

Resources Agency
TAHOE REGIONAL PLANNING AGENCY

Item 173 from the General

Fund

Budget p. 409

Requested 1977-78	\$50,000
Estimated 1976-77	100,000
Actual 1975-76	30,000
Requested decrease \$50,000 (50.0 percent)	
Total recommended increase	\$50,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. *Support for Tahoe Regional Planning Agency. Augment Item 173 by \$50,000.* Restore current year level of state contribution. 316
2. *Enforcement Efforts.* Recommend Legislature request California Tahoe Regional Planning Agency and Tahoe Regional Planning Agency to coordinate efforts in enforcing their individual rules and regulations. 316

GENERAL PROGRAM STATEMENT

The Tahoe Regional Planning Agency (TRPA) was established by interstate compact. The compact was approved by the California Legislature through Chapter 1589, Statutes of 1967, by the Nevada Legislature and the U.S. Congress. The purpose of the compact was to provide coordinated plans and enforceable regulations to preserve and enhance the environment and resources of the entire Lake Tahoe Basin. An interstate compact takes precedence over state enactments because it represents an agreement between sovereign states and Congress.

The California Tahoe Regional Planning Agency (CTRPA) was established by Chapter 1589, Statutes of 1967, as a backup agency to provide planning and environmental controls over the California side of the Tahoe Basin if the bistrate agency were not activated. A series of changes has occurred to CTRPA. The agency was activated on a permanent basis. In addition, by Chapter 1064, Statutes of 1973, the agency membership was revised to provide for greater statewide representation and for state funding of CTRPA's costs. Since that time, CTRPA has existed as a separate agency which administered duplicate controls on the California side of the Basin more stringent than TRPA.

The Legislative Counsel has stated that CTRPA is not a state agency but is a political subdivision (Government Code Section 67040) functioning within the provisions of Article VI of the bistrate compact which provides for political subdivisions (local government) to adopt standards equal to or higher than TRPA. The Legislative Counsel also found that the State of California would not be held liable for any damages awarded against CTRPA in any inverse condemnation action. Although the state supports CTRPA financially, it is nevertheless not responsible for CTRPA's actions.

ANALYSIS AND RECOMMENDATIONS

In past years the Legislature contributed voluntarily approximately \$100,000 per year to assist the TRPA with its work. Nevada contributed one-half that amount. Large sums of federal funds were also made available. In the Budget Act of 1975 the California Legislature reduced the funding for TRPA from \$100,000 to \$30,000 and augmented the funding for CTRPA from \$50,000 to \$150,000.

When this change was made there was concern expressed in the Legislature that the TRPA was not doing an adequate job of protecting Lake Tahoe and that the CTRPA was doing a better job. However, the Legislature did not wish to indicate that it was withdrawing support from the TRPA. There was general agreement that TRPA provided the long-term basis for protecting Lake Tahoe.

Therefore the Budget Act contained the following language in Item 212:

"The 1975 Budget Act shifts certain funding to the California Tahoe Regional Planning Agency which previously had been made available to the Tahoe Regional Planning Agency. In making this shift it is not the intent of the California State Legislature to displace the Tahoe Regional Planning Agency with the California Tahoe Regional Planning Agency but rather to support the most effective agency under current circumstances. The Legislature will support the Tahoe Regional Planning Agency when it becomes an effective bistate agency.

The result of the action on the Budget Act of 1975 was to provide a minimum level of funding for both TRPA and CTRPA for the current year while allowing more time to study developments and determine an appropriate course of state action with respect to each agency.

Action Taken in Budget Act of 1976

Our 1976-77 Analysis raised the basic issue of the state's position with respect to financing two regulatory agencies at Lake Tahoe, that is, CTRPA and TRPA. It did this by recommending the restoration of the \$100,000 per year prior level of support for TRPA and eliminating support for CTRPA.

The action of the Legislature was threefold:

1. Funding for TRPA was increased to \$100,000 in order to maintain full state participation in TRPA and in recognition of the prospect that TRPA provided the only apparent long-term solution to protection of Lake Tahoe.

2. The budget request of CTRPA was approved in full on the premise that CTRPA would be continued at least until TRPA could be strengthened.

3. Legislation to strengthen TRPA was enacted and forwarded to Nevada for consideration. One feature of the legislation was to provide for absorption of certain CTRPA regulations by TRPA and abolition of CTRPA upon approval of the compact amendments by Nevada and the Congress. In essence the decision of the Legislature was to maintain the status quo between TRPA and CTRPA at Lake Tahoe until the bistate compact under which TRPA operates could be strengthened.

TAHOE REGIONAL PLANNING AGENCY—Continued**Augmentation of TRPA Budget**

We recommend an augmentation of \$50,000 to the funding for TRPA in Item 173 to restore the existing level of state funding.

The Governor's Budget request for next year reduces the state's contribution to TRPA from \$100,000 as established by the Legislature in the current year to \$50,000. The indications are that this reduction was made because the budget submission of TRPA, which serves the purposes of the federal government, two states, and five counties, was not comparable to the budget submission of California state agencies. Available information does not indicate that a policy decision to withdraw support was involved. We believe that the technical budgetary decision to reduce the \$50,000 was not consistent with the position of the Legislature last year.

In addition, the Governor of Nevada in his state-of-the-state message has proposed further consideration of compromise language for the TRPA compact. Further negotiation between California and Nevada can most profitably occur if the Legislature's compromise budgetary position of last year is continued and \$100,000 provided to TRPA.

Enforcement Efforts

We recommend that the Legislature request CTRPA and TRPA to coordinate their staff efforts in enforcing their individual rules and regulations.

Somewhat typical of the problems presented by two regulatory agencies at Lake Tahoe is the fact that both TRPA and CTRPA are proposing to add one field enforcement position next year. There is sufficient workload for the two new positions to inspect projects for conformance to permit terms, rules and regulations. However, the permit terms of the two agencies are sometimes different, even when covering the same project feature. Double inspection by TRPA and CTRPA for essentially the same conditions is not acceptable as good government or in the best interests of the public.

Both TRPA and CTRPA have indicated that arrangements can be made to consolidate field inspections and minimize duplicate inspections. We believe that the Legislature should request the two agencies to minimize duplication whenever possible.

Resources Agency
WATERWAYS MANAGEMENT PLANNING

Item 174 from the General
Fund

Budget p. 409

Requested 1977-78	\$305,137
Estimated 1976-77	327,863
Actual 1975-76	282,026
Requested decrease \$22,726 (6.9 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The California Protected Waterways Act of 1968 established the policy of the State of California to provide for the protection of those waterways which possess extraordinary scenic, fishery, wildlife, or recreational values.

Subsequently, the Legislature, in Chapter 761, Statutes of 1971, directed the Resources Agency to develop detailed management plans for portions of 20 specified waterways on the north coast. In addition to the scenic, wildlife, recreational and free flowing river aspects, the plans were to include evaluations of flood control, water conservation, streamflow augmentation, water quality improvement, and fishery enhancement. Passage of ACR 32 (1973) and AB 1735 (1975) added three streams.

The California Wild and Scenic Rivers Act of 1972 provided that six rivers and certain tributaries be preserved in a natural state. The act directed the Resources Agency to prepare management plans and to administer the plans for the protection of the rivers.

Originally the administration of these two acts was placed with the Waterways Management Planning Unit in the Resources Secretary's Office. In March 1975, responsibility was delegated by the Resources Secretary to the Department of Fish and Game.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

In the 1975-76 Analysis we noted a lack of progress in this program. Supplementary budget language directed the Resources Secretary to prepare a report by December 1, 1975, to redesign the program, evaluate problems in complying with current law, and propose recommendations for needed changes in the law. The revised program, instituted pursuant to the report's recommendations, is contracting with consultants to prepare the river plans instead of using staff assigned to the Resources Secretary.

Preparation of Management Plans

Preliminary plans have been prepared for two rivers covered by the Wild and Scenic Rivers Act, the Van Duzen River and the Salmon River. Public hearings have been held on these plans in the local areas directly affected. Preliminary plans for the Lower Fork of the American River, the

WATERWAYS MANAGEMENT PLANNING—Continued

North Fork of the American River, and the Scott River are expected to go to public hearings in February and March 1977. Final plans on all five of these rivers are expected to be transmitted to the Legislature for approval by July 1, 1977.

These plans describe the resources within the planning area for each river and assess the conditions which threaten the quality of these resources. The plans also recommend actions which should be taken to protect these resources, including implementation, monitoring and plan amendment. Some of these recommendations, particularly those relating to local government, would require action by the Legislature before they could be implemented on other than a voluntary local basis.

In the current year, work is also scheduled to begin on a 2½ to 3-year planning program for the Smith River. Program staff estimate that work on the Eel River should get underway in July 1977, with work on either the Klamath or the Trinity to begin in July 1978. It is anticipated that the planning program for each of these rivers will also take from 2½ to 3 years to complete.

Except for the Lower and North Forks of the American River, all the rivers covered by the Wild and Scenic Rivers Act are also covered by the California Protected Waterways Act. Progress on these rivers named in both acts is covered in the preceding discussion. Because priority has been given to work on the Wild and Scenic Rivers, work on rivers covered only by the Protected Waterways Act is limited to the extent that local governments are willing to do the planning and fund part of the planning effort. At present only work by Santa Cruz County on the San Lorenzo River fits this description. The Preliminary Report on the San Lorenzo River was released in August 1976.

This budget item provides \$68,400 for three positions in 1977-78. Operating expenses are budgeted at \$236,737. Of this amount, \$162,520 is for consultant contracts for the first phase of work on the Smith and Eel Rivers, and approximately \$20,000 is scheduled as reimbursement to Santa Cruz County for work on the San Lorenzo River.

The decrease from the current year to the budget year is due to the expenditure of \$34,026 in the current year carried over from a \$50,000 appropriation made in the Budget Act of 1972.

**Resources Agency
SEA GRANT PROGRAM**

Item 175 from the General
Fund

Budget p. 409

Requested 1977-78	\$500,000
Estimated 1976-77	500,000
Actual 1975-76	477,529
Requested increase—none	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The National Sea Grant College Program Act of 1966 (P.L. 89-688) authorizes federal grants to institutions of higher education and other agencies engaged in marine resources development programs. Federal funds provide up to two-thirds of the total cost of approved projects.

Chapter 1115, Statutes of 1973, allocates to the Resources Agency \$500,000 annually for fiscal years 1974-75 through 1978-79 from state tidelands oil and gas revenues for distribution to higher education institutions. The state funds finance two-thirds of the local match required by the federal government for sea grant projects. The Resources Secretary approves the projects which are selected by an advisory panel of representatives from state departments, higher education and private industry. The projects selected for state support must have a clearly defined benefit to the people of California.

Participants in the program include several campuses of the University of California, the State University and Colleges, Stanford University and the University of Southern California.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The advisory panel has prepared a program budget statement to assist in the selection of projects. The program elements are:

1. Coastal Zone Resources Planning and Management
2. Coastal and Marine Recreation
3. Living Marine Resources
4. Energy Resources
5. Marine Mineral Resources
6. Waste Management
7. Marine and Coastal Advisory Service
8. Rapid Response

The objectives of the elements are stated in terms which suggest long-term, continuing research projects. For example, the stated objective of the Living Marine Resources element is, in part, to:

“Sponsor research leading to an understanding of the state’s living marine and anadromous resources for the purpose of improved management. . . .”

The objectives are open-ended and the state’s needs in each of the

SEA GRANT PROGRAM—Continued

element areas are probably boundless.

Although all the projects for 1977-78 have not yet been selected, the advisory panel has indicated priority areas for the budget year as follows:

1. Extended fishing jurisdiction of the United States from 12 to 200 miles.
2. Alaska oil.
3. Coastal Zone Act.
4. Shoreline protection.
5. Thermal effluent/water quality.
6. Marine minerals.

Under existing law, the \$500,000 allocation terminates after the 1978-79 appropriation. During that year, the Legislature is to consider recommendations from the Resources Agency Secretary and determine whether or not to continue similar appropriations in subsequent years.

Resources Agency

CALIFORNIA TAHOE REGIONAL PLANNING AGENCY

Item 176 from the General Fund

Budget p. 410

Requested 1977-78	\$254,300
Estimated 1976-77.....	220,000
Actual 1975-76	150,000
Requested increase \$34,300 (15.6 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Enforcement Efforts. Recommend Legislature request California Tahoe Regional Planning Agency and Tahoe Regional Planning Agency to coordinate staff efforts in enforcing their individual rules and regulations. 316

ANALYSIS AND RECOMMENDATIONS

See discussion under Tahoe Regional Planning Agency (Item 173), page 314.

Resources Agency
ENVIRONMENTAL PROTECTION PROGRAM

Item 177 from the California
Environmental Protection
Program Fund

Budget p. 412

Requested 1977-78	\$301,000
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Chapter 779, Statutes of 1970, established the California Environmental Protection program to preserve and protect California's environment, including the control and abatement of air pollution generated by motor vehicles.

The law also created the California Environmental Protection Program Fund to receive the revenue from the sale of personalized license plates. There is a continuing appropriation from the fund to the Department of Motor Vehicles of an amount equal to the cost incurred in administering the sale of plates. The balance of the fund is available for program expenditures after appropriation by the Legislature.

The Secretaries of the Resources and Business and Transportation Agencies are responsible for the development of the program and determination of priorities.

ANALYSIS AND RECOMMENDATIONS

Fund Status

On June 30, 1976, the surplus in the California Environmental Protection Program Fund was \$2,331,931. Revenues from personalized license plate sales are estimated to be \$3,892,500 in the current year and \$4,437,700 in the budget year. The surplus at the end of the budget year is estimated to be \$28,529.

The budget estimates expenditures from the California Environmental Protection Program Fund in 1977-78 will be \$5,825,827. Most of the expenditures will be from appropriations made by the Legislature through other items in the Budget Bill directly to the state departments that will execute the projects or programs. The administrative expenditures of the Department of Motor Vehicles are budgeted for \$1,233,259, which is 27.8 percent of estimated revenues of \$4,437,700.

Miscellaneous Projects

We recommend approval.

Item 177 requests \$301,000 for the Resources Agency to fund miscellaneous projects. The agency will contract with its constituent departments to carry out most of the projects as follows:

ENVIRONMENTAL PROTECTION PROGRAM—Continued

1. Department of Forestry	
a. Fire prevention program for children	\$25,000
2. Department of Navigation and Ocean Development	
a. Ecological information pamphlet on Upper Sacramento River	3,500
b. Pamphlet on impact of boating facilities on environment	3,500
3. Department of Parks and Recreation	
a. Educational use of state parks	20,000
b. Urban environmental career education	14,000
c. Junior ranger program	10,000
d. Environmental education facility needs in state parks	20,000
4. Department of Water Resources	
a. Pilot project for use of integrated pest management at Resources Agency facilities	30,000
b. Capitol area water conservation demonstration garden	20,000
c. Cooperative water conservation education program	100,000
5. Resources Agency	
a. Soil resources symposium	\$30,000
b. Personalized license plate promotion	25,000
Total	\$301,000

These are relatively small projects. Several are timely conservation efforts. The overall impact of the program is small and the results probably cannot be measured. The request fits the general pattern of projects which the Legislature has approved in prior years, although the Resources Agency proposal for \$25,000 to promote the sale of license plates is a new element.

**Resources Agency
CALIFORNIA CONSERVATION CORPS**

Item 178 from the General Fund

Budget p. 415

Requested 1977-78	\$11,779,128
Estimated 1976-77	9,169,602
Requested increase \$2,609,526 (28.5 percent)	
Total recommended reduction	\$65,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Training and Work Program. Recommend California Conservation Corps report to the fiscal committees prior to the budget hearings on progress in implementing program and amount to be appropriated be determined on updated information. 326
2. Program Support. Reduce by \$65,000. Recommend reduction in administrative services contract with Department of Forestry consistent with services rendered. 327

GENERAL PROGRAM STATEMENT

Chapter 342, Statutes of 1976, established the California Conservation Corps (CCC) in the Resources Agency to:

1. Further the development and maintenance of the state's natural resources and environment.

2. Provide meaningful educational and work opportunities and on-the-job training for young people so they may develop employable skills.

Chapter 342 also repealed legislation authorizing the California Youth Conservation Corps in the Department of Parks and Recreation and the Ecology Corps in the Department of Forestry. Those two activities are budgeted in the current year as part of the CCC but continue to be performed by the two departments.

The CCC is headed by a director and a deputy director, who occupy statutory positions. The budget indicates the CCC will operate two orientation and training centers and 16 base centers and will employ over 1,000 corps members on natural resource projects in the 1977-78 fiscal year. Of the 16 base centers, eight are existing centers (former Ecology Corps centers) operated by the Department of Forestry with emphasis on emergency capability for fire fighting and natural disaster relief. These eight centers have a capacity of 500 corps members. The remaining eight base centers are to be established by the CCC in the current and budget years.

ANALYSIS AND RECOMMENDATIONS

Total CCC support expenditures in the budget year are estimated to be \$12,645,528, consisting of:

Item 178, General Fund	\$11,779,128
Subsistence of corps members.....	641,400
Reimbursement for federal project work.....	225,000
Total	\$12,645,528

For minor capital outlay, the CCC requests \$500,000 in Item 395 to ready five facilities for occupancy in 1977-78.

The General Fund support request of \$11,779,128 in Item 178 is an increase of \$2,609,526 over estimated current year expenditures of \$9,169,602. Of the amount requested, \$4,988,274 is budgeted for payment to the Department of Forestry to administer the eight centers under its jurisdiction and to provide some administrative services to the CCC. The balance (\$6,790,854) is budgeted for the administration of the CCC, two orientation and training centers and eight base centers which are to be established in the current and budget years.

TRAINING AND WORK PROGRAM

Selection Process

The CCC is open to California residents age 18 through 20 regardless of experience or educational background. Applicants must be willing to live in a camp setting for one year. Names of applicants are selected on a random basis for interview. During the interview, the applicant is evaluated for motivation, hard work, personal development and public service. Corps members receive \$350 to \$425 per month and are charged \$90 per month for meals.

Orientation and Training Program

Applicants chosen for the corps will stay at an Orientation and Training (O&T) Center for four weeks. The objectives of the O&T program are to orient the new members toward program goals, develop group cohesiveness and give skill training for project work.

CALIFORNIA CONSERVATION CORPS—Continued**Base Center Program**

A base center serves as the home base for about 60 corps members. It operates on a 24-hour day, 7-day week basis and has a permanent staff. Corps members carry out project work at the centers or travel to project locations. Selection of projects is based on maintenance and development of natural resources and meaningful training, experience and skill development for corps members.

1976 Implementation Schedule

Last year when the Legislature was considering the Governor's CCC proposal in Chapter 342 and the Budget Act, the Resources Agency indicated the new program would be established quickly with full implementation by March 1977. In addition to the 8 existing Ecology Corps centers, the CCC would utilize other existing public facilities for campsites in order to avoid capital expenses for new construction and provide for rapid program implementation. The agency proposed an implementing schedule as follows:

1. One orientation and training center to be established October 1, 1976.
2. Four new rural centers to be phased into operation between December 1, 1976 and March 1, 1977.
3. Six new urban centers to be phased into operation between November 1, 1976 and March 1, 1977.
4. 64 positions for staff:
 - a. 8—Headquarters
 - b. 8—Orientation and training center
 - c. 48—Ten base centers.64 Total
5. The six urban centers to be operated and staffed only during the day.
6. Employment for 1,200 corps members as follows:
 - a. 500 corps members at the 8 centers operated by the Department of Forestry.
 - b. 700 corps members at the 10 new base centers.

The Record

The CCC program has not been implemented on schedule.

As of January 1977, no new facilities were in operation. A site for the Orientation and Training Center had been selected. Although the contract for the site had not been signed, the CCC indicated that agreement had been reached for state lease of Camp Radford, a facility owned by Los Angeles City and located on U.S. Forest Service land in San Bernardino County. The camp is to serve as the CCC's first orientation and training center, commencing operations in February.

Program Revisions

The program as originally proposed to the Legislature has been revised as follows:

1. Full implementation is now scheduled for January 1, 1978, rather than March 1977.
2. The number of orientation and training centers has been increased from one to two.
3. The number of base centers has been reduced from ten to eight with phase-in of three centers in the current year and five in the budget year.
4. There will be no urban centers as originally proposed. All eight base centers will provide living accommodations for corps members and possibly staff and will probably be located in rural areas. However, corps members will work on urban as well as rural projects.
5. Staffing for the CCC (excluding Department of Forestry facilities) has been increased from 64 positions to 169 positions in the following categories:

<i>Staff</i>	<i>Original Proposal</i>	<i>1977-78 Budget</i>
Headquarters	8	30
Orientation and Training	8(one center)	35(two centers)
Base Centers.....	48(10 centers)	104(eight centers)
Total	64	169

6. The number of corps members to be employed in the eight new base centers has been reduced from 700 to 500.

Adequate Existing Facilities Hard to Come By

CCC policy is to utilize existing public facilities for training and base centers in order not to incur capital outlay for new construction. The policy assumes that adequate private or public facilities which meet health and safety standards are available to the CCC. Another CCC policy restricts capital outlay expenditures to \$100,000 per center for repairs to make the facility usable for CCC purposes. Thus far, the CCC has leased Camp Radford for an orientation and training center but has been unable to obtain any facilities it considers desirable for the eight base centers included in the budget for the current year and 1977-78.

