertaining to the delta planning work, it does not appear that a sufficient number of the Delta problems will be resolved by this summer to permit design work to be initiated on the Delta Water Project. Since the test levees in the Delta have been constructed only this summer and further work will be done by the Division of Resources Planning on the test levees during next fiscal year, it appears premature to start construction design work during the next fiscal year with that limited experience.

5. As discussed more fully under the title of Continuing Appropriations pursuant to Senate Bill 1106 in the analysis of the preceding budget item, the Governor's Budget finances Davis-Grunsky Act loans and grants through the continuing appropriation provisions of Senate Bill 1106. Accordingly the budget shows expenditures of \$1,400,000 in fiscal year 1960-61 and \$4,191,250 in fiscal year 1961-62 for loans and grants pursuant to the Davis-Grunsky Act. An additional \$227,027 is to be appropriated and expended in fiscal year 1961-62 for costs of administering the Davis-Grunsky Act. These expenditures will result, pursuant to Senate Bill 1106, in the offsetting of bond proceeds and in a reduction of the bond funds available to construct the State Water Facilities. Either a delay in funding these loans and grants until bond proceeds are available or including an appropriation item in the Budget Bill for them, which special appropriation would be

Department of Water Resources—Continued

outside the continuing appropriation authority and bond offset provisions of Senate Bill 1106, would appear to be the only effective methods of preventing the funding of these grants and loans from reducing the net bond proceeds available to finance construction of the State Water Facilities.

6. This analysis has pointed out in the past that there is no technical budgetary review given to the department's capital outlay program outside of the Department of Water Resources. It is apparent from the wide diversion between budgeting and program execution in past years that there is need for some review to assure (a) that there is a reasonable probability that the budgeted funds can be expended, (b) that the estimate of fund requirements is reasonable, (c) that in general the engineering being done does not involve excessively high standards or "goldplating," (d) that the construction timing and inter-relationship of various features is realistic, (e) that engineering management places proper emphasis upon minimizing costs, and (f) that the funding requirements will not create other budgetary or fiscal problems. The department's experiences to date on the Whale Rock Project, the San Joaquin Valley Flood Control Project and the relocation of utilities at Oroville have not demonstrated the necessary concern for minimizing costs. Budgetary review outside of the department involving some technical analysis of the Capital Outlay program appears desirable. This is a factor the Legislature may wish to consider in determining the extent it may wish the normal controls of state government, such as is now exercised over the state building program, to be established over the department's Capital Outlay program. Our office has not done this in the past, and we propose to increase our review of capital outlay costs and program.

STATE WATER RIGHTS BOARD

ITEM 267 of the Budget Bill

Budget page 673

**FOR SUPPORT OF THE STATE WATER RIGHTS BOARD
FROM THE GENERAL FUND**

Amount requested	\$830,860
Contribution to State Employees' Retirement System	43,500
Total	\$874,360
Estimated to be expended in 1960-61 fiscal year	860,352
Increase (1.6 percent)	\$14,008

TOTAL RECOMMENDED REDUCTION None

GENERAL SUMMARY

The State Water Rights Board was created as an independent state agency in 1956, and is responsible for administration of the appropriation of unappropriated water, assistance in the determination of water rights through the court reference and statutory adjudication procedure, and administration of the recordation of certain data on ground water extractions in Southern California. The board, which consists of three members appointed by the Governor, is principally

State Water Rights Board—Continued

concerned with the conduct of hearings to decide conflicting applications for permits to appropriate water. The board staff devotes much of its time to the processing of unprotested applications, investigation and analysis of the facts relative to protested applications, and ensuring through permit and license inspection that appropriated water is actually put to beneficial use.

ANALYSIS

Support of the board's routine activities for 1961-62 continues at approximately the same or reduced level compared with the current year. Because of the anticipated completion in 1961 of the two major adjudications there will be a significant decrease in reimbursements from this source, with a corresponding decrease in personnel and operating expense. *It is recommended that this item be approved.*

Although the board's proposed budget is recommended for approval as requested, there are two general problem areas related to the board's activities warranting inclusion in this analysis.

First, *it is recommended that the board carefully review the history, purpose, and intent of the relevant statutes concerning reimbursement of state expenses in the application and permit process.* This review should ascertain the original concept of fee systems, analyze the modifications which have occurred, and project the original fee system to current operations and costs.