Adequate existing facilities are hard to come by. The CCC has found that many possible facilities are not adequate for year-around use or require major expenditures for adequate sewer systems and to meet health and safety standards. As of January 5, 1977, the CCC had a list of twenty prospective facilities from which it believed eight additional base centers could be obtained in calendar year 1977.

Delayed Recruitment of Corps Members and Project Selection

The difficulty in obtaining field facilities has delayed the recruitment of corps members and the selection of project work. The Governor issued a press release on December 21, 1976, announcing the beginning of the program and inviting applications in January. The first group of corps members is not scheduled to report to the orientation and training center until February.

CALIFORNIA CONSERVATION CORPS—Continued

Without base centers to house corps members to do project work, the final selection of projects has also been delayed. The CCC has requested state and local agencies to submit proposals for corps projects. Thus far the CCC has a long list of proposed projects submitted by public agencies. However, final selection of projects cannot be made until the location of base centers is known.

Progress Report Needed

We recommend that the California Conservation Corps (CCC) report to the fiscal committees prior to the budget hearings on its progress in obtaining field facilities and implementing the training and work program and that the amount to be appropriated be determined on the updated information.

The CCC budget year program is an ambitious proposal, considering the organization's difficulties in getting established. Because the CCC has not obtained one base center since the program was authorized July 1, 1976, there is doubt that eight base centers can be located and placed in operation during calendar year 1977. Meanwhile, the budget includes staff for eight base centers, two training centers and administrative staff for a fully operating organization.

The Governor's press release indicates "This is a pilot program which is hoped to be the foundation for a larger scale national public service corps." This type of program has considerable merit and a great deal of public support. However, program accomplishments have been slow to materialize. A more modest program with solid achievements might better serve as a pilot for a national program and, more important for California, provide the state with a firm basis for a permanent program designed to assist young people motivated for public service and protection of our natural resources.

There are too many uncertainties in the proposed program for us to recommend approval of the amount requested. The CCC, prior to budget hearings, should present to the fiscal committees an updated performance report on program accomplishments which can then be evaluated to determine the appropriate level of funding.

PROGRAM SUPPORT**Department of Forestry Centers**

The program support is budgeted for \$5,996,471 and includes executive, administrative services and project development. The program also includes funding of \$4,888,274 for the contract with the Department of Forestry to operate eight corps centers which may be called upon for fire protection. The Department of Forestry continues to operate the centers on the same policy basis as under the Ecology Corps rather than on the basis of CCC policies. However, effective January 1, the salaries for corps members at these centers were slightly reduced to the same salary as corps members employed directly by the CCC.

The Department of Forestry continues to hire its own corps members and accepts applicants up to age 31. The department's program qualifies for veterans educational benefits.

Although the CCC budget includes funds to reimburse the Department of Forestry for direct costs of operating the eight centers, there are additional costs to the department which are financed out of the department's budget. These costs are for corps members' overtime spent on fire suppression activity. In calendar year 1976, the department paid \$344,379 to corps members for this.

Federal Youth Conservation Corps

Chapter 342 repealed legislation which established the Youth Conservation Corps (YCC) in the Department of Parks and Recreation. The YCC is a summer program for high school youths aged 15 to 18 based on a federal program which provides matching funds. About 400 youths are provided summer employment.

In the current year \$195,000 in state funds is included in the CCC budget and has been used to contract with the Department of Parks and Recreation to operate the program. For 1977-78, the program is proposed to be returned to the budget of the Department of Parks and Recreation.

Reduce Consultant and Professional Services

We recommend that funds budgeted for the Department of Forestry administrative services contract be reduced by \$65,000 consistent with services to be rendered.

Consultant and professional services in the CCC budget includes \$100,000 to fund administrative services to be performed by the Department of Forestry. According to the department, the contract calls for services of one transaction clerk and one accounting position for which \$35,000 is an appropriate charge.

Resources Agency

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

Items 179-181 from the General Fund and the State Energy Resources Conservation and Development Account in the General Fund

Budget p. 418

Requested 1977-78	\$20,152,551
Estimated 1976-77	14,573,499
Actual 1975-76	10,516,043
Requested increase of \$5,579,052 (38.2 percent)	
Total recommended reduction	\$4,442,000

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—
 Continued

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
179	Principal support item for commission	Resources Conservation and Development Special Account, General Fund	\$17,902,551	331
180	Loan to commission	General	2,000,000	329
181	For transfer to Solid Waste Management Board for research	State Energy Resources Conservation and Development Reserve Account, General Fund	250,000	329
Total			\$20,152,551	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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| 1. <i>Baseline budget. Reduce Item 179 by \$4,442,000.</i> Recommend reduction of funds to current year base, with necessary upward adjustments for inflation, salary increases, and full year cost of all budget revisions. | 331 |
| 2. <i>Siting Workload.</i> Recommend language be included in a control section of the Budget Bill to allow the Director of Finance to augment the commission's budget with money from the Reserve Account for 12 additional positions to meet the commission's responsibilities in processing notices of intent and claims of exemption. | 337 |
| 3. <i>Legislation for Special Account.</i> Recommend amendment of commission's basic legislation to allow a surplus or reserve to be carried in the Energy Resources Conservation and Development Special Account. | 337 |
| 4. <i>Budgeting of Research and Development Contracts (Item 179).</i> Recommend 1978-79 budget show commission's research and development expenditures by division. | 338 |

GENERAL PROGRAM STATEMENT

The State Energy Resources Conservation and Development Commission became operative on January 7, 1975. The five-member full-time commission is responsible for certification of power plant sites, for forecasting energy supplies and demands, for development of energy conservation measures, and for carrying out a program of research and development in energy supply, consumption, conservation, and power plant siting technology.

The commission is located in Sacramento and has 373 authorized positions.

ANALYSIS AND RECOMMENDATIONS

The appropriation requested in the Budget Bill is \$20,152,551 as displayed in the above table. The commission's total expenditures for 1977-78 are estimated at \$24,375,015. Of this total, \$18,152,551 is to be derived from

the Energy Resources Conservation and Development Special Account in the General Fund. This special account is funded by a surcharge on electricity as determined by the Board of Equalization, based on the size of the commission's budget as approved by the Legislature.

The remainder of the commission's budget, \$6,222,464 comes from reimbursements, federal grants and a loan from the General Fund. Reimbursements, estimated at \$867,349, are mostly from fees imposed on utility companies which file notices of intent for certification of power plant sites. Federal funds of \$3,355,115 are far below the \$10,931,534 budgeted last year. It reflects the fact that federal agencies, primarily the Energy Research and Development Administration, have not granted research funds to the commission on the scale expected by the commission last year.

The surcharge is currently at the statutory minimum of one-tenth of one mill per kilowatt hour. Under present law the Board of Equalization can increase the surcharge to two-tenths of one mill which would return about \$27 million in revenues. Revenues in 1976-77 from the surcharge are estimated to be \$13,956,487. The budget assumes an increase in the surcharge to 0.15 mill per kilowatt hour in 1977-78 which would produce \$17,813,325. Because the increase would not become effective until September and because of delays in billing the surcharge, the payment and forwarding of the surcharge to the state, the increased revenue resulting from the surcharge will be available to the commission for only about half next fiscal year. The result is an underfunded program. The Governor's Budget therefore proposes a loan of \$2,000,000 from the General Fund to cover the difference. The loan would not be repaid until 1980 and with no interest.

It is clear that any increase in commission expenditures of the magnitude contemplated in the budget will require the \$2 million loan for cash flow purposes. The commission will start the next fiscal year with a projected balance in its Reserve Account of almost \$3 million. This will be reduced to \$2 million if commission sponsored legislation (AB 77) which authorizes a \$1 million appropriation for nuclear power plant studies is approved. Other expenditures such as a general salary increase and \$250,000 in Item 181 for the Solid Waste Management Board will reduce it further, probably to about \$1 million. However, it should be noted that the \$2 million loan is not proposed to be repaid until 1980 because the money is needed both for cash flow and to finance the program next year. The surcharge would need to be increased to approximately 0.19 mill in order to fund the budget properly and in accord with the intent of the law that the commission be self-supporting through the surcharge and its special account.

The 50 percent increase in electrical surcharge (to 0.15 mill) as proposed to support the commission's 1977-78 budget is, in effect, a general tax increase. Practically every Californian is an electricity consumer. Few taxes are as widespread as the surcharge.

**ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—
Continued****Mid-year Budget Additions Update Budget**

Commission Establishes Nuclear Office. Prior to the June 1976, election, when the electorate voted on initiative Proposition 15 to limit nuclear power plant operations in California, the Legislature passed three bills to prohibit the approval of sites for new nuclear power plants until certain conditions are met, as determined by the Energy Commission. None of the bills contained an appropriation.

The bills represented a milder alternative to the initiative. These bills, now Chapters 194, 195 and 196, Statutes of 1976, became effective January 1, 1977. They prohibited the siting of nuclear power plants in California:

—Until the Energy Commission finds that the federal government has identified and approved a technology for nuclear fuel reprocessing, subject to legislative review (Chapter 194).

—Until the commission completes a study on the feasibility and desirability of undergrounding or berm containment of nuclear reactors. The study must be completed by January 1, 1978 (Chapter 195).

—Until the commission finds that the federal government has adopted rules and regulations for, and licensed the operation of a site and means of nuclear waste disposal and the commission's finding is affirmed by the Legislature (Chapter 196).

The commission has added about 10 new positions and has established a Nuclear Programs Assessment Office during the current year by diverting about \$690,000 from other work to meet the requirements of these statutes. In addition, the commission is seeking an appropriation of \$1,000,000 in AB 77 for additional contract expenditures for the undergrounding study. The commission proposes a staff increase of only 3 new positions for the office in the budget year. The office would have a total of 13 positions at a total cost of \$796,337. Of this amount, \$435,126 would be for Chapter 195, and the remainder would be for the other two statutes. The nuclear safety program is essentially funded (except for 3 positions) in the current year's budget base plus the money in AB 77.

Budget Revision for Siting Work. The 1976-77 Governor's Budget as submitted contained 42 positions for the Facilities Siting Division. This division is primarily responsible for processing notices of intent (NOI) and applications for certification (AFC) of sites for new electric power plants. In a Finance augmentation letter dated May 1976 to the chairmen of the fiscal committees, the Director of Finance indicated that more NOIs and AFCs than previously expected would probably be submitted by utilities during 1976-77, and that the commission would need additional staff to meet this workload.

The Legislature authorized the Director of Finance to approve additional staff for the commission throughout the year as the workload developed. A maximum increase of 61 positions at an additional cost of \$1,716,000 was allowed. Funding was authorized from the Reserve Account, which contains surpluses from the Special Account. To date, the Director of Finance has approved the addition of 41 positions at a cost of \$1,113,846. Thirty-six of these positions have been for the Facilities Siting

Division, two for the Commission Secretariat and three for the General Counsel's office. The \$1,113,846 is now in the current year expenditure base.

The authorization for added staff for siting work and the money provided for the three nuclear bills will fund the recent major changes in the commission's program. With (1) the above information on the commission's tax increases and funding problems and with (2) the inclusion of money for recent program increases being included in the base for the current year, the necessary perspective is available to consider the commission's request for large increases in staff and funding for next year.

Baseline Budget Recommended

We recommend that Item 179 be reduced by \$4,442,000 to return, approximately, to the current year base. However, it will be necessary to make upward adjustments for inflation, salary increases and the full year costs of all budget revisions.

When the commission became operative in January 1975, it was faced with the difficult task of recruiting personnel, planning an organization, meeting many statutory work deadlines, and establishing policies and programs in a complex, uncharted area of state activity. From the beginning the commission has been involved in pioneering work. Now the commission has 373 positions and \$14.5 million to spend. Since its inception the commission has sought more staff and funds than it could effectively manage, and 1977-78 is no exception.

In 1975 and again in 1976, the Legislature made substantial reductions in the Governor's Budget. For 1977-78 the commission proposes state funded expenditures of \$20,152,551, and a staff increase of 200 positions. The commission appears to have reached a point where it should pause in its growth and devote more energy to improvements in program, performance and management. There are many specific reasons for a pause in addition to reducing the size of the surcharge required and the amount of the General Fund loan being proposed for 1977-78. Some of these reasons are discussed below.

Budget Problems. The commission's budget is not acceptable because the current year figures are unrealistic. Federal funds of almost \$10 million for research continue to be listed in current year estimates along with the staff to administer the contracts and to pay related overhead costs. In fact the commission has received no appreciable portion of this money. For 1977-78, budgeted federal funds are estimated to be \$3.4 million. This unrealistic budgeting has the effect of making the commission's overall expenditure level for 1977-78 look like a decrease, when in fact, there is a major increase in state funding as already discussed. It is time to prepare a realistic budget with a straightforward current year program statement.

Research Difficult to Analyze. Research expenditures appear as a separate program, but they properly should be integrated with individual program elements. It is difficult to determine true program costs and capabilities because it is not clear what the staff will do and what work or duplicating effort will be contracted out. The commission's supporting budget materials have been prepared on various bases. Tracking changes

**ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—
Continued**

in the current year from budgeted positions and expenditures is an intricate and laborious process in view of the changes in federal funding. The result is that it is difficult to determine a starting point for consideration of the 1977-78 research budget.

Performance. The commission's record to date reflects numerous problem areas. The first notice of intent (NOI) hearings on proposed new power plants indicate that many of the personnel working on them are inexperienced and have been able to make only marginal contributions to the proceedings. The commissioners themselves, their small staffs, and the commission attorneys seem to be carrying the major part of the load, along with expert witnesses, interest groups and the representatives of the utilities. The commission's common forecasting methodology, formulated by expensive consultant contracts, has been unsuccessful. Because of problems with energy forecasts and with other work, the very important Biennial Report is currently two months behind schedule. The commission's nonresidential building standards have been set aside by the courts because they did not meet statutory mandates.

Organization Structure. The commission's organization structure is unwieldy. The ratio of administrative and supervisory personnel to line personnel is too high. Nevertheless each division is proposing to add its own budget experts, planners and program evaluators, in addition to those in the Administrative Services Division and at the commission level. Unwieldy organization and lack of clear delegation of authority or operating procedures increases costs and appears to justify staff that would not be added if the organization were clear. In addition, the magnitude of the task of hiring 200 new employees distracts from the clarification of program and policy issues.

We believe that the commission's requested increase for 1977-78 is mostly unnecessary and will add to the commission's management and growth problems. Obviously it has not been justified on a clear 1976-77 base program. In order to clarify further the above discussion of overall budgetary problems, we are describing below several specific program problem areas covering part of the 200 new positions being requested.

Specific Program Problems

Hearing Officer Positions. In its 1976-77 budget the commission received funding for one hearing officer to assist in commission proceedings. The commission indicated that the hearing officer would sit with members of the commission to insure that proper procedures were followed. In a budget revision during the current year, the commission received authorization for three more hearing officers. So far, the commission's experience with hearing officers has not been encouraging. Hearing officers normally sit alone and are unaccustomed to working under a presiding commission member. The commission has filled only one of its four authorized hearing officer positions and is still seeking to find an effective way to use his services. In spite of these problems, the commission is requesting four additional hearing officers in 1977-78 which would bring the total authorized to eight.

We have consistently recommended against the use of hearing officers. Section 25211 of the Public Resources Code provides for flexibility in commission hearings as follows:

"The commission may appoint a committee of not less than two members of the commission to carry on investigations, inquiries or hearings which the commission has power to undertake or to hold."

According to current commission regulations, at least one commission member must preside at all commission hearings in order to constitute a quorum of the committees authorized in Section 25211. With only five commissioners, therefore, it is possible to have, at maximum, five simultaneous hearings. It is difficult to see how the commission could use eight hearing officers even under the most extreme conditions. The four hearing officer positions requested for 1977-78 should be denied.

Additional Positions for Planning and Development. The Conservation Division has requested an additional 13 positions for its Program and Planning Development Office at a total cost of \$370,772. According to the division, about one-half of the new positions would be federally funded. Supporting budget material submitted by the commission indicates that this office is mostly concerned with planning, monitoring and evaluating the conservation programs of the division.

We see no need for a large separate office for planning, evaluation and project monitoring at the division level. The major need is for program evaluation at the level of the commission and the executive officer, not at the division level. At the division level, these tasks should primarily be done by the office managers and the division chief.

The Alternatives Implementation Division is requesting three positions at a cost of \$80,659 for a similar Planning and Policy Analysis Program. According to budget justification material, the three new positions are needed in order to have "in-house expertise to properly evaluate and integrate the constantly evolving status of energy technologies." This duty is the task of the entire division which already has a staff of 44 positions. The new positions should be denied.

Siting Positions in Conservation and Alternatives Implementation Divisions. The Facilities Siting Division has the primary responsibility for processing notices of intent (NOIs) filed with the commission. A notice of intent to file an application for certification for a powerplant site is the first step in the overall siting process. For each NOI, the utility must propose at least three alternative powerplant sites. The commission must hold hearings on each NOI and issue a report on the acceptability of the three sites within 18 months after the NOI is filed, or, in the case of geothermal power plants, within nine months. The commission has so far received 2 NOIs, and about 10 more may be received by the end of 1977-78.

The budget contains substantial increases in staffing of other divisions of the commission to meet NOI related workload. The Conservation Division is requesting 11 positions at a cost of \$343,560 to assess the prospect that conservation measures will reduce electrical demand for each new power plant or eliminate the need for the plant. The Alternatives Implementation Division is requesting 12 positions costing \$323,297 to assess

**ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—
Continued**

the possibilities of alternatives to the power source planned by utilities in each NOI. For example, the division might propose that a planned nuclear plant be replaced by a solar plant or by fuel cells or by some other source.

There is no need for full-time staffs of 23 people to study these possibilities on a plant-by-plant basis. The commission should be, and already is considering statewide applications of conservation efforts and the effect of alternative energy sources. In addition, the law provides that the commission must analyze and evaluate both of these in its Biennial Report.

Additional Positions for Energy Assessments Division. The commission's Energy Assessments Division has responsibility for making forecasts of electricity demand, for long-range planning, for preparing Environmental Impact Reports (EIRs) on new power plants which fall under the commission's jurisdiction, and for analyzing various impacts of new facilities.

For the budget year the division is requesting \$341,558 for nine additional positions to assess the need for each new power plant as proposed in an NOI. The assessment is made on the basis of electrical demand forecasts made by the utilities and the commission, and on other existing and planned electrical supply. This task is one of the most important in the NOI process because need must be established before other considerations are examined. The commission has already started assessment of two NOIs received this year. Material submitted for justification of the requested nine positions states that the commission has no positions specifically established in the current year for this work. Apparently one of the commission's most important tasks has required diverting staff from other work for short periods of time. With a total of 74 people currently authorized, there should be staff available on a priority basis for this important task. We recommend disapproval of the additional positions and contract funds.

The Energy Assessments Division also is requesting an increase of eight additional positions and contract services at a total cost of \$273,657 to assess the impact of energy conservation measures proposed by the Conservation Division. Five of these positions would be used to assess the impact of proposed conservation standards and regulations and the impact of new electricity pricing schemes. Again, the commission's supporting budget materials indicate that it has no staff currently available for this task.

The five positions are not needed. According to division staff, the Environmental Analysis office of the division has already been considering the impacts of conservation measures. A total of about 22 people are assigned to that office. In addition, the Planning and Program Development office of the Conservation Division, with 11 positions in the current year, is performing the same kinds of analyses.

The remaining three of the eight new positions would be used for evaluation of Conservation Division programs pursuant to the California Environmental Quality Act (CEQA). The supporting budget material indicates that no staff is currently assigned to this task, but the division has told us that it has been making these evaluations for conservation meas-

ures. Most conservation measures require only a negative declaration of environmental impacts because they reduce the pollution caused by energy production by saving energy. Although we find the commission's needs in this area difficult to assess, probably one position could handle the work.

Additional Positions for Energy Development Programs. The federal Energy Resources Development Administration (ERDA) carries out a multi-billion dollar program in practically every phase of energy research, consequently the division has been left to attempt to fill in perceived gaps or to study energy sources thought to be particularly suitable or beneficial to California. Furthermore, the federal government has not met the division's expectations in furnishing grant money for state energy development research projects. Finally, the division has seen much of its state funds for research contracts diverted to other work of the commission. Faced with these realities, the division has recently shifted its emphasis from contracted research work to building up a group of experts on developing energy technologies. As indicated earlier in this Analysis, it is also seeking a role in the commission's regulatory work.

The funding history of the division reflects these problems. For 1976-77 the division received an increase of 29 positions for a total of 58, and contract authorization of over \$7 million. Of that amount, \$1,880,000 was from the Special Account, and about \$5.2 million was expected from federal sources, principally ERDA. The division now estimates that it will receive only about \$45,000 of the \$5.2 million. Also, 14 of the 58 positions contained in the division's budget have been diverted to the Conservation Division because it has received federal funds which can support them.

The division nevertheless claims that it can accomplish its program objectives through a combination of "co-funding" of projects with federal agencies and "influencing" federal grants to make them more useful to California. Co-funding means that the commission and a federal agency jointly fund a research or demonstration project. According to commission estimates, the federal share of such co-funding will be about \$1.6 million in 1976-77, and the dollar total of division influenced federal projects will be about \$3 million. It is a doubtful premise that without direct control over most of the research money the commission will nevertheless experience no loss in control over proposed projects. As a practical matter the commission must seek projects which federal agencies are also planning to do rather than being able to spend \$5 million on projects of its own selection.

The accomplishments from "influencing" federal research projects are even more doubtful. Influencing means affecting the course of a federal research project to make it more beneficial to California without any contribution of state funds. There is no way to evaluate the effectiveness of such "influencing" efforts objectively and almost any amount of success can be claimed by choosing the right measurement criteria.

The Alternatives Implementation Division formerly had some responsibility for research on nuclear power plants. As indicated earlier in this Analysis, that work has now been taken over by the Nuclear Assessment Program Office and \$620,000 has been transferred from the division for the nuclear work in the current year.

**ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—
Continued**

In view of this history of diverted state funding and almost nonexistent federal funding, the division would do well to maintain its current staff. Instead, it is requesting an increase of 28 state funded positions at a cost of \$757,116. Partially offsetting this increase would be a decrease in contracted research of \$135,000 and increased federal reimbursements of \$160,000. Twelve of these positions are proposed for NOI related work and were discussed earlier in this Analysis. The justification behind the remaining staffing increase of eleven positions is that the commission will be able to develop more in-house expertise in the areas of solar, geothermal, waste conversion and other developing energy technologies.

We recommend that the 11 requested positions and associated funding be eliminated. Last year the division based its request for additional positions on the grounds that the large amount of contract expenditures justified a large staff increase for contract monitoring. This year, with federal contract funds in very short supply and its nuclear work diverted elsewhere, the division is asking for another increase, justifying both the increase and the existing staff on a new premise (developing in-house expertise). The present staff of 44 is ample.

Positions for Program Assessment Office. From its inception, the role of the Program Assessment Office was to assist the executive director and the commissioners in evaluating the various programs of the line divisions and to plan future work of the commission. We were concerned at that time that the commission structure was top heavy, and contained too high a percentage of its staff in supervisory or administrative functions. We approved of the Program Assessment Office, however, because it seemed necessary for the management of the commission to have assistance in evaluation and planning efforts. At first, the Program Assessment Office took a very active part in formulating overall policy and program direction. However, by early 1976, it was contributing little, and we recommended that two new positions proposed for it in the 1976-77 budget be deleted. The commission agreed to this reduction. Currently there are four positions in this office but only one is actually functioning there. One professional and one clerical position are being used elsewhere in the commission, and one of the positions is vacant.

The commission has recently combined its Biennial Report staff of one permanent position and one temporary help position with the Program Assessment Office. This brings the authorized staffing for the Program Assessment Office to five permanent positions. For 1977-78 the commission requests one additional position for this office to work on the next Biennial Report which is not due until January 1979. We agree that the Biennial Report work is important, but this office is not using the staff authorization it already has. We therefore recommend deletion of the requested position.

Retain Flexibility for Siting Workload

We recommend language be included in a control section of the Budget Bill to allow the Director of Finance to augment the commission's budget with money from the Reserve Account for 12 additional positions to meet the commission's responsibilities in processing notices of intent and claims of exemption, provided such positions have not already been added in the current year under legislative authorization in the Budget Act of 1976.

As discussed earlier, the Director of Finance has augmented the commission's budget for 1976-77 with \$1,113,846 from the Reserve Account for 41 positions to help meet workload for siting of new power plants. Twenty more positions could be added with the approval of Finance before the end of 1976-77 pursuant to authorization contained in Section 10.7 of the 1976 Budget Act.

However, the commission has submitted supporting budget material for 1977-78 indicating that the Facilities Siting Division will need only 12 more positions for 1977-78 to meet NOI and AFC workload. We note that this is less than the 20 positions that Finance has the authority to add during the current year. Therefore, it is likely that the commission's needs in this area will be satisfied before July. However, to insure that staffing can be added in 1977-78 to meet workload, we recommend budget language similar to that contained in Control Section 10.7 of the Budget Act of 1976 to allow the Director of Finance to add up to 12 more positions if the positions are not added under the 1976 Budget Act.

Legislation Needed for Special Account

We recommend amendment of the commission's basic legislation to allow a surplus or reserve to be carried in the Energy Resources Conservation and Development Special Account.

The surcharge on electricity which supports the Energy Resources Conservation and Development Special Account is determined under present law by the Board of Equalization each year after the approval of the Budget Act. In determining the new surcharge, which becomes effective on September 1 of each year, the board must take into account any unexpended balance remaining in the account at the end of the year and reduce the surcharge accordingly. In addition any revenue from an increase in the surcharge is not available to the commission until the middle of the next fiscal year because of the lag in setting the rate, billing customers, receiving payment and forwarding revenue to the state. This situation results in cash flow shortages for the commission because it permits no reserve in the Special Account.

We proposed for 1975-76, and the Legislature approved, the addition of Budget Bill language to create a Reserve Account into which the year-end surplus of the Special Account is transferred and from which the Director of Finance could make cash flow disbursements. The Department of Finance included the Reserve Account in the Budget Act of 1976 and in the 1977-78 Budget Bill as Section 10.7. However, this temporary arrangement is complex and unsatisfactory for fiscal management. A permanent solution is needed which will allow the Board of Equalization to set the surcharge so as to maintain a small surplus in the Special Account to meet

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—
Continued

cash flow problems and contingencies. We recommend that the commission seek legislation to effect this change.

Revise Budget Display for Research and Development

We recommend that the commission (in Item 189) be directed to revise its budget for 1978-79 to show research and development expenditures by division.

Research and development contracts are administered by each division of the commission, but are listed in the budget with the Alternatives Implementation Division (AID) under the Research and Development Program. This budget display makes it difficult to determine the research contract expenditures of the various divisions. Assignment of responsibility for research contract administration has been a problem since the beginning of the commission. Showing expenditures by division for research and development would help to alleviate this problem.

Resources Agency
STATE SOLID WASTE MANAGEMENT BOARD

Item 182 from the General
 Fund

Budget p. 424

Requested 1977-78	\$1,808,471
Estimated 1976-77	3,084,218
Actual 1975-76	945,501
Requested decrease \$1,275,747 (41.4 percent)	
Total recommended reduction	\$357,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
 page*

1. *Assistance to Local Government. Reduce by \$99,000.* 340
 Recommend reduction of three proposed positions to provide technical assistance to local government.
2. *Disposal of Hazardous Wastes. Reduce by \$107,500.* 341
 Recommend reduction of two and one-half proposed positions to provide technical support for development of management of hazardous waste disposal.
3. *Southern California Project. Recommend board and Air Resources Board be required to submit a joint report on feasibility and capital cost of air pollution devices for proposed San Diego Solid Waste Resource Recovery Facility to the fiscal committees by April 1, 1977.* 344
4. *Bay Area Project. Recommend board be required to submit a program for completion of Phase II of the Bay Area Solid Waste Management Project to the fiscal subcommittees by April 1, 1977 in order that financing can be provided.* 346

5. Source Separation. Recommend board submit a report on the feasibility of implementing several solid waste source reduction demonstration projects. 348
6. *Resource Recovery Studies. Reduce by \$99,000.* Recommend reduction of three proposed duplicate positions to provide studies of potential sites for resource recovery facilities. 348
7. *Legal Assistance. Reduce by \$51,500.* Recommend deletion of a staff attorney and a clerk to provide increased legal assistance to the board. 349

GENERAL PROGRAM STATEMENT

The Nejedly-Z'berg-Dills Solid Waste Management and Resources Recovery Act (Chapter 342, Statutes of 1972), established a comprehensive solid waste management and resource recovery policy in California.

Primary responsibility for solid waste management and planning was assigned to local government, and the State Solid Waste Management Board was given responsibility for the development and maintenance of state solid waste management policy and the adoption of a resource recovery program.

Among the board's objectives and responsibilities are (1) establishment of statewide solid waste management policies and minimum environmental standards for waste handling and disposal, (2) development of guidelines for local government planning and approval of county solid waste management plans, (3) research and development of new technology for solid waste processing and resource recovery systems, and (4) market analyses for recovered materials, industrial chemicals, and fuels.

Chapter 1246, Statutes of 1976, authorizes the Governor to increase the board from seven to nine members and to appoint, subject to the consent of the Senate, one of the members to serve as a full-time chairman.

The board is required to coordinate with the Department of Health, State Water Resources Control Board, Department of Food and Agriculture, and the Energy Resources Conservation and Development Commission to ensure conformance of solid waste policy with state and federal health, environmental protection, and energy conservation requirements.

ANALYSIS AND RECOMMENDATIONS

The board has represented its proposed expenditure of \$1,808,471 in the budget year as a decrease of \$1,275,747 (41.4 percent) below its estimated expenditures for the current year. In fact, actual expenditures will probably be substantially lower in the current year and proposed expenditures in the budget year will probably be substantially higher than the amounts shown in the Governor's Budget.

The board's estimate for the current year includes an expenditure of \$2,142,546 under Section 10.6, Budget Act of 1976, for solid waste management planning projects in the San Francisco Bay Area and Humboldt County. Of this amount, approximately \$1 million may remain unexpended on June 30, 1977 and will revert.

On page 347 of our Analysis, we recommend that the board amend its support request for the budget year in order to provide necessary funds

STATE SOLID WASTE MANAGEMENT BOARD—Continued

for the two studies in 1977-78. This change would increase proposed expenditures in the budget year, decrease them in the current year and make expenditures for the two years about equal.

PLANNING AND IMPLEMENTATION PROGRAM

The general objectives of the board's planning and implementation program are to (1) establish and maintain statewide solid waste management policies, (2) develop minimum environmental standards and assist local government in enforcement of such standards in solid waste handling and disposal, (3) assist local government in development and implementation of county solid waste management plans, and (4) develop a program for the disposal of hazardous wastes in cooperation with the Department of Health.

The board's request for this program for the budget year is \$967,069 (24.5 man years), a net increase of \$460,177 or 91 percent over the current year.

New Enforcement Authority

Chapter 1309, Statutes of 1976 (SB 2439), provides authority to local agencies and the board for the enforcement of state environmental standards for the operation of solid waste handling and disposal facilities. It also requires all operators of such facilities to apply for a permit to appropriate local enforcement agencies and provides civil penalties for violation of a solid waste management permit.

The board's planned implementation of this new program element during the budget year should result in substantial improvements in solid waste handling and disposal practices at approximately 400 land-fill sites throughout the state.

County Planning Is Not Working

We recommend a reduction of \$99,000 for three proposed additional positions to provide technical assistance to local government in the development of county solid waste management plans. These positions are not justified by additional workload.

The Solid Waste Management and Resource Recovery Act of 1972 required that each county, with the concurrence of affected cities, submit a comprehensive solid waste management plan to the board for approval by January 1, 1976. In the process of preparing these plans, much has been learned at all levels of government about waste management problems and formulation of alternative action plans. However, it is evident that the county plan portion of the solid waste management program is not working as intended and will not work until certain basic deficiencies are corrected. Some of these deficiencies are (1) fragmented authority and responsibility between various governmental agencies and private industry, (2) inadequate county and regional planning capabilities, (3) insufficient financing for complex and costly systems, and (4) lack of appropriate state enforcement powers.

Reduced Workload. As a result of the unresolved deficiencies, no county plans were approved by the required completion date of January

1, 1976, and only 22 plans have been approved in the succeeding 13 months. As of January 1, 1977, 36 county plans, including those for Alameda, Los Angeles, Sacramento, San Diego and Santa Clara Counties, have not been approved primarily because of continuing problems in achieving agreements with affected cities on implementation and financing plans. Very clearly, planning is stalled and the board has insufficient authority to secure county and city compliance under the law.

Although 36 county plans require further work before approval, most of the counties have merely submitted drafts of their final plans to the board. The unresolved problems which are holding up approvals can only be resolved by the local agencies. Thus, the remaining workload for the board in the budget year appears to be greatly reduced below the workload in the current and previous fiscal years.

Overlap of Planning. As an added problem, it has become evident that the relationship and compatibility of the county solid waste management plans with the recently instituted Federal 208 Regional Environmental Management Planning Program is subject to serious question.

Section 208 of the Federal Water Pollution Control Act Amendment of 1972 (PL 92-500) has designated the State Water Resources Control Board and certain regional planning agencies, such as the Association of Bay Area Governments (ABAG) and the Southern California Association of Governments (SCAG), to develop comprehensive plans to preserve and to prevent the deterioration of ground waters in California, including plans to control disposal of solid wastes, sewage sludge and hazardous wastes. Such planning will be dealt with from a regional rather than a county perspective in the urban areas. Federal funds are being made available by the Environmental Protection Agency to the regional agencies for this purpose through the State Water Resources Control Board.

Decision Point. Despite evidence that the county planning portion of the county solid waste management program has encountered problems and is essentially stalled for reasons which are beyond its control, the board is requesting three additional positions to provide increased effort toward the completion and updating of county solid waste management plans.

The state is approaching a point of decision where it must determine whether to continue with county oriented planning or undertake Section 208 regional planning in this area or some other action. Until this decision is made there is no compelling reason to increase the board's staff for purposes of pursuing county planning which has demonstrated that it is failing.

Hazardous Waste Management

We recommend a reduction of \$107,500 for two and one-half proposed positions to provide technical support in developing a program for the management of hazardous wastes.

Recognizing the potential problems associated with the safe disposal of environmentally hazardous wastes in California, the Legislature adopted Assembly Concurrent Resolution No. 79 in 1975. This resolution requested the State Solid Waste Management Board, in cooperation with the State Water Resources Control Board, the Department of Health and the De-

STATE SOLID WASTE MANAGEMENT BOARD—Continued

partment of Food and Agriculture to investigate the problems in this area and submit a report to the Legislature in order to assure that adequate steps are taken for proper disposal of environmentally dangerous wastes.

On September 1, 1976, the board submitted its report to the Legislature. The report contained the board's findings and recommendations in the following areas (1) the quantity of hazardous wastes produced in California, (2) the potential for recycling and reuse of these wastes, (3) the status of Class I and Class II disposal sites, (4) the possible role of the state in establishing and maintaining disposal sites for hazardous wastes, (5) methods to better monitor waste generation and disposal, and (6) the sources and levels of revenue necessary to finance the implementation of recommendations contained in the report.

Lead Agency Needed. The State Solid Waste Management Board, State Water Resources Control Board, and the Department of Health have concurred in the findings and recommendations contained in the report and are presently working to draft legislation in this area. The report points out that the Legislature should designate a lead agency to insure effective management of the program.

Although the Legislature has not yet acted on the report's recommendations, the board has requested an additional 2.5 positions and \$25,000 in contractual funds to provide further technical support in developing a program to properly handle and dispose of environmentally hazardous wastes.

We recognize the importance of developing an effective management program for hazardous and toxic wastes which can have a critical adverse impact on our environment and on public safety and health. However, the additional positions requested by the board should not be authorized until the Legislature has evaluated the findings and recommendations contained in the board's report and has taken appropriate action to make assignments of responsibility and establish a program in this area. For these reasons we recommend denial of this request.

RESOURCE RECOVERY PROGRAM

In order to reverse the long-term policy of natural resource exploitation and the large scale disposal of solid waste in landfill dumps, the Solid Waste Management and Resource Recovery Act of 1972 mandated the development of a resource recovery program in California. In response to this mandate, the Solid Waste Management Board established the State Solid Waste Resource Recovery Program in December 1974. In adopting this program, the board set as a goal a 25 percent reduction by 1980 (through resource recovery) of the per capita solid waste requiring land fill.

By 1980, it is estimated that California will generate approximately 22 million tons of mixed residential and commercial solid waste which will require land fill. In order to achieve the board's goal, resource recovery capacity to handle approximately five and one-half million tons of solid waste annually would be required. The short-term objectives of the board's resource recovery program consist of the following:

- (1) Developing a \$42 million technology demonstration program for specific pilot projects.

- (2) Developing markets for recovered materials and energy.
- (3) Investigating environmental impacts of resource recovery systems.
- (4) Establishing economic and fiscal incentives to improve the cost-effectiveness of resource recovery systems.
- (5) Investigating measures to reduce solid waste generation.
- (6) Providing technical assistance to public and private solid waste management entities.
- (7) Educating the general public relative to resource recovery opportunities.
- (8) Developing proposed legislation and funding sources to achieve resource recovery goals.

The board's request for this program amounts to \$877,755 (17 personnel-years). This represents a net decrease of approximately \$1,724,571 or 66 percent under the current year. As pointed out earlier in our analysis, the decrease results because expenditures of approximately \$1 million under Section 10.6 of the Budget Act of 1976 should be transferred from the board's estimate for the current year and included in the expenditures for the budget year so as to be realistic. Such a transfer would result in an increase of estimated program expenditures in the budget year to approximately \$1.9 million or 19 percent.

Need for Guarded Optimism

Since 1972 a ground swell of public interest has developed in the recovery of resources from the growing volume of solid waste. Recently this interest has heightened because of the growing shortage and high cost of petroleum and natural gas. Specifically, development of an alternative energy source from solid waste is receiving increasing consideration because such waste is plentiful in urban areas and because it has been demonstrated that such waste can be processed and used as a source of energy, either alone or in combination with other fossil fuels such as coal.

As a result of the publicity programs sponsored by the federal Environmental Protection Agency, the public has been left with the impression that solid waste resource recovery has almost reached a state of maturity which would justify the construction of full-scale resource recovery facilities in most major metropolitan areas. This publicity tends to ignore some of the basic tests which state-of-the-art resource recovery technology must pass. It fails to recognize the need for in-depth assessments of resource recovery technology, the availability of long-term markets for recovered materials and energy, the identification of risks necessary to attract the required capital, evaluation of other waste control and reduction alternatives, and the air quality control problems.

Technical Problems. No full-scale system in the United States has yet passed the basic tests. Although substantial investments have been made for full-scale processing plants in the range of \$25 million to \$100 million, failures have been particularly painful. As an example, a new 1,000-ton-per-day plant was built in Baltimore, Maryland, to demonstrate the generation of steam through pyrolysis (the heat decomposition of organic matter in an oxygen deficient atmosphere). This plant has encountered

STATE SOLID WASTE MANAGEMENT BOARD—Continued

problems in attaining design capacity, process stability, and control over exhaust stack emissions. These problems are primarily the result of scaling up from a 35-ton-per-day pilot plant to a 1,000-ton-per-day full-scale plant. Other examples of problems encountered in developing full-scale resource recovery facilities occurred at St. Louis, Missouri and at Hamilton, Ontario, Canada.

High Risks. Recovery systems will not necessarily reduce the cost of solid waste disposal or produce profits from the sale of secondary materials and energy. The prospects of achieving either of these benefits in the foreseeable future are uncertain. The recoverable resources in solid waste represent a very small portion of the total material and energy demands in California.

Goal Too High. The complexities and problems of implementing an aggressive program for resource recovery in California are already evident. The goal of a 25 percent reduction by 1980 through resource recovery of the solid waste requiring landfill will not be met. A more realistic figure would approximate 5 percent. All research and system development proposals should be carefully examined in order to insure realistic goals that can be achieved.

Research Projects

Recognizing the serious deficiencies in current resource recovery technology and the lack of full-scale demonstration facilities throughout the country, the Solid Waste Management Board, with the support of the Legislature, has initiated work on several research and study projects.

From 1974 through 1976, the board committed \$170,000 for three agricultural research and development investigations. These involved the development and testing of a baler for rice straw, a study on the control of rice stem rot disease, and the testing of rice straw as a dairy cattle feed. The purpose of these studies was to develop alternatives to burning two million tons of rice straw annually in northern California.