From the beginning there has always been some kind of fee system for certain activities in this field, but over the years its purpose has become blurred, and inflation has reduced the ability of fees to cover actual costs. At present, the board is fully reimbursed for activities related to adjudications, court references, and recordation of ground water extractions, but receives only token support from fees for applications, permits and licenses. The State bears nearly the full cost of permit and license inspection, and this fact may contribute to a lack of individual responsibility in providing and maintaining proper records for state use, thereby increasing state costs.

Second, this is the fifth year of the board's operation as an independent state agency, and these first years have been devoted to a build-up of staff and initiation of procedures designed to reduce the backlog of unprocessed applications, resolve the major conflicting applications, and initiate a continuing recordation program of ground water extractions. However, with the probable completion of major decisions on complex applications in the near future and a leveling off of activity, the time has come to ascertain the stable, long-range staffing requirements of the board. Although it is probable that an increasing number of applications will continue to be received each year, it appears that completion of the complex decisions on major disputed rivers should expedite the resolution of these applications.

This problem is directly related to the determination of a reliable and meaningful workload classification. In an attempt to solve this problem, this office has spent considerable time with the staff of the board in developing such a classification, and while not available for this analysis, it is expected to be useful in next year's budget preparation and analysis.

**Department of Water Resources
RECLAMATION BOARD**

ITEM 268 of the Budget Bill

Budget page 674

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

Amount requested	\$173,602
Contribution to State Employees' Retirement System	33,688
Total	\$207,290
Estimated to be expended in 1960-61 fiscal year	206,793
Increase (0.2 percent)	\$497
TOTAL RECOMMENDED REDUCTION	None

GENERAL SUMMARY

The Reclamation Board was created in 1911 with the basic responsibility of controlling the flood waters of the Sacramento and San Joaquin River systems. In 1957, the statutory codification which clarified the status of remaining state water agencies to the newly created Department of Water Resources authorized continuation of the Reclamation Board within the department, although it was to continue its independent powers, responsibilities, and jurisdiction. The board consists of seven members appointed to serve at the pleasure of the Governor, with no specific requirements for representation of the membership.

The board's general objective of controlling floodwaters has been translated into several specific responsibilities, such as the acquisition of lands, easements, and rights of way and the relocation of improvements necessary to the construction of certain flood control projects by the U.S. Corps of Engineers, the fulfillment of certain construction obligations assumed by agreement with the federal government, and the issuance of permits for local construction and encroachment on rivers within the board's jurisdiction.

ANALYSIS

Proposed 1961-62 expenditures of \$207,290 for support of the board continue at almost exactly the same level as those for the current year, with no additional personnel requested at this time. *Approval of this request is recommended.*

Although this total reflects a negligible increase over the current year, it is noted that the true support costs of the board are somewhat greater because of the practice of showing only a portion, in this case approximately 32 percent, of the total support expenditures in the support budget. The balance of \$437,501, or 68 percent, is reimbursed to the board from expenditures made in the local assistance section of the budget.

It seems apparent that the diffused and uncertain division of responsibilities between the Reclamation Board and the Department of Water Resources hinders the effective resolution of problems common to both agencies.

A prime example of this situation can be found in a major activity of the board in recent years—the construction of the Lower San Joaquin River Flood Control Project. This responsibility, which involves actual

Reclamation Board—Continued

construction of a portion of the project, is a departure from the usual procedure of acquiring lands, easements, and rights of way for the construction of projects by the Corps of Engineers. Our 1957-58 analysis notes that the project "is currently estimated to cost \$6,500,000 and is scheduled for completion by July 1, 1960." Since that time the project has been subject to considerable delay, with accompanying cost increases to the present unofficial estimate of \$16,000,000, and an estimated completion date of December, 1963. This estimate is based on a plan approved in 1958, and is subject to further modification. As a matter of fact, within the last six months disagreements over the design and location of various features in the upper portion of the project have resulted in a special study and reanalysis by a private consultant.