In addition, the board has been investigating the feasibility of large scale resource recovery systems under its Southern California Urban Resource Recovery, San Francisco Bay Area Solid Waste Management, and Humboldt County Resource Recovery and Energy Conversion projects during 1975-76 and 1976-77 fiscal years. The status of these projects follows.

Southern California Urban Resource Recovery Project

We recommend that the Solid Waste Management Board and the Air Resources Board be directed to submit a joint report to the fiscal committees by April 1, 1977 on the feasibility and estimated capital cost for air pollution control devices for the proposed San Diego Solid Waste Resource Recovery facility.

In early 1975, the Solid Waste Management Board initiated a feasibility study for the development of solid waste resource recovery facilities in southern California using \$275,000 from the Environmental License Plate Fund. The primary purpose of this study was (1) to provide guidelines for the analysis and review of prospective resource recovery facilities, and (2) to prepare a feasibility analysis for resource recovery facilities located at

specific sites. The consultant's findings were to be given in a series of reports.

The Phase I-A report which was completed on September 15, 1975, provided guidelines for the analysis of prospective resource recovery facilities and a comprehensive market analysis for secondary materials and various forms of energy. The Phase I-B report which was completed on February 15, 1976, provided an investigation of certain types of resource recovery facilities at alternative locations and presented a preliminary analysis for the two most promising facilities and locations (1) a steam generating facility in San Diego, and (2) a cement kiln in Colton. The San Diego facility was selected as the primary study project because of a strong market for the plant's steam output. Completion of the final Phase II-A and B reports on San Diego and Colton are anticipated in February and April of 1977, respectively.

San Diego Steam Plant. In the preliminary draft of the Phase II-A report on the San Diego facility, the board's consultant recommended construction of a furnace/boiler facility which would generate high quality steam and require a minimum input of 1,000-tons-per-day of solid waste. This facility would be located on Harbor Drive on property previously occupied by a sewage treatment plant.

The primary steam user identified was the Kelco Company, a large food products processor. Other energy users identified included the San Diego Gas and Electric Company and the Van Camp Cannery. The estimated capital cost for this facility is approximately \$46 million. Based upon estimated annual revenues of approximately \$5 million, and total operating, capital amortization, and transportation costs of \$8.6 million, the net operating deficiency would be approximately \$3.6 million. This would result in a net system cost of \$7 to \$9 per ton for the proposed plant. By comparison, the net system cost to continue the existing direct landfill operation is estimated to be \$7 per ton in 1977.

The consultant indicated that revenue bonds issued by the California Pollution Control Financing Authority would be preferable to general obligations bonds as a means of financing the construction of the basic facility.

Problems With Pollution Control. The proposed steam generation system includes sophisticated air pollution control equipment for particulates, NO_x, and sulphur dioxide emissions. Specifically, electrostatic precipitators and wet scrubber units are proposed. An unresolved question is the ability of such pollution control devices to meet California air quality standards. In the judgment of the consultant, adequate emissions control technology is available. However, he points out that a lack of demonstrated compliance with California regulations may preclude the immediate implementation of the recommended steam plant.

In order to share the air pollution control risks associated with the proposed steam plant in San Diego, the consultant recommends that the state have a prominent role in determining the ability of the furnace/boiler system to meet air quality standards and to underwrite the capital cost of the air control system. By sharing this risk with private and local entities, the contractor stresses that the experience gained at San Diego

STATE SOLID WASTE MANAGEMENT BOARD—Continued

can be used immediately by the board at other locations in California to resolve solid waste resource recovery and associated air emissions problems. The Air Resources Board has a direct, major interest in these emission control problems.

Because of the uncertainties associated with the successful operation of a large scale furnace/boiler system under stringent air emission standards, we recommend that the fiscal committees direct the Solid Waste Management, and Air Resources Boards to submit a joint report on the feasibility of meeting air emission standards using the proposed system by April 1, 1977. This report should also include an estimate of capital outlay costs for such pollution control devices, and a clarification of what the state's costs would be in underwriting the air pollution control systems.

Bay Area Solid Waste Management Project

We recommend that the board be required to submit a detailed program plan and estimated cost for completion of Phase II of the Bay Area Solid Waste Management Project to the fiscal committees by April 1, 1977.

The board is making a study of resource recovery technology for use in the San Francisco Bay Area. The specific objectives of this project are to (1) assemble and analyze data on solid waste generation, processing, and landfill disposal, (2) identify and evaluate resource recovery systems for application in the Bay Area, and (3) investigate factors such as institutional interrelationships, private or public financing options, and environmental considerations which are necessary for the selection and implementation of resource recovery systems in this area.

The Bay Area study evolved from the Budget Act of 1974 appropriation of \$2.3 million for the Bay Delta Solid Waste Project. This project involved composting municipal garbage with sewage sludge and depositing this compost on Mandeville Island in the Delta. Subsequent to the state's appropriation, this project did not progress because of a lack of matching local and federal funding commitments.

Recognizing the continuing need for solutions to the Bay Area's waste disposal problem, the Legislature reappropriated the \$2.3 million for the Bay Area Solid Waste Management Project by Control Section 10.7, Budget Act of 1975. A further reappropriation of these funds was made by Control Section 10.6, Budget Act of 1976. In the 1976 reappropriation, the Legislature restricted expenditures to \$600,000 in the 1976-77 fiscal year, unless the board obtained the approval of the Director of Finance to make further expenditures based on a detailed project plan which specified the tasks to be performed and associated costs.

Since starting the project, the board has split the study into two phases. Completion of the Phase I report is anticipated by February 1, 1977, and is to include results of a comprehensive investigation of current waste management practices in the Bay Area; an evaluation of alternative systems such as source separation, pyrolysis or composting, and an examination of potential markets and implementation factors. The report also includes recommendations for additional studies under Phase II, which is to be started on March 1, 1977, and completed during the budget year.

Project Not Included in Budget. The board's budget request for 1977-78 does not specifically include provisions for funding the completion of Phase II work although preliminary estimates indicate that additional studies costing approximately \$1 million will require funding. The board may be assuming that the Director of Finance will approve additional financing under Section 10.6, but this would be inappropriate when the Legislature can act on the matter through the 1977 Budget Bill.

Because of the importance of this program to the Bay Area, we recommend that the board be directed to submit to the fiscal committees by April 1, 1977, a detailed project plan which specifies tasks to be performed in Phase II and associated costs. This plan should be used as a basis for incorporation of the project into the board's support budget request in Item 182.

El Cajon Resource Recovery Plant

In September 1972, the Environmental Protection Agency awarded a grant to San Diego County to produce a liquid fuel from municipal solid waste using a "flash pyrolysis" process developed by the Occidental Research Corporation. The liquid fuel is to be burned as a supplement to fuel oil in the electric utility boilers of the San Diego Gas and Electric Company at El Cajon.

Construction was started in August 1975. Due to a series of delays, the plant is scheduled for completion in the spring of 1977. Total project costs for construction, operation, and evaluation of this system were estimated at \$4 million. However, these costs have now escalated to approximately \$13.6 million. Although the plant's 200-ton-per-day capacity is significant, operating costs are anticipated to be high because the planned capacity is not large enough to demonstrate economies-of-scale. However, operation of this plant should provide important information as to the performance of a pyrolysis reactor and the effectiveness of air pollution control equipment.

This project is not included within the board's resource recovery program. However, the board will be monitoring performance of this facility as a pilot project for larger scale pyrolysis systems elsewhere in California.

Humboldt County Resource Recovery Project

Utilizing \$200,000 which was authorized by Section 10.6, Budget Act of 1976, the board has undertaken a joint resource recovery project with the State Energy Resources Conservation and Development Commission and Humboldt County. This project provides for an implementation study of the conversion of solid waste and wood waste for use by the pulp industry or the Pacific Gas and Electric Company power stations in Humboldt County. The proposed system would process approximately 500-tons-per-day of combined solid waste and wood waste utilizing a furnace/boiler.

As a first step, air emissions generated by a new furnace/boiler facility in Ontario, Canada are being tested against California air pollution control standards. If the results of these tests are favorable, the study will proceed toward completion of a preliminary plan for construction of the facility. A final report is required by June 1977.

Because of delays in establishing an agreement between the board and

STATE SOLID WASTE MANAGEMENT BOARD—Continued

Humboldt County, and some unexpected problems in obtaining exhaust gas emission samples from a relevant plant in Ontario, Canada, this project has fallen behind schedule. Successful completion by the end of fiscal year 1976-77 is uncertain.

Source Separation Project

We recommend that the board be directed to submit a report to the Joint Legislative Budget Committee by December 1, 1977, on the feasibility of implementing several projects for the demonstration of source reduction techniques in California.

The board's resource recovery program includes plans for the demonstration of source separation (separation of bottles, cans, and paper in household and office garbage). As a first step the board and the Department of General Services have undertaken the separation of white paper from all state offices for recycling. This program has been very successful and the revenues collected have been higher than anticipated.

Although source separation appears to be ready for implementation on a statewide basis and is the only resource recovery alternative that has the potential of making an immediate contribution towards the achievement of the board's goal for a 25 percent reduction in landfill by 1980, the board has made no specific plans for source separation demonstration projects throughout the state.

Source separation is vulnerable to price fluctuations in the markets for separated materials and the uncertainty of achieving sustained public participation on a voluntary basis. However, pilot programs underway in Berkeley and at Marblehead, Massachusetts are reporting considerable success in the recovery of up to 30 percent of their residential waste during the initial months of operation. In contrast, a project in Somerville, Massachusetts is reporting recovery of only 8 percent.

In order to evaluate how much source separation can accelerate resource recovery in California, and to increase the public's awareness of critical solid waste problems, we recommend that the board be required to investigate the feasibility of establishing several source separation demonstration projects on a statewide basis. A report on the feasibility of these projects should be made to the Joint Legislative Budget Committee no later than December 1, 1977.

Increased Staffing for Resource Recovery Studies

We recommend a reduction of \$99,000 for three duplicate positions proposed to provide for the selection of potential sites for resource recovery facilities in the San Francisco Bay Area and an agricultural area.

Chapter 1246, Statutes of 1976, (SB 1395) requires the board, working in cooperation with interested local agencies, the State Energy Resources Conservation and Development Commission, the Department of Water Resources, the State Lands Commission, the State Air Resources Board, and the State Water Resources Control Board, to select one or more sites for the construction of facilities for the conversion of solid waste into energy and synthetic fuels. Selection of the sites is to be completed by July 1, 1977, with an implementation and financing plan due by December 31,

1977. The facilities would be required to be operational not later than January 1, 1981. Construction is to be accomplished under agreements with selected cities, counties or other agencies having jurisdiction over the site. The board is also required to demonstrate the feasibility of converting agricultural waste to synthetic fuel and, if economically feasible, a field demonstration of such a system is to be completed by July 1, 1979.

To carry out these investigations in the budget year, the board is requesting six additional positions in its support budget. Three of these positions appear to be proposed for duplicate funding elsewhere. One has been designated for the study of the agricultural conversion unit and appears already to be funded under \$250,000 reappropriated for this purpose by Chapter 1246 from money in Section 10.6, Budget Act of 1976. In addition, two positions are requested for the selection of resource recovery sites in the San Francisco Bay Area and appear to duplicate positions which are shown in the board's preliminary Phase II program for completion of the Bay Area Solid Waste Management Project. As discussed in a prior recommendation, the Bay Area Solid Waste Management Project should be adequately financed during the budget year by increasing the support budget to meet the needs for the Bay study. We recommend a reduction of \$99,000 for the three proposed additional positions with the understanding that they will be financed through the projects on which they will work.

GENERAL MANAGEMENT

The board's General Management Program provides management, policy and program direction to include administrative support services which are provided through interagency agreement with the State Water Resources Control Board.

The board's request for this program during the budget year amounts to \$502,730 (12.4 personnel-years), a net increase of \$157,461 or 46 percent over the current year. The costs of this program are distributed to the board's Planning and Implementation and Resource Recovery programs.

The program changes in this area include salary and expenses for two new public members on the board and the appointment of a full-time chairman. A position for full-time legal counsel and two clerical positions have also been added.

Request for Staff Attorney

We recommend a reduction of \$51,500 for a staff attorney and an additional clerk to provide increased legal assistance to the board. These positions are not justified by increased workload.

The board is requesting two additional positions for a staff attorney and a clerk to assist in the enforcement of state minimum standards at all solid waste facilities. Contract administration workload for the board's resource recovery program is also given as a justification for these positions. Direct legal assistance to the board during its meetings and opinions will be continued by the Attorney General.

Although the board's program activities will be increased during the budget year, there appears to be insufficient workload to justify these requested positions. Therefore, we recommend denial of the board's request.

STATE SOLID WASTE MANAGEMENT BOARD—Continued

As a means of obtaining increased legal assistance in the budget year, we recommend that the board consider contracting for the part-time services of an attorney working for the State Water Resources Control Board.

Increase for Administrative Services

The board is requesting \$101,368 for administrative services furnished under contract by the State Water Resources Control Board. This amount includes an increase of \$57,641 (132 percent) to provide for increased workload and a change in the method of allocating the costs of the services.

In our analysis of the State Water Resources Control Board's budget (Item 235), we recommend termination of the consolidated administrative services organization which services the Air Resources Board, the Water Resources Control Board and the Solid Waste Management Board. Exclusive of the decision of the fiscal subcommittees on this recommendation to abolish the consolidated administrative services, the board's budget request for administrative services will still need to be reduced. The amount of the reduction will depend on which decision is made and will have to be determined at that time.

**Resources Agency
AIR RESOURCES BOARD**

Items 183-190 from the General Fund and four special funds

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Requested 1977-78	\$26,798,818
Estimated 1976-77.....	24,713,988
Actual 1975-76	20,467,562
Requested increase \$2,084,830 (8.4 percent)	
Total recommended reduction	\$3,336,897

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
183	Stationary Source Pollution Control	General	\$2,595,384	352
184	Vehicular Source Pollution Control	Motor Vehicle Account, State Transportation	12,989,089	352
185	Licensed Smog Stations	Automotive Repair	1,139,327	361
186	Air Pollution Research	Environmental Protection Program	2,093,710	352
187	Motor Vehicle Emission Inspection	Motor Vehicle Account, State Transportation	3,100,000	357

Items 183-190

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188	General Support	Air Pollution Control	43,308	352
189	Subventions to Air Pollution Control Districts	General	2,800,000	357
190	Subventions to Air Pollution Control Districts	Motor Vehicle Account, State Transportation	2,038,000	357
			<u>26,798,818</u>	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Motor Vehicle Account (Item 184). Recommend Department of Finance and the board review the use of Motor Vehicle Account funding for the board's programs and prepare budget for 1978-79 to reflect findings made in this review. 353
2. Research (Items 184 and 186). Recommend board's proposed research project to evaluate emissions from solid waste recovery facilities give first priority to study of proposed San Diego Solid Waste Recovery facility in cooperation with the Solid Waste Management Board. 354
3. Electronic Data Processing. Defer recommendation on the board's request for an increase of \$226,505 for 3 new positions and additional electronic data processing contracts to allow time for further review. 354
4. *Random Sampling. Reduce Item 184 by \$122,474.* Recommend deletion of two positions and additional contract funds to secure vehicles for test purposes and that ARB submit proposal for legislation to authorize a valid sampling procedure. 355
5. Contract with Air and Industrial Hygiene Laboratory (Items 183 and 184). Recommend the board be directed to review the need for \$107,961 for increased contract services from the Department of Health and to assess the cost of assuming the contracted functions itself. 356
6. *Emissions Inventory. Reduce Item 183 by \$19,452 and Item 184 by \$94,971.* Recommend deletion of 3 additional positions for board's emissions inventory program. 357
7. *Mandatory Vehicle Inspection Program. Delete \$3,100,000 from Item 187.* Recommend elimination of funding for program. 357
8. Smog Station Inspection Program (Item 185). Defer recommendation on \$1,190,828 for this program to review recent information on effectiveness of program. 361
9. Stationary Emissions Study Group. Recommend ARB organize a study group of board and air pollution control district representatives to delineate respective responsibilities for stationary emissions. 362

AIR RESOURCES BOARD—Continued**GENERAL PROGRAM STATEMENT**

The Air Resources Board (ARB) is responsible for achieving and maintaining satisfactory air quality in California. The board is composed of five part-time members appointed by the Governor who serve at his pleasure. (There are only four members at the present time.) The board's staff is under the direction of an executive officer. The administrative functions and most of the board's staff are located in Sacramento. Vehicle testing, vehicular emissions control and laboratory work are located at El Monte. The board has 440 authorized positions.

ANALYSIS AND RECOMMENDATIONS**Sources of Funding**

Total ARB expenditures for 1977-78 from all sources are estimated to be \$28,871,177 including \$26,798,818 from the state, \$1,599,614 in federal funds and \$472,745 in reimbursements.

The General Fund supports expenditures for pollution control not directly related to motor vehicles. This includes expenditures for general support of the ARB (Item 183—\$2,595,384) and subventions to air pollution control districts (Item 189—\$2,800,000).

The Motor Vehicle Account, State Transportation Fund, supports the program for vehicular emissions control (Item 184—\$12,989,089), and subventions to air pollution control districts (Item 190—\$2,038,000). The Motor Vehicle Account also funds a loan (Item 187—\$3,100,000) for the mandatory vehicle emission inspection program. The loan is made to the ARB but the funds are used by the Bureau of Automotive Repair (BAR) of the Department of Consumer Affairs.

The California Environmental Protection Program Fund (Item 186—\$2,093,710) partially supports the board's research program along with the Motor Vehicle Account (Item 184). The Air Pollution Control Fund (Item 188—\$43,308) is used for general support of the board.

The Automotive Repair Fund (Item 185—\$1,139,327) monies are appropriated to the ARB for a contract with BAR for regulation of licensed smog stations. Federal funds (\$1,599,614) are distributed throughout the board's programs.

Additional Positions for Powerplant Studies Requested

The board has greatly increased its stationary source control efforts in the last two years. Powerplants and other energy related emission sources have received special attention. About 14 positions were added to evaluate impacts and develop control measures for such sources during the period. The board now has 17 positions involved in this energy related work. The board is requesting an additional 3 positions at a cost of \$75,699 in 1977-78 to develop control measures for these energy related sources. We note that the board has started to participate in the formulation of state policies by the administration concerning such matters as the amount of emissions from tanker traffic along the southern California coast, the location of importation facilities for Alaskan crude oil, the location and construction of huge petroleum storage facilities, and the extent of emissions from oil

drilling offshore. All of these matters can have important effects on air quality. For this reason we recommend approval of the requested positions.

Increased Costs for Administrative Services

In 1975 the administrative services for the Air Resources Board, the Solid Waste Management Board and the Water Resources Control Board were merged into a single organization, known as the Consolidated Administrative Services (CAS). This change was associated with the submission to the Legislature of the Governor's Reorganization Plan No. 1 of 1975, which contemplated establishing an Environmental Quality Agency comprised of the three boards. The reorganization plan was rejected by the Legislature. However, the CAS has continued in spite of the Legislature's decision. The chief of CAS is primarily responsive to the "Secretary" of the de facto agency, rather than to the three boards. The CAS has produced no measurable savings. Instead its costs have risen rapidly. The ARB contributed \$531,000 to CAS in 1975-76. For 1977-78, the contribution is \$924,185, an increase of almost 75 percent in two years. In our analysis of the Water Resources Control Board budget, we are recommending the dissolution of CAS. The ARB's budget will need to be adjusted to reflect the dissolution of the CAS if the Legislature accepts our recommendation.

Questionable Use of Motor Vehicle Account

We recommend that the Legislature direct the Department of Finance and the board to review the use of Motor Vehicle Account funding for the board's programs and to prepare the board's budget for 1978-79 to reflect the findings made in this review.

The two main funding sources for the ARB are the General Fund and the Motor Vehicle Account in the State Transportation Fund. Article XXVI, Section 2 of the State Constitution defines as one of the allowable uses of revenues from fees and taxes on vehicles "the mitigation of the environmental effects of motor vehicle operations due to air and sound emissions." Clearly, the motor vehicle emission control work of the board can be supported from the Motor Vehicle Account. The Legislature agreed in the 1975 Budget Act to fund a share of the board's air pollution monitoring and data collection efforts from the account because most of these pollutants are from vehicles.

However, the board's programs for control of emissions from stationary sources do not seem to be legal uses of Motor Vehicle Account funds. Nevertheless, they are heavily supported from the Motor Vehicle Account. For example, the Enforcement Branch in the Legal Affairs and Enforcement Division derives 77 percent of its funding from the Motor Vehicle Account. According to the board's staff, the work of this part of the organization is concerned totally with stationary sources and not with motor vehicles. Another example is the funding of the Strategy Development Section of the Industrial Branch of the Stationary Source Control Division, which gets 77 percent of its funding from the Motor Vehicle Account. A review of the funding split between the Motor Vehicle Account and the General Fund is needed to insure that the constitutional limitation on expenditures is observed.

AIR RESOURCES BOARD—Continued**Research on Emissions From Solid Waste Recovery Facilities**

We recommend that the proposed research project to evaluate emissions from solid waste recovery facilities give first priority to the proposed San Diego Solid Waste Recovery Facility, and that the study be made with the cooperation of the Solid Waste Management Board.

The board has requested \$125,000 for a research project to determine emission levels from solid waste recovery systems. The systems involve the burning of waste to produce energy in the form of steam or heat. The board has indicated three different systems for study: one in Humboldt County for conversion of wood wastes and garbage, one in Contra Costa County for the conversion of sewage sludge, and one mobile unit for the conversion of agricultural wastes to synthetic fuel. We note that the emissions of the Humboldt system are already being evaluated by others and that results of this evaluation should be available soon. The Solid Waste Management Board is presently determining the feasibility of conducting a pilot study of the mobile unit for agricultural wastes in cooperation with the Energy Resources Conservation and Development Commission. A Contra Costa plant is nearing completion and is being instrumented by the Bay Area Air Pollution Control District for the acquisition of emissions data.

A system which deserves high priority for emissions evaluations by the ARB is the proposed San Diego Solid Waste Recovery facility. This project is the largest resource recovery facility currently planned for California. In our analysis of the Solid Waste Management Board budget (Item 182), we recommend a joint study by that board and the ARB on the feasibility and costs of air pollution control devices for the San Diego facility which should be completed by April 1, 1977. Additional work will be needed in 1977-78 after the final report of the project consultant is issued. The board should give the San Diego project first priority in the expenditure of its \$125,000 research funds for study of emissions from solid waste recovery units and should enlist the cooperation of the Solid Waste Management Board in its effort.

Increased Electronic Data Processing

We defer recommendation on the board's request for an increase of \$226,505 for 3 new positions and additional electronic data processing (EDP) contracts pending additional data which we will prepare for the budget hearings.

Last year the board requested, and the Legislature approved an increase of \$237,204 for 6 positions and EDP expenses for an air pollutant modeling program. The Legislature also approved a research project for \$150,000 for airshed model development. In addition, the board received one position to improve data transmission to Sacramento and \$70,000 for a research project to develop a new data management system. The board now has at least 19 positions and is spending over \$600,000 a year on EDP work.

For 1977-78, the board is requesting an additional \$226,505 for 3 more positions and additional EDP contract costs. The board plans to run com-

puter programs for modeling at Lawrence Berkeley Laboratories (LBL) because, according to the board, these programs would take too long to process at the Teale Data Center. We have information indicating that Teale Center rates may be reduced significantly on July 1, 1977, and that computer time may be unavailable at LBL. This information raises questions as to the board's needs for increased EDP funding. Additional data are needed which we will prepare for the budget hearings.

Random Sampling of Vehicles for Test Purposes

We recommend denial of a \$122,474 (Item 184) increase to be used for two positions and additional contract funds to secure vehicles for test purposes.

We further recommend that the board be directed to study the problem of developing a statistically valid vehicle test sampling procedure and propose legislation to authorize it.

The ARB performs various tests to determine typical emissions of vehicles in private use. The test data are the basis for the board's control efforts. In 1976-77 the board added four positions for its surveillance program, and \$120,000 for contracts for procurement of vehicles for testing. In addition, the board is currently utilizing two temporary help positions for this effort. For 1977-78, the board is requesting an additional two positions at a cost of \$22,474 and an additional \$100,000 for vehicle procurement contracts. The board will test about 450 vehicles in the current year, and plans to test 610 vehicles next year. The average cost of procuring each vehicle will be \$360.

The purpose of the testing is to secure emissions data on a statistically valid cross-section of the total vehicle population, particularly in the South Coast Air Basin. The board has never had the authority and means to assure itself and the Legislature that its test data accurately represent all the vehicles in the basin. It is probable that the board is testing a disproportionately high number of low emitting cars and missing many high emitters because the owners of high emitting cars are reluctant to have them tested. The consequences would be that actual emissions are not reflected in the board's test data.

There are many indications of this lack of statistical reliability. For example, the board's recent reports on its surveillance study made for the pilot (voluntary phase) of the mandatory vehicle inspection program, revealed problems the board has experienced in obtaining a representative sample of vehicles. The ARB obtained its vehicles for these tests by letters and phone calls to owners of selected vehicles. The selection procedure was questionable because the ARB had to rely on a vehicle registration list from the Department of Motor Vehicles that was over a year old. This resulted in many misdirected inquiries to vehicle owners and a bias toward vehicle owners who had not moved recently. Phone calls were necessary in most cases, but some vehicle owners did not have telephones or had unlisted numbers. This created a bias toward vehicles whose owners had listed telephone numbers. Other examples could be given. All participation in the program was completely voluntary and no car was tested whose owner did not wish to cooperate. These problems tended to

AIR RESOURCES BOARD—Continued

produce a test sample which is not truly representative of the vehicle population and which is inadequate for the establishment of standards and programs.

The problem of a statistically representative sample is difficult to solve. Increasing the level of expenditures for the existing surveillance program with its inherent sampling biases does not solve the problem. Basic statutory authority may be required. We therefore recommend that the ARB be directed to study this problem and propose legislation or other practical solutions to produce a statistically reliable data base on the emissions of vehicles in use.

Contract with Air and Industrial Hygiene Laboratory

We recommend that the ARB be directed to review the need for \$107,961 for increased contract services from the Department of Health and to assess the cost of assuming the contract function itself. The review should also determine if the instrument calibration service provided by this contract should include local government monitoring stations (Items 183 and 184).

The Air and Industrial Hygiene Laboratory (AIHL) of the Department of Health, located in Berkeley, performs analyses of pollutant samples, evaluates new analytical methods, trains air pollution control district personnel and calibrates instruments for the ARB. The laboratory's calibration team travels to pollutant monitoring stations and calibrates ARB instruments with standardized gas samples containing known concentrations of pollutants. The AIHL has 17 people involved in this effort for the ARB, at a cost of \$482,903 in the current year. The ARB requests additional contract expenditures of \$37,705 for one position plus \$70,256 for equipment for the laboratory.

According to AIHL, the laboratory would use the additional \$70,256 to buy instruments similar to those in use at ARB monitoring stations. These instruments would be used to calibrate the instruments of the calibration team. The laboratory currently uses instruments borrowed from other agencies to perform such calibrations and indicates that this arrangement causes difficulties. In addition, the instruments would be used in experiments to predict the effects of varying climatic conditions on instrumental measurements made in ARB monitoring stations. However, the need to test the response of instruments to different climatic conditions is doubtful because all ARB monitoring stations are indoors and air conditioned.

The additional position is needed to develop new measurement techniques which should result in time savings, and to design and construct more automated analysis and recording equipment.

We note that the ARB has very sophisticated instrument capability at its El Monte laboratory and in Sacramento. The board should review the costs of assuming the AIHL contracted functions itself.

At the end of this analysis a recommendation is made for a review by the ARB and local air pollution control districts of their respective responsibilities and patterns of cooperation. The calibration of monitoring equipment should be a part of that review.

Emissions Inventory

We recommend that \$114,423 for 3 additional positions for the board's emissions inventory program be deleted. (Reduce Item 183 by \$19,452 and Item 184 by \$94,971).

An emissions inventory is an estimate of the amounts and types of air pollutants emitted by sources in a given area. The board uses emissions inventories to determine what emissions it can most profitably reduce. Emissions inventories are made by air pollution control districts as part of their basic responsibilities and that information is submitted to the board. The inventory is one of the purposes for which the state subvenes money to districts (Items 189 and 190).

In 1975-76, the board received three additional positions for emissions inventories. In 1976-77, the board received two more positions. Part of the justification of these positions was to work with the districts to improve their inventory efforts. The board has also spent nearly \$2 million in the past few years on research projects to inventory pollutants in the South Coast Air Basin. It is requesting \$250,000 for research contracts in 1977-78 to inventory pollutants in the San Francisco Bay Area and the San Joaquin Valley. Another \$100,000 in contracted inventory work for the South Coast Air Basin is also budgeted.

The board's emission inventory program now has 10 professional positions and will cost \$360,000 this year. For 1977-78 the board is requesting an additional 5 professional positions and additional EDP and contract expenditures, for a total increase of \$190,705. This represents a 50 percent increase in professional positions and a 53 percent increase in program costs. We agree that the board's emissions inventory work is important and that it is growing more sophisticated, but the contracted inventory work mentioned above should reduce the need for additional staff.

In addition, the state may be paying for parts of the emissions inventories twice (once by the state subventions to the local districts and once through the board's staff work). Under these circumstances the board should be limited to a more modest increase of 2 positions for \$54,282. Three positions and \$136,423 should be deleted. In addition, the subject of state local responsibilities for emissions inventories should be considered in the review of ARB—local patterns of cooperation which is proposed in the last recommendation of this analysis.

Delete Funding for Mandatory Vehicle Inspection Program

We recommend deletion of \$3,100,000 for the Mandatory Vehicle Inspection Program in the South Coast Air Basin (Item 187).

Chapter 1154, Statutes of 1973, established the Mandatory Vehicle (emissions) Inspection program (MVIP) for Los Angeles, Orange, Riverside, Santa Barbara, San Bernardino and Ventura Counties. The MVIP program is funded by a loan from the Motor Vehicle Account in the State Transportation Fund (Item 187). The board is requesting \$3,100,000 next year to allow continued operation of two pilot inspections stations in Riverside, and to prepare for the initiation of inspection at the time of change of ownership of a vehicle, which is to begin in 1979.

The ARB has spent over \$4 million from the Motor Vehicle Account in

AIR RESOURCES BOARD—Continued

the State Transportation Fund on planning and experiments for this program. The program is now about 3 to 4 years behind its original schedule, having been delayed numerous times. Originally designed for cars with limited emission controls, it is now proposed to be applied to cars with advanced, sophisticated control technology such as catalytic converters.

The program as authorized in 1973 was to be implemented in phases beginning with a pilot program in the City of Riverside. The pilot program was to begin testing by July 1974, but the prior administration delayed the expenditure of available funds. Chapter 170, Statutes of 1975, revised the schedule for the program to allow the pilot phase to begin sometime in 1975. It began in November of that year. Under Chapter 170, the second phase of the program, providing for the inspection of every passenger vehicle in the South Coast Air Basin on change of ownership, was to begin in 1976. Preparation for this phase has been delayed because the Air Resources Board has been contemplating revised plans and objectives for the program. In Section 10.10 of the Budget Act of 1976 the Legislature included control language requiring the board to submit a report describing its plans and justification for any further expansion of the program before the expansion could take place. Although a letter, a draft report and other material discussed below has been received, the key report required by Section 10.10 has not been received and the program has drifted since June 1976.

The board presented a letter dated May 19, 1976, to the Chairman of the Joint Committee on Motor Vehicle Inspections reporting findings on the pilot operations at Riverside involving tests on 631 vehicles of 1974 and prior model years. The tests simulated an inspection program. The most important of the findings were (1) that testing vehicles at idle was very nearly as effective as testing on dynamometers, except for oxides of nitrogen emissions; (2) that it might be desirable to limit the program to the change of ownership phase, and never implement the mandatory annual phase, and (3) that the Legislature should consider allowing the ARB to contract with private firms to operate the inspection program.

The board concluded in the report that the program would be cost-effective, as compared to other air pollution reduction programs, although the reduction of total pollutants in the basin was estimated to be less than one percent. The board presented no estimate of the pollutant reduction to be expected from a limited program involving only change of ownership inspection such as it was considering. Obviously, the reduction would be less for an inspection only at change of ownership than for an annual program. Unfortunately the report's conclusions were based mostly on 1974 and prior year cars. It made only a few comments on the effectiveness of the program when applied to catalyst equipped vehicles, which appears to be the trend of the future, because only 33 catalyst equipped vehicles were tested. However, the board stated that the average cost of repairing catalyst cars would be higher than for noncatalyst cars. The board made available a draft report on August 2, 1976, which expanded on the information provided in the letter, but presented no new findings.

Chapter 1282, Statutes of 1976, revised the program to cover some of the

problems presented in the ARB's May 19 letter. It delayed the change of ownership phase until January 1, 1979 and delayed the mandatory annual inspection phase until 1980. The law had previously required dynamometer testing, but Chapter 1282 allowed idle testing. It also allowed operation of inspection stations by a contractor. Finally, the maximum repair cost that could be required for any inspected vehicle was lowered to \$50.

In December 1976, the board presented testimony before the Joint Committee on Motor Vehicle Inspections which revised the conclusions of the above letter and draft report. The board indicated more improvement in the emissions reductions expected from the program. For instance, the August 2 draft report predicted that an annual mandatory inspection program would reduce hydrocarbon emissions by 12 tons per day in 1990. The December testimony predicted a reduction of 67 tons per day, an improvement of 458 percent. The improvement was largely due to a change in the board's assumption about emission system deterioration after repairs. The ARB advocated to the committee in December (1) a change of ownership program in combination with (2) a random roadside inspection program operated by the California Highway Patrol (CHP).

The random roadside program would check for safety defects and excessive noise in addition to measuring emissions at idle. It would be similar to the CHP's random roadside program which was terminated in 1975 except that noise testing would be added. The random roadside program was ended two years ago because it was found to be ineffective in reducing accidents and emissions.

According to the ARB, vehicles failing the random roadside tests would have to be repaired and then rechecked at an inspection station. A major reason advanced for the reactivation of the random roadside test program at the time was to discourage tampering with emission systems. The board has found that the emissions control systems on as many as 25 percent of 1975 and 1976 vehicles have been modified in such a way that emissions are increased. The board assumes that the prospect of random roadside inspections will end such tampering.

The board has projected the annual cost of this combined random roadside and inspection station program (for change of ownership and cars failing the roadside inspection) at about \$13 million by 1980. It has not decided on a method of financing the program, but is considering two methods. The first is a fee charged to vehicle owners who must have their cars inspected upon change of ownership. ARB estimates that a fee of \$8 per vehicle would be necessary in this case. The other method would be a flat charge of about \$3.50 on every vehicle in the South Coast Air Basin, paid at the time of annual registration. The charge would be reduced to about \$2 after the first year. It estimates that the program would result in a 1.7 percent reduction in hydrocarbons, a 3.8 percent reduction in carbon monoxide, and a 4.1 percent reduction in oxides of nitrogen in the South Coast Air Basin in 1990.

The board is currently proceeding with its plans for a change of ownership program as outlined in the December testimony. Requests for proposals (bids) have already been sent to potential contractors even though the board has not complied with the control language in Section 10.10 of the

AIR RESOURCES BOARD—Continued

Budget Act of 1976.

The planned MVIP program is based on unrealistically low cost estimates, uncertain assumptions and insufficient data. The board has projected costs for the random roadside inspection program at about \$3.50 per vehicle tested. This estimate is lower than the cost actually experienced by the CHP in its previous program. In our 1975-76 Analysis, we estimated that the cost of CHP random roadside inspection was about \$5.20 per car in 1975. Costs for the random roadside tests planned by the ARB will be considerably higher than the \$5.20 per vehicle figure. We estimate that the total state cost of the roadside testing program would be at least \$9 million annually, about \$5 million more than ARB's estimate.

The board has probably also underestimated repair costs to owners of vehicles failing the inspection tests. Although repair cost estimates are extremely tenuous, these costs could be \$10 million to \$15 million higher than ARB estimates for 1990, based on our evaluation of the board's data.

The ARB's estimates of the benefits of this program are also based on uncertain information. For example, the board has attributed large benefits to the program on the grounds that it would eliminate tampering with vehicle emission control systems. The tampering is usually done to improve engine performance or drivability. Future cars may have better performance and driving characteristics. Their emissions control systems may be designed as intact units. These changes would eliminate the motivation for or possibility of tampering. The board also assumed that emission standards for vehicles will not change from present standards, except for a slight tightening of the oxides of nitrogen standards. It is possible that the standards may be tightened. This could reduce the benefits of the inspection program if the emissions subject to reduction by the inspection were lower due to changes in new cars.

The board's information on the effect of the MVIP program on catalyst vehicles is skimpy, based on nonrandom samples and relatively small test fleets. This is recognized in a quote from the board's August 2 draft which report points up the problem:

"Since none of the special catalyst/NO_x (oxides of nitrogen) studies involved a large, randomly selected test fleet, it is difficult to draw any reliable conclusions about the effect of MVIP on catalyst vehicles or NO_x emissions."

Most new vehicles are being equipped with catalytic converters. Without adequate information, it is hard to see how the MVIP program can proceed.

Recent information about the performance of the repair industry complicates the picture further. The May 19 letter and August 2 draft report on the surveillance study included disturbing findings about the performance of automotive repair facilities in reducing vehicle emissions. The Bureau of Automotive Repair (BAR) checked licensed smog stations before the test work began in order to determine their capability to repair cars which had failed to pass the pilot program tests in Riverside.

BAR found that emissions test equipment was functioning and calibrated properly at only 20 percent of the stations checked. Eighty percent of

the equipment had to be recalibrated before the experiment could begin. Although only licensed smog inspection stations were involved in the study, and although the BAR had given the mechanics special training, repairs on 38 percent of the test vehicles were unsatisfactory. The stations performed unnecessary repairs on at least 44 percent of the vehicles. These unnecessary repairs raised total repair costs by about 37 percent. The poor performance of repair stations under controlled experimental conditions raises serious questions as to their ability to service the MVIP.

In addition to these problems, the board seems uncertain as to exactly how the safety inspection part of the program would operate. In general, the board's plans are based on unrealistically low cost estimates and uncertain emissions benefit projections. The program would result in high costs to vehicle owners and considerable inconvenience. The random roadside inspection program of the CHP was not cost effective previously, either for safety or for emission reductions before and there are no objective data to show that it will be if tried again. In view of all of these problems, we recommend that funding for the MVIP program not be continued and Item 187 be deleted from the Budget Bill.

It should be recognized that there may be a future need for a vehicle inspection program when program objectives and benefits and costs can be more precisely defined. In addition, the federal government may mandate some form of emissions testing or the state may wish to experiment with a revised emission testing program. Therefore, we recommend that the two inspection stations in Riverside be closed but retained by the state so that they might be used again if needed.

Smog Station Inspection Program

We defer recommendation on the board's request for \$1,190,828 to operate the smog station inspection program in order to review recent information on the effectiveness of this program.

When a used car changes ownership in California, it must have a valid certificate of compliance before it can be reregistered. A licensed smog station (usually a service station) can issue the certificate after checks are made to see that required emission control equipment is in place and operating properly. According to the ARB, the average cost to the motorist for a certificate of compliance is \$8 to \$12, not including repair work. Licensed smog stations are inspected by the Bureau of Automotive Repair (BAR). The funding for this effort, \$1,190,838 for 1977-78, is contained in the ARB's budget for transfer to BAR. BAR provides the inspection service under contract to the board.

The discouraging findings concerning licensed smog stations noted in our discussion of the MVIP program raise a question as to the overall effectiveness of this program. In addition, discussions with ARB staff members have indicated that the certificate of compliance program has problems. In order to allow time for further study of the effectiveness of the smog station inspection program, we defer recommendation on the board's request for \$1,190,828 contained in Items 184 and 185.

AIR RESOURCES BOARD—Continued**Stationary Emissions Study Group**

We recommend that the ARB organize a study group composed of representatives of the board and representatives selected by local air pollution control districts, to delineate the respective responsibilities of the board and local districts for stationary source emissions. The study group should submit a factual report which sets forth the areas of agreement and specifies by exception or dissenting statements any areas of differing views. The report should be submitted to the Joint Legislative Budget Committee by November 1, 1977.

In our Analysis for each of the last two years, we have noted the board's increasing involvement in control of emissions from stationary sources and increasing oversight by the ARB of the work of air pollution control districts. Stationary sources are essentially all nonvehicular air pollution sources. Direct control of stationary source emissions has in the past been primarily a responsibility of air pollution control districts. Section 39012 of the Health and Safety Code states: "Local and regional authorities have the primary responsibility for the control of air pollution except for the emissions from motor vehicles."

Last year the budget subcommittees heard extensive testimony from representatives of air pollution control districts on the issue of state vs. local district regulation of stationary sources. The districts' testimony generally expressed disagreement with the board's increasing involvement in this area, especially with respect to the board's proposed New Source Review Rules. In February 1976, the Senate Committee on Natural Resources and Wildlife held hearings on the rules which the board was asking the districts to adopt.