The funds for design and construction of the project have been appropriated to the Reclamation Board, which in turn has contracted with the Department of Water Resources for design and supervision of construction. The department's costs have shown a steady increase from \$472,359 in 1959-60 to \$539,133 in the current year, with proposed expenditure of \$808,527 in 1961-62. Although these costs are theoretically controlled by the board, they are in fact not controlled, and moreover do not appear to be under any effective control. Further, because of new delays in plans for the current year, the 1961-62 estimated expenditures are subject to additional modification. Because the responsibility for this project has been given by statute to the Reclamation Board, the department disclaims all policy responsibility, contending that it is only providing technical services to the board. The board, which has had a difficult time in formulating the policy, disclaims all management responsibility for the department's costs and activities once the policy has been determined and the general guidelines given to the department. This vague division of responsibility between the two agencies contributes to a general lack of control of this important flood control project.

This situation pertaining to the project reverses the traditional role of the board and the department. The board has historically performed acquisition and relocation functions only, which are functions similar to those performed by local agencies and districts outside the Central Valley with funds allocated by the Department of Water Resources. The board does not appear to have been established as a constructing agency, but rather, as an adjunct to federal construction of flood control projects, without any responsibility for project engineering and management.

In view of the uncertain responsibility, repeated delays, and steadily increasing costs of the State's portion of the Lower San Joaquin River Flood Control Project, it seems imperative that the authority and responsibility for this project be centralized in one agency. *Accordingly, it is recommended that the Reclamation Board be abolished and its duties, responsibilities, and staff transferred to the Department of Water Resources.*

Although implementation of this recommendation appears to provide the opportunity for an effective solution to the increasingly serious and

Reclamation Board—Continued

expensive problems in completing the San Joaquin River Flood Control Project, it will also clarify other areas of blurred responsibility between the board and the Department of Water Resources, such as the inspection and maintenance of levee systems.

This is not a new recommendation. It was made previously after thorough study of the problem by both the 1955 Assembly Interim Committee on Government Organization, which studied and recommended the present Department of Water Resources, and by the Governor's Committee on Organization of State Government in its 1959 report.

COLORADO RIVER BOARD

ITEM 269 of the Budget Bill

Budget page 676

**FOR SUPPORT OF THE COLORADO RIVER BOARD
FROM THE GENERAL FUND**

Amount requested -----	\$221,072
Contribution to State Employees' Retirement System -----	13,598
Total -----	<u>\$234,670</u>
Estimated to be expended in 1960-61 fiscal year -----	234,670
Increase -----	None
TOTAL RECOMMENDED REDUCTION -----	None

GENERAL SUMMARY

The Colorado River Board was created in 1937 with the primary objective of protecting the rights of certain local public agencies to the use of Colorado River water. The board, which is composed of the representatives of six local irrigation and water districts in Southern California, implements this objective by compilation and analysis of certain engineering and legal data pertaining to the utilization of Colorado River water, appearances before Congress and interested federal agencies, and conferences with other states in the Colorado River Basin regarding existing and proposed developments on the river system.

ANALYSIS

The board's proposed budget for 1961-62 is exactly the same as estimated expenditures for the current year, and reflects a continuation of activities of approximately the same level. No additional positions are requested at this time. *Approval of this item is recommended.*

Included in the proposed budget is a request for \$9,000 for the services of attorneys and special representatives. This is in accordance with the terms of a contract with Northcutt Ely, Attorney at Law, in Washington, D.C., which has been renewed annually since 1953. The terms of this contract do not specify or limit the nature of these services, which are described only as personal services. *It is recommended that the Department of Finance review this contract to determine exactly what services are and have been rendered for the board.* It would seem desirable for the contract terms to be more specific, and for the bills to detail the kinds of services rendered and the time devoted to each.

There are a number of questions concerning the future role of the board which have significant implications to its non-suit-related activi-

Colorado River Board—Continued

ties, and in turn to future budget requests. These questions, which are set forth as follows, point to the need for a thorough review of the board's organization and purposes upon conclusion of the Arizona-California suit.

First, although six local water agencies are represented on the board, Los Angeles and San Diego actually enjoy duplicate representation by virtue of their membership in the Metropolitan Water District, which is also represented on the board. However, a number of other water users, many of them quite large, do not have this independent representation.