The involvement of the board in stationary source control has continued to increase. Later in 1976, the board's staff was reorganized to make its structure more consistent with programs. Significantly, a new division, Stationary Source Control, was established with 71 positions. Another division, Legal Affairs and Enforcement, was also created. This division contains 26 positions, 20 of which are devoted entirely to enforcement of regulations on stationary sources. For 1977-78, the board is requesting 10 more positions for these two divisions. The total number of board positions devoted solely to the stationary sources for the budget year is proposed at 101 compared with 137 positions for vehicular sources.

In addition to the positions mentioned above, the board has 11 positions for emissions inventories (essentially catalogs of stationary source emissions by area) which are also a local district responsibility. It has about 15 positions directly involved in air quality monitoring, which is done both by the state and districts and for which responsibility has never been clearly defined. Therefore, the division of responsibilities between local air pollution control districts and the board is becoming more uncertain each year and is complicated by the existence of 2 regional and more than 40 county air pollution control districts.

The ARB chairman announced in 1976 that the board is nearing the practical limits of vehicular controls, and must turn its attention increas-

ingly to stationary sources. It is time for a clear, current definition of responsibilities.

We doubt that a specific, voluntary delineation of patterns of cooperation between the board and the various districts can be prepared. It therefore appears more fruitful for a study group of board and representative district personnel to describe factually their areas of agreement and differences than to seek to reach agreement on recommendations. The factual data from the study group can be used by the Legislature for drafting legislation and as a basis for resolving budgetary issues.

Resources Agency COLORADO RIVER BOARD

Item 191 from the General
Fund

Budget p. 435

Requested 1977-78	\$138,621
Estimated 1976-77	134,624
Actual 1975-76	105,493
Requested increase \$3,997 (3.0 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Colorado River Board is responsible for protecting the state's interests in the water and power resources of the Colorado River System. This is accomplished through the analysis of engineering, legal and economic matters concerning Colorado River resources, through negotiation and administrative action, and sometimes through litigation. The board develops a single position among the California agencies having established water rights on the Colorado River.

The members of the board are appointed by the Governor. Chapter 485, Statutes of 1976, expanded the membership on the board from 6 to 11 by adding three public members and the Directors of the Departments of Water Resources and Fish and Game. The other six members continue to be appointed from the six public agencies having rights to the use of water or power from the Colorado River. These agencies are: Palo Verde Irrigation District, Imperial Irrigation District, Coachella Valley Water District, Metropolitan Water District of Southern California, San Diego County Water Authority, and the City of Los Angeles Department of Water and Power.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

In the 1976-77 budget the administration proposed withdrawing state funding for the board. This would have eliminated the board's operation as a state agency. California's interests concerning the Colorado River would have been coordinated by the Department of Water Resources. The Legislature reinserted funding for the board on the condition that not

COLORADO RIVER BOARD—Continued

more that \$65,605 could be expended unless legislation were enacted expanding the board's membership.

With the enactment of Chapter 485, partial state funding following the pattern started in the 1972-73 fiscal year was reestablished. According to this formula, the board is funded one-third by the state and two-thirds by the six water agencies listed above. This 1977-78 program continues at approximately the current year level with estimated total expenditures of \$415,863 and a General Fund request of \$138,621.

**Resources Agency
DEPARTMENT OF CONSERVATION**

Items 192-195 from the General
Fund and special funds

Budget p. 437

Requested 1977-78	\$7,963,952
Estimated 1976-77	7,372,624
Actual 1975-76	Not applicable
Requested increase \$591,328 (8.0 percent)	
Total recommended reduction	\$638,369

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
192	Department of Conservation Primary Funding Source	General	\$7,276,801	365
193	State Share of California Institute of Technology Seismograph Network	State Highway Account, State Transportation	11,400	366
194	State Share of California Institute of Technology Seismograph Network	California Water	11,400	366
195	Division of Mines and Geology	Strong-Motion Instrumentation Program	664,351	367
			\$7,963,952	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. **Geologic Hazards.** Withhold recommendation on Division of Mines and Geology request to establish a nuclear power plant site investigation unit pending clarification by Resources Agency of the state's current geologic and seismic research and data needs. 366
2. **Land Use and Resource Protection.** Reduce Item 192 by \$205,788. Recommend deletion of funds for Land Use and Resource Protection program. 369
3. **Resource Conservation Commission.** Reduce Item 192 by 369

- \$98,718. Recommend deletion of funds for support of Resource Conservation Commission and its staff.*
- 4. *Soil Survey. Reduce Item 192 by \$269,819. Recommend deletion of funds for support of the Soil-Vegetation Survey.* 370
- 5. *Administration. Reduce Item 192 by \$64,044. Recommend deletion of funds for support of a deputy director position and legislative-legal affairs position.* 371

GENERAL PROGRAM STATEMENT

Chapter 1300, Statutes of 1976, effective January 1, 1977, removed the Division of Forestry from the Department of Conservation and established the division as the Department of Forestry. The Department of Conservation now consists of only two divisions, (1) Mines and Geology, and (2) Oil and Gas, plus the Resource Conservation Commission. The department has a total of approximately 240 employees.

The Division of Mines and Geology develops and publishes geologic information about the terrain, mineral resources and geologic hazards such as active faults, landslides and subsidence. It also conducts a strong-motion instrumentation program to measure the large-scale, destructive ground motion of earthquakes. The State Geologist is responsible for classification of certain urban and other lands according to mineral content. The division has 115 authorized positions. The State Mining and Geology Board, appointed by the Governor, provides policy guidance to the division.

The Division of Oil and Gas regulates the drilling, operation, maintenance and abandonment of oil, gas, and geothermal wells. The division has 104 authorized positions.

The Resource Conservation Commission provides limited assistance to resource conservation districts. In the past it established policy for the Division of Resource Conservation prior to the division's abolishment in 1973.

ANALYSIS AND RECOMMENDATIONS

The department estimates it will spend \$8,607,182 from all sources for support programs in 1977-78, as follows:

1. Items 192-195.....	\$7,963,952
2. Federal funds.....	165,000
3. Reimbursements.....	<u>478,230</u>
Total	\$8,607,182

Budget Changes

The total support request of \$7,963,952 in Items 192-195 is \$591,328 or 8.0 percent over estimated current year expenditures of \$7,372,624. Most of the increased expenditures are for the following:

- 1. \$77,528 to implement requirements of the Surface Mining and Reclamation Act of 1975.
- 2. \$75,000 for geologic investigations of nuclear power plant sites.
- 3. \$50,000 to estimate oil and gas reserves.

DEPARTMENT OF CONSERVATION—Continued

4. \$205,788 for a new land use and resource protection function.

Federal funds totaling \$165,000 include \$115,000 from the U.S. Geological Survey to be used for fault studies and \$50,000 for mineral studies from the Bureau of Mines.

The reimbursements which total \$478,230 are (1) for geologic hazard investigations and geologic services to local and other state agencies and (2) from sale of publications.

Position Changes

Effective July 1, 1976, the Department of Conservation had 4,305 authorized positions. Effective January 1, 1977, most of those positions were transferred to the new Department of Forestry. The Department of Conservation budget for 1977-78 requests a total of 262 positions for a net gain of 17.7 positions.

GEOLOGIC HAZARDS AND MINERAL RESOURCES CONSERVATION

The objective of the geologic hazards and mineral resources conservation program is to identify and delineate geologic hazards through geologic investigations and to identify and assist in the conservation and development of mineral resources. The program is performed by the Division of Mines and Geology.

Total expenditures in the budget year are estimated to be \$4,367,117 compared to current year estimated expenditures of \$3,998,310.

Reclamation of Mined Lands

The Surface Mining and Reclamation Act (Chapter 1131, Statutes of 1975) requires reclaiming of mined lands to usable condition in accordance with state policy and local zoning ordinances. Enforcement and implementation of this program takes place at the local government level. State policy and guidelines for local preparation of mine reclamation plans were adopted by the Mining and Geology Board in December 1976.

Three new positions are requested to classify certain urban land and other lands according to mineral content as required by the Reclamation Act. Initially, the division plans to classify approximately 6,000 square miles for mineral content. The new positions will also furnish technical assistance to local government in review of reclamation plans.

Geologic Hazards

We withhold recommendation on three positions for the Division of Mines and Geology to develop a nuclear power plant site investigation unit pending clarification by the Resources Agency and this office of the state's current geologic and seismic research and data needs.

The Division of Mines and Geology is requesting three additional positions to supply needed geologic information for nuclear power plant siting. Support of the program will be through a reimbursement of \$75,000 from the Energy Resources Conservation and Development Commission.

The safe design of critical structures such as hospitals, schools, dams and power generation facilities depends upon adequate consideration of the geologic hazards of both the site and the region surrounding the site. The

budget request would expand and formalize existing work done by the division under contract with the Energy Commission.

The Energy Commission estimates that nine Notices of Intent for siting of power plants (four nuclear plants) will require review by it in 1977-78. According to the division, the three additional associate level positions would give the division the capability to conduct field investigations and analyze regional geology relevant to the sites of the power plants proposed by the utilities. Current division activities are limited to examining geologic information submitted by utilities for general coverage and internal consistency. Field visits to check data for accuracy are rarely made.

The division would also augment its existing staff involved in hospital site reviews and the analysis of environmental impact reports. The Office of the State Architect will reimburse the division \$40,000 for some of this work in 1977-78. The division currently reviews about 300 environmental impact reports and 130 hospital sites.

Under Item 232 is a discussion of a program expansion of basic geologic investigations which the Department of Water Resources is proposing in the Sierra Nevada foothill fault system. Water Resources is seeking information to determine the safety of foothill dams. These projects, the geologic work needed for the Energy Commission, and the basic responsibilities of the Division of Mines and Geology need to be coordinated. The Resources Agency has indicated it will review the needs of the three state agencies for geologic and seismic data and coordinate the work to avoid duplication and secure maximum coverage. We plan to comment on the coordinated program, as approved by the Resources Agency, at the time of budget hearings.

Strong-Motion Instrumentation Program

Chapter 1152, Statutes of 1971, established a strong-motion instrumentation program in the Division of Mines and Geology. Funding to purchase and maintain the instruments is provided by a fee on building permits amounting to 7 cents per \$1,000 of the estimated construction cost. Fees paid are deposited into the Strong-Motion Instrumentation Program Fund.

The budget as submitted proposes a redirection of money from instrument purchases to finance three additional technicians to maintain the growing number of instruments in operation. Maintenance costs will continue to increase as the number of installed instruments nears completion of the installation phase in about the year 2035.

OIL, GAS AND GEOTHERMAL PROTECTION

The Oil, Gas and Geothermal Protection program is performed by the Division of Oil and Gas. The division is primarily a regulatory agency. It supervises the drilling, operation, maintenance and abandonment of oil, gas and geothermal wells and repressuring operations for the abatement of land subsidence in the Wilmington area. The program objectives are to prevent waste or damage to the resource and to protect the immediate environment and other natural resources. Budget year expenditures are estimated at \$3,546,757 compared to \$3,397,199 in the current year.

Chapter 1049, Statutes of 1975, abolished the Petroleum and Gas Fund

DEPARTMENT OF CONSERVATION—Continued

and the Subsidence Abatement Fund. Fees charged operators of oil, gas and geothermal wells were previously revenue to these special funds but now are placed in the General Fund in order to emphasize the public interest.

Well Abandonment Program

Last year the division requested and the Legislature approved \$500,000 to establish an oil and gas well abandonment program. The budget request includes another \$500,000 for 1977-78. According to the division, there are many wells in California which require proper or corrective abandonment for which the responsibility cannot be determined, or where the owners are insolvent.

In the Supplementary Report of the Conference Committee on the Budget Act of 1976, the Legislature directed that the division provide a priority listing of wells proposed for abandonment action in 1976-77. The division has provided the recommended report listing 30 wells requiring action.

To date, legal work has begun on some of the wells and abandonment work has been completed on two wells.

To prevent improper abandonment of wells in the future, Chapter 794, Statutes of 1976, increased from \$5,000 to \$25,000 the amount of the oil and gas indemnity bonds required for individual wells, and from \$25,000 to \$250,000 for blanket coverage. These bonds will be maintained on each well under production and until it has been properly abandoned.

Oil and Gas Reserve Estimates

The division has requested two positions to develop and maintain oil and gas reserve estimates for the state. Currently there are 254 active oil fields and 127 active natural gas fields in California. The division indicates an increasing demand from state and federal agencies to provide "deliverability capabilities" of these oil and gas fields. The agencies are particularly interested in obtaining estimates developed independent of the petroleum industry. We concur with the need for this data.

Reserve estimates have traditionally been made by division engineers on most fields as part of their regular activities. The division now proposes to review oil and gas fields on a more systematic and timely basis. New fields will be measured using volumetric calculations and other engineering data. Monthly production graphs will be maintained on the more significant fields. Review and accurate reserve estimates on each of the state's oil and gas fields will be provided on a regular three-year cycle.

The Federal Energy Administration (FEA) has written the State Supervisor of Oil and Gas inquiring about the state's capability, on a technical basis, to certify incremental crude oil production resulting from high cost or tertiary oil recovery methods. The FEA wishes to use the certification of production in administering incentive prices for crude oil.

SPECIAL SERVICES FOR RESOURCE PROTECTION**Land Use and Resource Protection Program**

We recommend a reduction of \$205,788 from Item 192 to delete funds for support of the Land Use and Resource Protection program.

The budget requests \$205,788 for support of six new positions to establish a new Land Use and Resource Protection program under the office of the director. The department proposes three functions for this program, none of which has a direct statutory basis:

1. Coordination and interpretation of data on the state's nonrenewable resources.

2. Development of state comments on major energy projects.

3. Coordination of land use policies for special area protection.

The department indicates that the last two functions will support growing Resources Agency responsibilities in the areas of "environmental commenting" and special area protection.

The Resources Agency justifies the new staff on the basis that the best work has occurred when the responsibility for the work rests in a line department that has statutory authority. We agree. However, the Department of Conservation does not have the statutory authority to carry out the proposed functions in the Land Use and Resource Protection program. Instead, the staff would tend to operate as an extension of the Secretary's Office or else would constitute another dilution of responsibility between the Office of Planning and Research, the Secretary's Office and various line departments and commissions.

The funds for the six positions should be deleted, transferred in part to the Secretary's Office, or a statutory function defined for them in the Department of Conservation.

Resource Conservation Commission

We recommend a reduction of \$98,718 from Item 192 to delete funds for support of the Resource Conservation Commission and its staff.

Last year the Legislature appropriated \$64,500 for two staff positions to assist the Resource Conservation Commission. The commission (formerly the State Soil Conservation Commission) was created in 1938 to promote the formation of soil conservation districts, and to assist them with their plans and proposals relating to soil conservation activities. There are now 140 districts.

In 1955 the Division of Soil Conservation (now Resource Conservation) was created, taking over many of the responsibilities of the commission. Currently, the legally prescribed duties of the commission are to study and report on the problem of soil conservation in California. The Resource Conservation Division was abolished by the Director of Conservation in 1973.

The Resource Conservation Commission remains. It communicates with Resource Conservation Districts and establishes state priorities for federal funding of Soil Conservation Service planning activities. The commission has no regulatory authority at the present time.

Commission staff for which funds were added in the current year, includes a Career Executive Appointment I (CEA-I) executive officer

DEPARTMENT OF CONSERVATION—Continued

position and a staff services analyst position. The executive officer position remains unfilled and the staff services analyst serves as acting executive officer. Also, using funds budgeted in the current year under professional and consulting services, the department is paying \$12,656 for 51 percent of the cost of a U.S. Soil Conservation Service employee under a two-year Intergovernmental Personnel Agreement with the federal government.

The commission has accomplished little in the current year with the new staff authorized. The commission meets irregularly and has not submitted a work program for 1977-78. Eight of the nine commissioners' terms have expired and those five members that continue to attend meetings only comprise a quorum. No progress has been made in formulating a state soil conservation policy. The Resource Conservation Commission and its staff are not needed and the funding should be deleted.

Soil Vegetation Survey

We recommend a reduction of \$269,819 from Item 192 to delete funds for support of the Soil Vegetation Survey.

The Soil-Vegetation Survey is an ongoing program established in 1947 to map more than 28 million acres of forest, range, and watershed lands in the state. The survey consists in the current year of a contract operation with the U.S. Forest Service and the University of California. The department requests \$269,819 to continue this program in 1977-78.

Section 4672 of the Public Resources Code authorizes the Department of Forestry to engage in surveys of soil, vegetation, and forest products on forest, range, and watershed lands of the state, in accordance with the policy of the Board of Forestry. Until January 1, 1977, fiscal matters, selection of acres to be surveyed, and designation of priorities were the responsibility of the Division of Forestry. Now the administration of the program in the current year is by the Department of Conservation.

The budget indicates that no Department of Conservation personnel are directly involved in supervision or direction of this contract operation and only one Forestry employee is working on it. We can find no justification for the support of this function within the Department of Conservation when the statutory authority for it is in the Department of Forestry.

The budget provides no information on output. In past Analyses we have expressed reservations about (1) state funding of a program carried out by federal employees over whom the state apparently exercises little or no control and (2) the emphasis on continuing field work while the publication of maps, which is the objective of the work, continues to lag.

We recommend deletion of funding for the Soil-Vegetation Survey because of its confused status. In the alternative a clear statutory definition of the program and responsibility for it are needed.

ADMINISTRATION

The Administration program provides executive management, policy direction, fiscal and personnel services. There are 43 positions in the program. Total costs of \$1,292,329 are distributed on a pro rata basis to the department's two divisions and support the director's office.

Eliminate Funding for Vacant Positions

We recommend a reduction of \$64,044 plus related expenses from Item 192 to delete funds for support of a deputy director position and a legislative-legal affairs position.

At the present time, the Department of Conservation has a newly appointed director. The deputy director position and the proposed new CEA-I legislative legal affairs position are vacant. The statutory mission of the department involves two divisions which are headed by statutory officers: The State Geologist and the Supervisor of Oil and Gas. The limited statutory authority of the department does not warrant a director, deputy director, and legal affairs position plus the two statutory division chiefs. Funding for the deputy director position and the CEA-I legal affairs position should be eliminated until the department has responsibility for substantive programs.

**Resources Agency
DEPARTMENT OF FORESTRY**

Items 196-200 from the General
Fund and Special funds

Budget p. 447

Requested 1977-78	\$81,115,549
Estimated 1976-77	79,888,088
Actual 1975-76	Not Applicable
Requested increase \$1,227,461 (1.5 percent)	
Total recommended reduction	\$254,524

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	<i>Analysis page</i>
196	Department of Forestry, primary funding source	General	\$75,948,441	372
197	Soil Erosion Study	California Environmental Protection Program	107,858	383
198	Emergency Fire Suppression	General	5,000,000	378
199	Department of Forestry	Professional Forester Registration	45,750	383
200	Department of Forestry	Timber Tax	13,500	383
			\$81,115,549	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | | | | | |
|--|---|--------------------------|-----|--------------------------|-----|
| <ol style="list-style-type: none"> 1. Air Attack Program. Recommend the Legislature withhold approval of \$2,014,928 from Item 196 for support of the air attack element of Department of Forestry's fire control operations until assurances of improved management are received. 2. <i>Administrative Overhead. Reduce Item 196 by \$254,524.</i> Recommend reimbursements for administrative overhead | <table border="0"> <tr> <td style="text-align: right;"><i>Analysis
page</i></td> <td style="text-align: right;">374</td> </tr> <tr> <td style="text-align: right;"><i>Analysis
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DEPARTMENT OF FORESTRY—Continued

- charge in local government contracts be accurately budgeted.
3. Bollinger Canyon. Withhold recommendation to staff Bollinger Canyon as California Conservation Corps (CCC) center until site acquisition and CCC support budget problems are resolved. 381
 4. Work Project Reimbursements. Recommend Department of Forestry, California Conservation Corps and Resources Agency develop consistent policy concerning reimbursements from other state agencies for conservation work. 382

GENERAL PROGRAM STATEMENT

Chapter 1300, Statutes of 1976, abolished the Division of Forestry in the Department of Conservation and established the Department of Forestry effective January 1, 1977. The department provides fire protection services for the state responsibility, privately-owned wildlands of the state and for local responsibility areas pursuant to contracts with local government. The department also administers the Forest Practice Act and manages state forests.

Policies for the administration of the department are established by the Board of Forestry, whose members are appointed by the Governor.

The department headquarters is in Sacramento and regional offices are located in Santa Rosa, Redding, Monterey, Fresno and Riverside. The department has about 3,250 permanent employees whose services are augmented by about 685 personnel-years of seasonal help during fire season.

ANALYSIS AND RECOMMENDATIONS

Funding Sources

The new department estimates it will spend \$113,337,226 from all sources for support programs in 1977-78. That amount is financed by the following sources:

1. Items 196-200.....	\$81,115,549
2. Federal funds.....	1,033,995
3. Reimbursements.....	31,187,682
Total	\$113,337,226

Most of the department's expenditures will be financed by the General Fund and reimbursements. The \$31 million in reimbursements includes funding for the following:

- \$27,826,352—for local fire protection services performed by the Department of Forestry.
- 1,702,480—supervision of California Conservation Corps members.
- 556,400—subsistence and other service to employees.