Second, the board does not include power users in its membership. This is significant because while the board purports to represent the interests of the State by actually representing only a portion thereof, the absence of power users precludes complete representation of even this portion of the State. At present, power users are brought into the picture only by membership on a "co-ordinating committee." However, in view of the requirements in Sections 12528 and 12531 of the Water Code with respect to the use of Colorado River water, and the growing importance of power as a use of this water, the present organization seems inconsistent with the problems involved.

Third, as a result of discussions with the board's staff, it seems apparent that in the last ten years there have been several phases in the activities of the board, beginning with the Arizona-California suit which resulted in the large build-up of staff commented on in our previous analyses. Suit-related activities have now declined to ten percent of total expenditures, and with the next major activity, the filling criteria for Glen Canyon Dam now substantially completed, it appears that work on Bridge and Marble Canyon Dams will be the major activity of the board. If this is an accurate appraisal, it is not clear in the budget justification. This justification needs to be completely rewritten to present a clear, accurate picture of the board's present and proposed programs in terms of objective, content, and cost.

Fourth, although the Water Code specifies that all records of the board are confidential, this requirement is clearly inconsistent with the purposes of a public agency, and also recent legislative policy. The Water Code also notes that the board shall make such reports as it deems necessary. As the board has been engaged in some important work over the years, an annual report to the public summarizing its activities and significant accomplishments might well be justified.

It appears from the preceding discussion that the basic issue which must eventually be resolved is whether two public agencies of the State, one a State supported board composed of six local agencies with the sole purpose of protecting certain rights of these agencies, and the other a Department of Water Resources representing the entire state, shall have divided and unco-ordinated responsibilities in water matters of state-wide interest. Sound public management requires that responsibilities not be so divided, but rather, clearly defined and administered.

KLAMATH RIVER COMPACT COMMISSION

ITEM 270 of the Budget Bill

Budget page 678

FOR SUPPORT OF THE KLAMATH RIVER COMPACT COMMISSION
FROM THE GENERAL FUND

Amount requested -----	\$5,698
Amount appropriated 1960 Budget Act -----	572
Increase (896.2 percent) -----	\$5,126
TOTAL RECOMMENDED REDUCTION -----	None

GENERAL SUMMARY

The Klamath River Compact Commission was created in 1957 with approval by Congress of the terms of the interstate compact between California and Oregon. The compact was ratified by the California Legislature with passage of Chapter 113, Statutes of 1957.

The commission is composed of the California Director of Water Resources, the Oregon State Engineer, and an appointee of the President representing the federal government. The major objective of the commission is the orderly, integrated, and comprehensive development and conservation of the waters of the Klamath River Basin for irrigation, domestic, industrial, fish and wildlife, recreation, power, flood control, and navigational uses.

ANALYSIS

In accordance with the terms of the Klamath River Compact of 1957, California and Oregon share equally the costs of the commission. California's share in 1961-62 will amount to \$5,698, an increase of \$5,126 over the amount appropriated in 1960-61. *Approval of this request is recommended.*

The financial organization and history of the commission is somewhat complex because Oregon appropriates funds biennially, and the support funds from both states are deposited in a trust account from which expenses are withdrawn as incurred. The act which ratified the commission in 1957 appropriated an initial \$12,000 as California's share of the cost of the commission, an additional \$2,343 was appropriated in 1959, and \$572 in 1960. Total actual 1959-60 expenditures were \$6,938, estimated total 1960-61 expenditures are \$17,301, and proposed total expenditures for 1961-62 are \$16,890. As previously indicated, California and Oregon share these expenditures equally.

The commission's program for 1961-62 includes \$3,000 for a continuation of the land use inventory, \$4,000 for continuation of the water quality basic data survey, \$1,000 for initiation of a fish and wildlife water use study, and \$1,000 for initiation of a water rights study of the Klamath Indian Reservation. In addition, the commission has contracted \$2,830 for the part-time services of an executive director and secretary.

Although the situation is improved, it appears that in the past the funds deposited in the trust account have been somewhat excessive.

Department of Water Resources

CALIFORNIA-NEVADA INTERSTATE COMPACT COMMISSION

ITEM 271 of the Budget Bill

Budget page 679

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

Amount requested -----	\$98,000
Estimated to be expended in 1960-61 fiscal year -----	94,840
Increase (3.3 percent) -----	\$3,160

TOTAL RECOMMENDED REDUCTION -----	None
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GENERAL SUMMARY

The commission was established in 1955 to represent California in negotiating the terms of an interstate compact with Nevada covering the distribution and use of the waters of Lake Tahoe and the Carson, Truckee, and Walker Rivers. When the commissions of the respective states and interested federal agencies have agreed on the terms of the compact, it will be submitted to the California and Nevada Legislatures and Congress for approval.