The federal funds are mostly payments for state fire protection of public domain land.

Budget Increases

The total appropriation request of \$81,115,549 in Items 196-200 is \$1,227,461 or 1.5 percent more than estimated expenditures of \$79,888,088 in the current year. However, the current year includes estimated expenditures of \$2,135,400 to provide increased fire protection service due to the drought last year. That amount is not continued in the 1977-78 budget. If the budget is placed on the same basis as the current year, there is an increase of \$3,362,861 or 4.2 percent.

The budget includes added funding for the following:

1. \$2,309,773 state cost and \$2,988,205 local cost (reimbursed) to reduce the duty week from 84 to 72 hours.
2. \$270,000 to modify three S-2 aircraft to airtankers. The new planes will be used to replace two World War II airtankers and an S-2 lost in an accident last fire season.
3. \$300,000 added cost for workers' compensation.
4. \$266,000 to begin replacement of safety equipment.
5. \$289,715 increase for mobile equipment replacement (total amount budgeted for this purpose is \$2,972,130).
6. \$89,226 (six-months cost) for staff at proposed Bollinger Canyon California Conservation Corps Center to be activated January 1, 1978.

The budget also includes some changes financed by redirection of moneys or increased salary savings. These changes include:

1. \$83,833 to expand statewide the Red Flag Fire Alert Program, a fire prevention program now operational in southern California.
2. \$18,816 to assist in staffing the Operations Coordination Center, a multi-agency system to enhance coordination capabilities of southern California fire agencies.
3. \$54,171 for food service assistance at the fire academy and clerical assistance at three locations.

WATERSHED AND FIRE PROTECTION

The objective of the Watershed and Fire Protection program is to protect the private and state-owned watershed lands from fire, insects, disease and misuse by man. The fire protection state responsibility element is budgeted for the largest expenditure of all activities in the Department of Forestry. It includes nearly all of the field organization of the department, which directly protects almost 28 million acres of primarily private land. Total program expenditures in the budget year are estimated to be \$105,310,150 compared to estimated expenditures in the current year of \$100,484,121.

The program elements and budgeted expenditures are as follows:

1. Fire protection, state responsibility lands	\$75,075,350
2. Fire protection, local government contracts	24,305,807
3. Resource management	5,798,135
4. Civil defense and other emergencies	130,858

The fire protection state responsibility element is divided into the following components for 1977-78 with expenditures estimated as follows:

Fire control.....	\$64,848,030
Fire prevention	4,742,320
Conservation camps	5,949,000

DEPARTMENT OF FORESTRY—Continued

Field facilities include 229 fire stations, 78 lookouts, 7 helitack units, 13 air attack bases, 27 conservation camps and 8 California Conservation Corps centers.

Air Attack

The budget requests \$1,893,294 in consultant and professional services for contracts with private operators of air tankers, observation planes and helicopters and \$121,634 for three state positions to administer the program. The total amount is \$2,014,928.

Air Attack Program Needs Improved Management

We recommend that the Legislature withhold approval of \$2,014,928 from Item 196 for support of the air attack element of the Department of Forestry's fire control operations until assurances of improved management are received.

The Department of Forestry uses aircraft for the purposes of chemical extinction of fires, fire control, fire detection, crew and fire line supervisor transportation, air program administration and periodic executive transportation. The air attack equipment consists of 16 twin-engine Grumman S-2 air tankers, 12 Cessna O-2 observation aircraft, and 5 privately-owned air tankers. During the fire season these aircraft operate from 13 air attack bases located throughout the state. They are also available on a cooperative basis for U.S. Forest Service fire control activities on national forest lands in California.

Several years ago the Department of Forestry air attack program relied exclusively on privately-owned air tankers, primarily of World War II vintage. Since 1974 these aircraft have been gradually phased-out and replaced with modern twin-engine S-2 air tankers. These aircraft are available to the state in ample numbers through a long-term, low cost lease with the U.S. Navy. The state has paid the cost of converting the S-2 aircraft to tankers. In addition, the state has obtained a large number of surplus military Cessna O-2 observation aircraft for department air attack operations. As a practical matter the state has the ownership interest in the S-2 and O-2 aircraft.

The budget proposes that Forestry convert three additional S-2's to air tankers in 1977-78 at a cost of \$270,300 to replace two World War II vintage private air tankers and one S-2 tanker lost in an accident. The addition of these S-2's to the department's air attack operations will complete the transition to state air tankers. The department indicates two privately-owned B-17's should remain in the fleet for a variety of unspecified "tactical" reasons, despite their high operating costs.

Cost-Plus Contracts. The Department of Forestry has contracts with four private companies to operate and maintain the state's S-2 air tankers and O-2 observation aircraft on a "cost-plus profit" basis. These firms are reimbursed for their operating costs plus a mark-up ranging from 15 to 20 percent for standby availability and the first 90 hours of flight time. The percentage decreases thereafter with increased flight time. Each of the four operators is also paid for general and administrative overhead.

The contracts with operators have not been substantially revised to reflect the fact that the state as a practical matter owns the aircraft and the operators have no equity in the aircraft. The contract still permits the operators to claim costs and reimbursements as though they had an interest in minimizing costs or protecting an investment. It would appear that high costs would tend to increase the operator's profits.

The Department of Forestry each year pays an advance to provide cash for the operators based on estimated availability and flight time rates. These and other costs are not verified until an annual audit by Forestry of the operator's accounting records. It should be noted that a substantial portion of the air attack operations (actual flight time costs) is funded through Emergency Fund allocations during the fire season. The use of the Emergency Fund means, as we have observed in the past, that there is no expenditure limitation imposed by the Budget Act on fire control expenditures including those for air attack.

Our examination of the department's air attack operation indicates a need to reevaluate current contract arrangements and administrative practices:

(1) We question the validity of a cost-plus contract when the state owns the air attack fleet.

(2) The U.S. Forest Service contracts with the same four operators on a competitive bid basis for air attack operations on national forest lands. It should be noted that a federal grand jury is investigating charges of price fixing on Forest Service contracts by air tanker operators including the same four operators.

(3) It may be possible that one rather than four operators can provide the service.

(4) The state does not appear to be receiving any benefit from possible use by other state agencies of this large fleet of state-owned aircraft.

(5) According to Department of Forestry audit reports of state air attack costs, if the present practices and operating agreements continue, the state can expect: (a) escalating costs under the control of the contractors, (b) continuing accounting problems such as the inability to verify gasoline purchases, repair and maintenance costs, and (c) demands for higher profit margins.

Our survey of department records indicates a need for greater management and control by the state over maintenance and operating expenditures. The department should also evaluate various alternatives to the present cost-plus system. Departmental management audits (which need further substantiation) indicate the state could save several hundred thousand dollars per year if the department were to assume direct operation of the air tanker program.

We cannot recommend approval of funds for the Department of Forestry air attack program until improved management, effective fiscal controls and responsibility are either demonstrated or assured. We also recommend:

1. The Department of Finance Audits Division be requested to undertake a fiscal review of the state air attack operation and cost-plus contracts to determine justifiable levels of expenditure.

DEPARTMENT OF FORESTRY—Continued

2. The Department of Forestry be directed to prepare and submit to the Legislature prior to approval of its budget request a comprehensive program for revisions in the contract contents and procedures for the air attack program, proposed cost reductions, and specific management and control steps designed to assure protection of the state's interest.

3. If the Department of Forestry does not satisfactorily complete Number 2 above, the Legislature should appropriate the \$2,014,928 for the air attack program to the Department of Finance for expenditure control in the budget year.

72-Hour Dutyweek

Last year the Legislature approved AB 2975 (vetoed), which would have reduced the maximum dutyweek of permanent fire suppression employees in the Department of Forestry from 84 to 72 hours per week, and the maximum dutyweek of temporary employees from 120 to 96 hours. The bill would have appropriated \$4,650,000 from the General Fund to pay both state and local costs for the reduced dutyweek.

Reduced Dutyweek Administratively Established. The veto message accompanying AB 2975 indicated the matter of the dutyweek could be settled administratively through meet and confer sessions with employee groups. Subsequent meetings and conference sessions with employee associations and the Department of Forestry resulted in an administrative agreement to establish a 72-hour dutyweek for permanent employees now working 84 hours per week. Implementation of this policy, effective July 1, 1977, is contingent upon a supplemental appropriation of \$76,400 by the Legislature in the current year to hire and train added employees.

Department employees assigned to state protection areas will have a 72-hour dutyweek during the fire season and a 40-hour workweek in the nonfire season. Employees assigned to local fire protection service will have a 72-hour dutyweek year around. Employees receive a 15 percent salary differential for the 72-hour dutyweek.

The budget includes \$5,297,978 to fund state and local costs of the 72-hour dutyweek. The state cost is \$2,309,773 and the local cost, reimbursed to the state, is \$2,988,205.

State Cost of 72-Hour Dutyweek. The department proposes to implement the 72-hour dutyweek partially by not manning, during the peak fire season periods, one of the firetrucks four nights a week at 132 stations that have two trucks. Under the 84-hour dutyweek, the department manned the second truck only during peak periods of fire seasons. Fire incidence and severity are generally less at night. Fire trucks at 97 one-truck stations will be manned 24 hours a day during the fire season.

The reduced dutyweek will require additional employees and state cost allocations totaling \$2,309,773 as indicated in Table 1.

Table 1

Department of Forestry State Cost of 72-Hour Dutyweek

1. Fire control operations		
a. 70.6 added positions		\$1,357,240
Fire captain	50.5	
Fire apparatus engineer	15.1	
Dispatcher clerks	5.0	
Total	70.6	
b. Contracted protection		594,881
U.S. Forest Service	\$156,689	
Five contract counties	438,192	
Total	\$594,881	
Total fire control operations		\$1,952,121
2. Administration—Training:		
17.6 added positions		\$357,652
Fire captain	1.9	
Temporary help7	
Fire apparatus engineer	15.0	
Total	17.6	
Total state cost		\$2,309,773

Local Cost of 72-Hour Dutyweek. The budget includes 167.3 added positions with local costs of \$2,988,205 to implement the 72-hour dutyweek through the department's local government contracts. The added positions are as follows:

Fire captain	45.0	\$729,000
Fire apparatus engineer	81.7	1,152,950
Firefighter (CDF)	40.6	513,021
		\$2,394,971
Staff Benefits		593,234
Total	167.3	\$2,988,205

Future Dutyweek

Pressures for reduced dutyweeks have stemmed mostly from employees performing local government services. The Department of Forestry is basically a wildland fire control organization which faces a seasonal fire control problem with the weather the dominant factor in fire starts. In the wildland fire control organization there is less need for year round positions and consequently the dutyweek during the fire season may be longer than for a municipal fire department.

In the case of a metropolitan or municipal department, there is a year-round fire danger because of the structures involved. Consequently, the trend is toward a shorter dutyweek in the municipal departments than in the wildland fire control organization. When the Department of Forestry applies its wildland fire control standards and length of dutyweek in a municipal fire department situation, the Department of Forestry is not providing working conditions on a comparable level with other local fire control organizations. Because the Department of Forestry wishes to keep all its employees on a common dutyweek, there is pressure to reduce the dutyweek for all personnel to the dutyweek for local fire protection services. These pressures include reducing the dutyweek of employees who perform seasonal fire suppression work on wildlands.

As long as the department continues its involvement in providing sub-

DEPARTMENT OF FORESTRY—Continued

stantial amounts of local government fire protection service, the pressures will continue for reduced dutyweeks below 72 hours.

Contracted Protection—U.S. Forest Service

The Department of Forestry contracts with the U.S. Forest Service for the latter agency to provide fire protection services on private (state responsibility) lands situated within national forest boundaries. The department in turn provides fire protection services for some portions of the national forests. The procedure minimizes duplication. Each year the state pays the U.S. Forest Service the net cost for protecting state lands by the forest service which is not offset by the state cost of protecting national forest land. The budget includes \$2,286,298 for payment to the U.S. Forest Service in 1977-78.

Contracted Protection—Outside Counties

The statutes authorize the board of supervisors of any county to assume the responsibility for fire protection services on state responsibility lands within the county and require the state to pay the counties for this service. Five counties (termed "outside counties") have elected to assume the state responsibility within their respective boundaries. The allocations budgeted for 1977-78 are as follows:

1. Kern.....	\$1,294,877
2. Los Angeles	1,928,139
3. Marin.....	387,209
4. Santa Barbara	681,533
5. Ventura.....	693,926
Total	\$4,985,684

In addition to providing these allocations of funds to the outside counties to perform state responsibility fire protection services, the department also dispatches to the counties, at their request, airtankers, conservation camp crews and firetrucks for fire suppression purposes. The salaries and expenses of department employees assisting in suppressing fires in the five counties are financed by the division's support appropriation. However, on serious campaign fires, the expenses of airtankers and retardants and the subsistence and overtime of state employees and conservation camp crews utilized in the five counties are financed through the state's Emergency Fund.

The five counties also assist the Department of Forestry on state fires. In general, over a period of time, the department provides more assistance to the five counties than it receives but no payment is expected.

Allocation for Emergency Fire Suppression

Item 198 requests \$5 million in 1977-78 for allocation by the Director of Finance to the Department of Forestry for emergency fire suppression. This is the second year of this request. The budget indicates that, of the \$5 million appropriated last year, \$2 million remains unallocated in the current year.

In past Analyses we have made recommendations to control the rapidly rising Emergency Fund expenditures of the Department of Forestry and

have also suggested that some recurring expenditures could be transferred to the support budget rather than being paid from the Emergency Fund.

Last spring the Department of Finance wrote the chairmen of the fiscal subcommittees recommending that no specific items be transferred to the support budget. The Department of Finance letter also indicated that (1) in order for the Director of Finance to allocate the \$5 million emergency funds properly, staff of the Department of Finance and the Department of Forestry would set up a reporting/accountability system and (2) transfers to the support budget, if any, would be made in the proposed 1977-78 budget.

The budget for 1977-78 makes no changes in budgeting for Department of Forestry emergency expenditures. The Department of Finance indicates emergency fund expenditures thus far in the current year are down about \$1.5 million from the corresponding period in the prior year and the department is reluctant to make changes at this time.

The reporting system between the two departments consists of quarterly expenditure reports (monthly reports during the fire season) and 10-day fire incidence reports compared to the prior five year averages.

To obtain more information on emergency expenditures, last year the Supplemental Report of the Conference Committee recommended that the Department of Forestry report to the Legislature by April 1 of each year on its Emergency Fund expenditures for the previous fire season.

Fire Protection, Local Government Contract (Schedule A)

The fire protection, local government contract program includes fire protection services provided by the state in local government responsibility areas. Most of these services are performed on rural, agricultural land but some are in highly urbanized and developed areas. The program has grown rapidly in recent years because the department provides the service in some areas where population and corresponding developments have increased markedly. The Department of Forestry now administers 31 contracts in 24 counties for local responsibility fire protection service.

Table 2 indicates that, over the past 10 years, the percentage of fire protection field service positions performing local service has increased from 26 percent to 39 percent.

Table 2
Department of Forestry

	1967-68	1972-73	1977-78 Est.
Total authorized positions in state and local fire protection field service	2,394	2,747	3,357
Authorized positions in local fire protection service.....	622	881	1,309
Percentage of total positions performing local fire protection service....	26%	32%	39%

The budget includes funding to reduce the duty week for permanent fire personnel from 84 to 72 hours at an added local cost of \$2,988,205 to hire the additional personnel required to maintain the existing level of service. For 1977-78, a net increase of 184 positions is proposed in the local government program.

DEPARTMENT OF FORESTRY—Continued

Administrative Overhead

We recommend that Item 196 be reduced by \$254,524 to provide more accurate budgeting of reimbursements for the administrative overhead charge in the local government contracts.

Line item detail supporting the budget request indicates the state will be reimbursed an estimated \$27,826,352 for local government fire protection service in 1977-78. That amount consists of \$25,880,992 for direct costs and \$1,945,360 in administrative costs. The administrative overhead charge is determined on a pro rata basis from the program time reporting system.

The 1977-78 budget does not reflect enough reimbursement for administrative overhead in the local government program. The budget includes added positions and other direct costs for the program but the dollar amount of administrative overhead is the same as the estimated amount for the current year as indicated in Table 3. As a result in fiscal year 1975-76 the rate for the administrative charge was 9.1 percent but it drops to 7.5 percent for next year.

Table 3
Department of Forestry
Fire Protection Local Government Contract

	<i>Direct Cost</i>	<i>Administrative Charge</i>	<i>Percentage of Administrative Charge</i>
1975-76	\$19,962,817	\$1,798,907	9.1%
1976-77 Est.	22,942,787	1,945,360	8.5
1977-78 Est.	25,880,992	1,945,360	7.5

The budget year reimbursements for administrative overhead are understated. It is difficult to estimate the precise amount of administrative overhead for 1977-78 but the amount should be more than for the current year and probably will be near 9 percent. The current year budgeted rate of 8.5 percent is a reasonable alternative.

With direct cost of \$25,880,992 budgeted for 1977-78, an administrative charge of 8.5 percent would provide reimbursement of \$2,199,884, which is \$254,524 more than the budgeted amount of \$1,945,360. Therefore the reimbursements in Item 196 should be increased by at least \$254,524 and the appropriation reduced by \$254,524.

State Subsidized Winter Fire Protection Service

Chapter 870, Statutes of 1976, requires the State Forester to establish a three-year pilot program concerning wintertime local fire protection service in counties with a population of 100,000 or less. The purpose of the legislation is to require the state to pay the basic salary rate of state fire suppression personnel who perform a local function during the nonfire season (wintertime) rather than have local government pay for all the service as is now the case. The counties would pay the 15 percent salary bonus for the 72-hour duty week. Some counties with relatively small population claim they cannot afford to pay the rising cost of wintertime

local fire protection services provided by the Department of Forestry.

The department indicates it has not yet received any official requests from counties to review the fire protection contracts in line with Chapter 870 but that five counties may request the subsidized service at a state cost of about \$200,000.

Chapter 870 requires the department to report to the Legislature after the three-year period on the program's cost and effectiveness.

Conservation Camps

The Department of Forestry operates 27 conservation camps in cooperation with state and county agencies as follows:

- 18 adult inmate camps, Department of Corrections
- 6 youth ward camps, Department of the Youth Authority
- 2 adult inmate camps, San Diego County
- 1 adult inmate camp, Shasta County

The inmates and wards provide (1) a backup capability for the department in emergency fire conditions and (2) a source of labor for work projects on fire defense improvements and for conservation projects of other state agencies. Each camp has about 60 inmates or youth wards.

California Conservation Corps

Chapter 342, Statutes of 1976, repealed legislation authorizing the Ecology Corps in the Division of Forestry and established the California Conservation Corps (CCC) in the Resources Agency. The Division of Forestry operated eight ecology corps centers and in the current year these centers were transferred to the Resources Agency to form the nucleus of the CCC. The Department of Forestry continues to operate the eight centers under contract with the Resources Agency. The corps members are available for emergency assignments as well as conservation work projects.

The CCC budget includes \$4,888,274 to pay the Department of Forestry the cost of administering the eight centers and corps members salaries under its jurisdiction. However, the Department of Forestry budget indicates reimbursements of only \$1,702,480 from the CCC which pays the staff salaries. The department's budget will have to be adjusted to include additional expenditures and reimbursements from the CCC to pay corps members salaries.

Bollinger Canyon

We withhold recommendation on \$89,226 (Item 196) requested to staff Bollinger Canyon as a California Conservation Corps (CCC) center until problems concerning (1) site acquisition and (2) the support budget of the CCC are resolved.

The Department of Forestry capital outlay budget includes \$130,000 to acquire a former federal Nike missile site at Bollinger Canyon in Contra Costa County. The department's support budget includes \$89,226 plus related expenses for six months of staff cost to operate Bollinger Canyon as a CCC center beginning January 1, 1978. Bollinger Canyon would replace the Los Osos Center, located in San Luis Obispo County, which was vacated in the current year. In Item 396(n) we withhold recommendation on the acquisition until the department prepares estimates of the cost to

DEPARTMENT OF FORESTRY—Continued

make the facility operational and the capital cost of facility rehabilitation. Also, in Item 178, the support appropriation for the CCC, we recommend that the CCC report to the fiscal committees at budget hearings on progress in implementing its program according to budgeted schedules. Until the two other items are resolved, we withhold recommendation on the support request for Bollinger Canyon.