The membership of the commission consists of the Director of Water Resources and six members appointed by the Governor from among persons residing, owning property, or engaged in business in the basins of the Carson, Truckee, and Walker Rivers and Lake Tahoe. The commission began its deliberations in November, 1955.

ANALYSIS

The commission is requesting a total of \$98,000 to finance its activities in 1961-62, which is a \$3,160, or 3.3 percent, increase over anticipated expenditures for the current year. *Approval of this request is recommended.*

The initial phases of the commission's work were devoted to determining the problems which must be resolved in the compact and establishing a program to gather and analyze the data necessary for resolution of these problems. Some of the major problem areas concern the existing water supply originating in the respective basins; the present uses of this water; the probable future requirements of this area; wild-life, fish, recreation, and pollution considerations; vested water rights; and the special problem of determination and maintenance of a given water level in Lake Tahoe. Compilation and analysis of engineering and legal data pertinent to these problems is performed for the commission by the Department of Water Resources and the office of Attorney General. Approximately 95 percent of the proposed budget, or \$93,355, will be expended for these contract services from the Department of Water Resources in 1961-62.

The commission initially anticipated that compilation of much of the basic data would be completed in the first two or three years, with the remaining steps being the analysis and translation of this information into compact terms. Accordingly, several predictions were made of tentative dates for submission of the completed compact to the respective legislatures. In fact, the Governor's Budget for 1961-62 indicates that the commission is hopeful for completion of its work by the end of fiscal year 1961-62.

California-Nevada Interstate Compact Commission—Continued

However, it appears that only the most general agreement has been reached concerning the administrative provisions and powers of the permanent commission and that a tentative division has been made of the waters of Lake Tahoe. Problems associated with the Carson, Walker, and Truckee Rivers are still in the study stage. It appears that the data required is still dependent on reaching a basic decision by the joint commission concerning the scope of powers of the permanent commission because the more restricted its final authority, the more problems must be resolved before its creation.

WATER POLLUTION CONTROL BOARD

ITEM 272 of the Budget Bill

Budget page 680

**FOR SUPPORT OF THE WATER POLLUTION CONTROL BOARD
FROM THE GENERAL FUND**

Amount requested	\$917,362
Contribution to State Employees' Retirement System	34,796
Total	\$952,158
Estimated to be expended in 1960-61 fiscal year	936,010
Increase (1.7 percent)	\$16,148
TOTAL RECOMMENDED REDUCTION	None

GENERAL SUMMARY

The Water Pollution Control Act of 1949 established a State Water Pollution Control Board and divided California into nine water pollution control regions, each of which is administered by a semi-autonomous regional board.

The state board, which consists of the Directors of Water Resources, Fish and Game, Public Health, Agriculture, and Natural Resources, plus nine members appointed by the Governor, is responsible for the formulation of statewide policy for the control of water pollution, the administration of statewide programs of financial assistance for water pollution control, the administration of statewide research programs into the technical phases of water pollution control, the correction of pollution conditions not corrected by regional boards, and the co-ordination and submission of budget requests for the regional boards.

The regional boards consist of seven members appointed by the Governor and are responsible for long-range regional plans and policies for water pollution control, recommendations of projects for federal financial assistance, coordinated programs of abatement and prevention of water pollution, encouragement and assistance in the development of self-policing waste disposal programs, requests for enforcement of water pollution laws by appropriate federal, state, and local agencies, prescription of discharge requirements for all existing and proposed waste dischargers, and issuance of cease and desist orders in cases of noncompliance with discharge requirements.

**Water Pollution Control Board—Continued
ANALYSIS**

The proposed 1961-62 expenditures for the state water pollution control program are \$952,158, which is an increase of \$16,148, or 1.7 percent, over estimated expenditures for the current year. These funds include \$657,858 for support of the State Water Pollution Control Board and the nine regional pollution control boards, \$229,300 for field and laboratory services by other agencies, and \$65,000 for general research in the technical phases of water pollution control. *It is recommended that this request be approved.*

Support expenditures of the State and regional boards and anticipated expenses for field and laboratory services by other agencies will remain at substantially the same level as the current year, with no new positions requested at this time. The research program shows a sharp decrease resulting from completion of some major projects, planned reduction in others, and termination of board expenditures from substantial federal program grants under Public Law 660.

The fact that this analysis recommends approval of the 1961-62 budget is not an indication of any lack of problems in the administration of water pollution control in California. When viewing the total problem of water pollution control in California, it becomes clear that the organization and procedures for administering present programs fall short of achieving the most efficient and effective results. For example, 13 state agencies—the 10 state and regional pollution control boards, the Department of Water Resources, the Department of Fish and Game, and the Department of Public Health—are involved with one or more phases of water pollution control, and to a varying degree, each has its own water sampling program and enforcement responsibilities. Overlap and duplication are inherent in this situation, and most of these agencies have long-range plans for increasing staff and undertaking additional work. Furthermore, the present regional organization of the state water pollution control boards results in an excessive number of highly paid executive officers, and there appears to be only a minimum of standardization among the regional boards because of the autonomy each enjoys.

The present system of waste discharge monitoring by the regional boards will require ever-increasing staff as more discharge requirements are set. However, as pointed out in our previous analyses, and confirmed in a special field investigation by this office, many of the regions are not aggressively pursuing a program of local co-operation but wish to add staff for performance of duties which the Water Pollution Control Act permits to be performed by local and private entities. Assumption of local responsibility by the regional board can effectively discourage any further local co-operation and action.

Another problem is the requirement in law for the regional boards to set individual waste discharge requirements. While this procedure achieves results in each case, a shift of emphasis from individual discharge requirements to general standards of receiving water quality would permit more standardization and a corresponding decrease in the work required to set each discharge requirement.

Water Pollution Control Board—Continued

It is apparent from a proposed addition to the Administrative Code dealing with statewide policy for control of water pollution that the State board is giving attention to this problem of the formulation of discharge requirements. The board is to be commended for moving in a direction which places emphasis on the maintenance of water quality and the standardization and integration of waste discharge requirements. The Department of Finance and the Department of Water Resources as well as the state board are also collecting and analyzing data which may eventually lead to some solution of the above problems.

Miscellaneous

WORKMEN'S COMPENSATION BENEFITS FOR STATE EMPLOYEES

ITEM 273 of the Budget Bill

Budget page 687

FOR SUPPORT OF WORKMEN'S COMPENSATION BENEFITS FOR STATE EMPLOYEES, FROM THE GENERAL FUND

Amount requested	\$1,950,000
Estimated to be expended in 1960-61 fiscal year	1,750,000
Increase (11.4 percent)	\$200,000
TOTAL RECOMMENDED REDUCTION	None

GENERAL SUMMARY

In the provision of workmen's compensation insurance for state employees the State is a self-insurer. Costs entailed include compensation, hospitalization, and medical care for state employees injured in line of duty and whose salaries are paid from the General Fund. The State Compensation Insurance Fund administers the details of processing claims and paying benefits.

ANALYSIS

Expenditures requested for the budget year are scheduled at \$1,950,000, an increase of \$200,000 or 11.4 percent over estimated payments for the current year.

We recommend approval as budgeted. The requested increase is consistent with annual increases in past years.

We must, however, call attention, as we have in our previous two analyses, to the compensable injury experience of the Department of Mental Hygiene.

The consistently high cost of payments for employee injuries in this department as compared to the total of the remainder of the General Fund agencies is illustrated by the following table:

<i>Fiscal year</i>	<i>Total payments for all General Fund agencies</i>	<i>Payments Department of Mental Hygiene only</i>	<i>Department percentage of total payments</i>
1956-1957	\$1,000,522	\$550,798	55.0
1957-1958	1,280,308	760,270	59.3
1958-1959	1,367,023	814,535	59.5
1959-1960	1,675,064	892,355	53.2

The foregoing table includes the four-year period for which we have readily available detailed lists of payments made in behalf of General Fund agencies. During the 1959-1960 fiscal year authorized positions in the department totaled 19,221 out of the 74,976 authorized positions in