Consistent Policy Needed on Charges for Work Projects Reimbursements

We recommend that the Department of Forestry, the Resources Agency and the California Conservation Corps develop a consistent policy concerning reimbursements from other state agencies for conservation work projects performed by inmates, youth wards and members of the California Conservation Corps.

The Department of Forestry operated for many years on a policy of requiring reimbursements from state, local and federal agencies for work projects performed by inmates, youth wards and the ecology corps. The policy of the new California Conservation Corps (CCC) is to make the corps members available to other state agencies for work projects without charge and to require minimal in-kind charge of local agencies. The CCC policy is to require cost reimbursement from federal agencies.

The Department of Forestry budget includes reimbursement of \$130,000 from other state agencies for inmate work projects. It is not consistent to offer the services of the CCC free of charge to state agencies and require reimbursement for the services of inmate labor. The Resources Agency, CCC and the Department of Forestry need to develop a consistent policy concerning reimbursement for conservation work projects.

RESOURCE MANAGEMENT

Activities in resource management include (1) administration of the Forest Practice Act, (2) management of about 70,000 acres of state-owned forests, (3) operation of three forest nurseries, (4) emergency revegetation, (5) forest advisory services and (6) registration of foresters. Budget year expenditures are estimated to be \$5,798,135.

The department estimates revenues of \$3,500,000 from the sale of forest products and \$310,000 from nursery sales.

Public Works Employment Act of 1976

We have received a Section 28 letter from the Department of Finance indicating that the Department of Forestry budget proposes to expand operations at the Davis nursery with federal funds from the Public Works Employment Act of 1976. The department indicates that a total of \$75,307 will be used to (1) expand an ongoing genetic research project for improvement of forest tree stock and (2) improve containerized forest nursery production. Funding in the budget year will support 30 personnel-months of effort for a 15-month period for each project. The expansion of the nursery production program will not be continued unless demand for containerized nursery stock increases. In any case, both projects will require state funds to continue beyond 15 months.

Soil Erosion Study

The Budget Act of 1976 appropriated \$107,858 from the Environmental Protection Program fund (revenue from sale of personalized license plates) for support of a soil erosion study required by the Forest Practice Act. The department requests \$107,858 in Item 197 from the same source for continuation of this work in 1977-78. The objective of the study is to determine the factors which affect erosion in areas of timber harvesting. A geologist and four part-time assistants are working on the study and another permanent position has been authorized for the current year.

Forester Registration

Item 199 appropriates \$45,750 from the Professional Forester Registration Fund to administer registration of foresters.

Timber Tax Fund

Item 200 appropriates \$13,500 from the Timber Tax Fund to the department to furnish copies of timber harvest plans to the State Board of Equalization and to the assessors of counties in which timber subject to the harvesting plans is located. The activity is mandated by Chapter 176, Statutes of 1976, which imposes a yield tax on harvested timber.

**Resources Agency
STATE LANDS DIVISION**

Item 201 from the General Fund

Budget p. 456

Requested 1977-78	\$4,616,062
Estimated 1976-77	4,244,447
Actual 1975-76	3,637,886
Requested increase \$371,615 (8.8 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Land Management. Recommend legislative review before State Lands Division implements any proposal to develop 1.46 acre parcel in Santa Barbara. 386

GENERAL PROGRAM STATEMENT

The State Lands Division in the Resources Agency provides staff support to the State Lands Commission. The commission is composed of the Lieutenant Governor, the State Controller and the Director of Finance.

The commission is responsible for the management of state school lands, tide and submerged lands, swamp and overflow lands and the bed of navigable rivers. It administers tidelands trusts granted by the Legislature. The commission is authorized to sell state school lands and to provide for the extraction of minerals and oil and gas from state land. It also conducts a program to locate the boundaries of tide and submerged lands owned

STATE LANDS DIVISION—Continued

by the state and maintains records concerning state lands.

The division is headquartered in Sacramento, with an office in Long Beach. It has approximately 230 employees.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes total expenditures of \$6,448,858 for the support of the State Lands Division in 1977-78, which is an increase of \$419,731. The expenditures are financed as follows:

\$4,616,062	Item 201, General Fund
1,754,296	Reimbursement from Long Beach Tidelands oil revenue
<u>78,500</u>	Miscellaneous reimbursements
\$6,448,858	Total expenditures

The General Fund appropriation is \$371,615, or 8.8 percent higher than the current year. Most of the increase is due to the proposed eight new positions in land operations and four new positions in administration.

LAND MANAGEMENT

The funding for the elements of the land management program is shown in Table 1.

Table 1
Land Management Program Expenditures
1977-78

Extractive Development	
State leases	\$1,556,844
Long Beach operations	1,754,296
Other land operations	3,137,718
Administration (expenditures distributed to other elements)	<u>(1,048,005)</u>
Total	\$6,448,858

The extractive development (state leases) element includes leasing and development activities of state-owned oil, gas, geothermal and mineral resources.

The Long Beach operations unit reviews the economics of Long Beach oil and gas development and production operations to maximize state revenue. In the current year, the Department of Finance, pursuant to a Section 28 letter, approved an augmentation to fund legal research for increased litigation. The budget continues five positions for this purpose in 1977-78. The Long Beach operations are funded as a reimbursement from Long Beach oil revenue.

The other land operations element includes ownership determination, nonextractive leasing and the inventory and general management of state lands. Significant program changes include:

1. Two positions (to terminate June 30, 1980) to process a doubling of lease applications.
2. Six technical engineering positions and three legal staff positions to support expanded litigation activity involving trespass, leases and title work.

In administration, an analyst position is proposed for the planning staff because of added responsibilities involving the California Coastal Act of

1976 and the new Coastal Commission.

Increased Commission Oil and Gas Revenues

The Governor's Budget estimates total state revenues from State Lands Commission sources at \$93,853,000 in 1976-77 and \$82,651,000 in 1977-78. Most of the revenue is derived from the sale of oil.

Since the Governor's Budget was published, the State Lands Division has increased its estimates by \$9 million per year. The revised estimates for total state revenue from commission sources is \$102,853,000 in 1976-77 and \$91,651,000 in 1977-78.

The federal government controls petroleum prices under Public Law 94-163, the Energy Policy and Conservation Act of 1975, Public Law 94-385, the Energy Conservation and Production Act of 1976, and regulations issued by the Federal Energy Administration (FEA). The State Lands Division indicates that, based on the latter law and FEA regulations, it will receive the \$9 million increased revenue under a redefinition of the term "properties." The new definition allows the state to receive the upper tier price (about \$11.20 per barrel) for increased oil production from reservoirs that are separate from other reservoirs within a unit. Under the former definition, the state received \$4.21 per barrel.

The FEA has also allowed California to receive an increase of about 65 cents per barrel on its lower tier oil. The increase provides some relief on the gravity differential of \$1.00 which the FEA imposed on the state. However, the oil companies have protested that increase and the division is not showing any increased revenue from the gravity differential relief until the dispute is settled.

Amount of Future State Oil Revenue Uncertain

The amount of future state revenue from oil sources is clouded by the fact that price controls under the Energy Policy and Conservation Act of 1975 have not worked well. Under that law, the FEA was required to establish ceiling prices for domestic crude oil so that the average of the price of "old" oil (pre-1972 production) and "new" oil was a composite figure of \$7.66. The composite figure would be allowed to rise each month over a period of 40 months until May 1979 when controls would be on a standby basis.

Based on estimates that 60 percent of domestic crude oil production was "old" oil and 40 percent "new" oil, the FEA in February 1976, set a price of \$5.25 per barrel for "old" oil, and \$11.28 for "new" oil. However, the production estimates were in error. "Old" oil production was overestimated by about three percent. The actual composite price paid for oil last February was \$7.87 per barrel rather than the \$7.66 required by law. The FEA stopped raising oil prices monthly, reduced the "new" oil price to \$11.20 and froze oil prices through April 1977.

Federal policy on price control of crude oil is complicated by (1) the election of a new President whose policies are not known, (2) changes in Congress, (3) the future introduction of Alaskan crude.

STATE LANDS DIVISION—Continued

Proposed Development in Santa Barbara

We recommend legislative review before the State Lands Division implements any proposal to develop its 1.46 acre parcel in Santa Barbara.

The State Lands Commission owns a 1.46 acre parcel of land in the City of Santa Barbara. The site is currently improved with a building which provides space for the State Lands Division Santa Barbara staff of five. According to the division, the building is an underimprovement for the site and could be relocated to another site.

The parcel is zoned C-2, Commercial. The division indicates (1) construction of an office building complex is believed to be the highest and best use of the land, (2) the land has a market value exceeding \$320,000 and (3) an economic rental of \$25,000 per year can be anticipated with an 8 percent return.

At its December 15, 1976 meeting, the State Lands Commission authorized the division staff to take all steps necessary, including the placement of advertisements, to find a developer for the parcel, with the understanding that no development will be started without commission consent.

This is an unusual activity for the State Lands Division and we recommend legislative review before any such proposal is implemented.

Resources Agency

SEISMIC SAFETY COMMISSION

Item 202 from the General

Fund

Budget p. 461

Requested 1977-78	\$217,275
Estimated 1976-77	199,578
Actual 1975-76	115,577
Requested increase \$17,697 (8.9 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Chapter 1413, Statutes of 1974, created the Seismic Safety Commission effective January 1, 1975. Under this legislation, the commission would have terminated in February 1977. However, Chapter 112, Statutes of 1976, extended the termination date to January 1, 1981.

The commission consists of 15 members appointed to a four-year term by the Governor and confirmed by the Senate. Seven of the initial appointees will serve a two-year term. The commission members were appointed in May 1975, and the first commission meeting was in July 1975. The commission's staff began work in August 1975.

The commission was established to provide a consistent policy framework and a means for coordinating earthquake related programs of governmental agencies. The goal of this effort is long-term progress towards higher levels of seismic safety.

To meet its goal, the commission performs policy studies, reviews programs and conducts hearings on subjects important to earthquake safety. It advises the Governor and the Legislature on the need to improve programs affecting seismic safety and advises various federal agencies on the scope, impact and priorities of national earthquake research and hazard reduction programs. The commission provides technical assistance to state and local agencies and program advice to the Division of Mines and Geology relative to the Alquist-Priolo Special Studies Zone Act. Under Chapter 1243, Statutes of 1976, the commission advises the Division of Mines and Geology in regard to the installation and maintenance of strong motion instruments throughout the state. In this advisory capacity, the commission replaces the Strong Motion Instrument Advisory Board, the members of which had been appointed by the State Geologist.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

For support of the Seismic Safety Commission, the Governor's Budget proposes \$217,275 in 1977-78. This is an increase of \$17,697 or 8.9 percent over 1976-77. The increase includes two new positions partially offset by a reduction in operating expenses and the elimination of one-half person-years of temporary help funds. The new analyst and clerical support will allow the commission to expand its study activities. We have reviewed the workload plan for these positions and concur with its need.

**Resources Agency
DEPARTMENT OF FISH AND GAME
(Including Marine Research Committee)**

Items 203-210 from the General
Fund and Special Funds

Budget p. 463

Requested 1977-78	\$32,576,773
Estimated 1976-77	30,850,379
Actual 1975-76	27,578,219
Requested increase \$1,726,394 (5.6 percent)	
Total recommended reduction	None

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
203	Nongame species and environmental protection programs	General	\$1,540,785
204	Nongame species and environmental protection programs	Environmental Protection Program	1,278,000
205	Primary funding source	Fish and Game Preservation	28,924,838
206	Crab research and management	Fish and Game Preservation	168,900
207	Marine Research Committee	Fish and Game Preservation	200,000
208	Duck Stamp Account—Migratory water-		

**DEPARTMENT OF FISH AND GAME
(Including Marine Research Committee)—Continued**

		Fish and Game Preservation	200,250
	fowl projects		
209	Training Account—Employee education and training	Fish and Game Preservation	234,600
210	Native Species Conservation and Enhancement Account	Fish and Game Preservation	29,400
			\$32,576,773

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Deferred Maintenance and Capital Outlay. Recommend the Department of Fish and Game report to the Joint Legislative Budget Committee by November 1, 1977 on capital outlay and deferred maintenance needs. 393
2. Sea Otter Study. Recommend \$140,453 for sea otter research be allotted only if a federal scientific research permit is issued. 393

GENERAL PROGRAM STATEMENT

The Department of Fish and Game Administers programs and enforces laws pertaining to the fish and wildlife resources of the state.

The State Constitution (Article 4, Section 20) establishes the Fish and Game Commission of five members appointed by the Governor. The commission sets policies to guide the department in its activities and regulates the taking of fish and game under delegation of legislative authority pursuant to the Constitution. Although the Legislature has granted authority to the commission to regulate the sport taking of fish and game, it has reserved for itself the authority to regulate commercial taking of fish and game.

The department has approximately 1,400 employees located throughout the state. Field operations are supervised from regional offices in Redding, Sacramento, Yountville (Napa County), Fresno and Long Beach. The department's headquarters is in Sacramento.

ANALYSIS AND RECOMMENDATIONS

Table 1 shows the funding sources for the department's support activities for a five-year period. The department estimates it will spend \$41,590,708 for support programs in 1977-78. That amount is financed by the following sources:

1. Items 203-210	\$32,576,773
2. Federal funds	6,376,086
3. Reimbursements.....	2,637,849
Total	\$41,590,708

An explanation of the programs and funding follows:

1. *Fish and Game Preservation Fund.* The department is primarily a special fund agency which is financed through the Fish and Game Preservation Fund. This fund secures its revenues from the sale of hunting and fishing licenses and stamps, court fines and commercial fish taxes. The

Table 1
Department of Fish and Game
Support Expenditures by Funding Source

<i>Source of Funding</i>	<i>1973-74</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77 Est.</i>	<i>1977-78 Est.</i>
Fish and Game Preservation Fund					
Department support	\$22,114,232	\$23,066,679	\$25,931,072	\$27,508,625	\$28,924,838
Marine research committee account	113,788	124,579	170,951	169,935	200,000
Duck stamp account	86,629	102,000	239,500	238,600	200,250
Training account	77,424	96,603	181,352	237,100	234,600
Crab research and management	—	—	30,000	32,725	168,900
Native species conservation and enhancement	—	—	—	17,500	29,400
Wildlife Restoration Fund	—	—	15,250	9,750	—
General Fund	—	959,278	1,000,213	1,592,274	1,540,785
California Environmental Protection Program Fund	—	88,342	9,881	1,043,870	1,278,000
Federal funds	4,197,554	6,132,104	5,926,617	6,272,904	6,376,086
Totals as shown in Governor's Budget	\$26,589,627	\$30,569,585	\$33,504,836	\$37,123,283	\$38,952,859
Expenditures funded through reimbursements	1,844,935	2,226,585	2,593,302	2,816,681	2,637,849
Total of all expenditures	\$28,434,562	\$32,796,170	\$36,098,138	\$39,939,964	\$41,590,708

DEPARTMENT OF FISH AND GAME
(Including Marine Research Committee)—Continued

California Constitution (Article 16, Section 9) limits expenditure of fish and game revenues to activities relating thereto. About 71 percent of the department's total support program is financed by the Fish and Game Preservation Fund.

2. *Duck Stamp Account.* Chapter 1582, Statutes of 1970, created this account and requires any person who hunts ducks and geese to purchase a \$1 state duck stamp.

3. *Training Account.* This account was established by Chapter 1333, Statutes of 1971, which levies a penalty assessment of \$5 for every \$20 fine imposed and collected by a court for any violation of the Fish and Game Code.

4. *Crab Research and Management.* Chapter 416, Statutes of 1974, levied an additional privilege tax of \$0.0185 on each pound of crab taken with the revenue to be used for crab research. This privilege tax remains in effect until July 1, 1979.

5. *Native Species Conservation and Enhancement Account.* This account was established to receive donations for the support of nongame species conservation and enhancement programs (Chapter 898, Statutes of 1974).

6. *General Fund.* This fund finances nongame species and environmental protection programs.

7. *California Environmental Protection Program Fund.* Revenue in this fund is derived from the sale of personalized license plates. Part of the fund's revenue will be used for programs relating to environmental protection and nongame species work.

8. *Federal Funds.* These funds total \$6,376,086, including \$1,682,947 treated as reimbursements and \$4,693,139 expended for cooperative programs. The cooperative programs are based on five federal acts with federal funding sources as follows:

- a. Federal Aid in Wildlife Restoration Act (Public Law 75-415), known as the Pittman-Robertson Act. Excise tax on sporting arms, ammunition, pistols and revolvers, \$2,753,550.
- b. Federal Aid in Fish Restoration Act (Public Law 81-681), known as the Dingell-Johnson Act. Excise tax on sport fishing equipment, \$1,142,386.
- c. Commercial Fisheries Research and Development Act (Public Law 88-309), known as the Bartlett Act. Federal General Fund, \$208,553.
- d. Anadromous Fisheries Act (Public Law 89-304). Federal General Fund, \$588,650.
- e. Federal Endangered Species Act (Public Law 93-205). Federal General Fund, \$250,000.

Budget Changes

The total support request for the Department of Fish and Game consisting of Items 203-210 is \$32,576,733. That amount is \$1,726,394 or 5.6 percent over estimated current year expenditures of \$30,850,379.

Most of the increased expenditures are financed by the Fish and Game

Preservation Fund (Item 205) for the following purposes:

1. \$143,600 increase in cost of workers' compensation.
2. \$153,600 decrease in estimated salary savings for the budget year.
3. \$182,000 increase for new positions.
4. \$179,000 decrease in reimbursements.
5. \$600,000 increase in staff benefits for retirement and health benefits required by law.
6. \$375,000 increase in operating expenses.

There is a savings of \$163,000 from decommission of the research vessel *Scofield*.

The General Fund request of \$1,540,785 in Item 203 is slightly less than estimated expenditures of \$1,592,274 in the current year.

The requested appropriation of \$1,278,000 from the Environmental Protection Program Fund in Item 204 is an increase of \$234,130 compared to estimated current year expenditures of \$1,043,873. Most of the increase finances the \$200,000 budgeted to update a portion of the Fish and Wildlife Plan.

In the current year the department received its first federal cooperative funds under the Federal Endangered Species Act of 1973. Current year work was administratively expanded by a Section 28 letter when the department received \$450,000 in federal funds. The 1977-78 budget includes \$250,000 from this federal source.

Position Changes

For all programs financed from all sources of funds, the budget proposes to establish 64.3 new positions and delete 48.0 others for a net increase of 16.3 positions. Almost all of the new positions are funded through reimbursement from other agencies or cooperative federal programs. Decommission of the research vessel *Scofield* in the current year realized a reduction of 8.8 positions. The budget requests one position to oversee development of Bolsa Chica Ecological Reserve and one position to coordinate consultant's work in updating the California Fish and Wildlife Plan of 1966.

Environmental Review Procedures

Last year the department received \$200,000 for 9 positions to evaluate the effectiveness and adequacy of its review procedures for environmental impact reports. Instead of filling the added positions the department used the funds to hire an outside consultant for a study costing \$160,000. Estimated completion date for the study is December 1977.

STATUS OF FISH AND GAME PRESERVATION FUND

On July 1, 1976, the Fish and Game Preservation Fund had an accumulated surplus of \$6,901,217. It is estimated to have a surplus of \$6,388,587 on July 1, 1977. The fund surplus at the end of the budget year is estimated to be \$4,461,209. The 1977-78 budget for the department does not include an amount for the proposed salary increase for employees, which is estimated to cost \$1.5 million in the budget year. If the salary increase costs \$1.5 million, the surplus in the Fish and Game Preservation Fund at the end of the budget year will be \$2,961,209. The department

DEPARTMENT OF FISH AND GAME
 (Including Marine Research Committee)—Continued

needs at least that amount for an operating surplus to meet cash-flow requirements without borrowing.

Inadequate Revenue

Once again the department's budget as submitted indicates expenditures in excess of revenues to the Fish and Game Preservation Fund. Estimated revenues for 1977-78 are \$27,830,610 while estimated total support expenditures are \$32,576,773, or a gap of \$4,746,163. If the salary increase costs \$1,500,000, the revenue gap will be \$6,246,163. The revenue gap is funded by other appropriations and some carryover fund surplus as follows:

\$1,540,785	Item 203, General Fund
1,278,000	Item 204, Environmental Protection Program Fund
3,427,378	From prior year surplus in Fish and Game Preservation Fund
<hr/>	
\$6,246,163	Total estimated revenue gap

Existing levels of support from non-Fish and Game Preservation Fund sources (Items 203 and 204) alleviate but do not solve the department's long-term fiscal difficulties. They are essentially stop-gap measures. In previous Analyses we have recommended reevaluation of departmental programs. This would include consideration of restructuring the Fish and Game Commission and the department to provide a broader public orientation in line with revenues secured from non-license sources. The continued decline in sale of hunting licenses, as shown in Table 2, indicates that sportsmen's fees cannot be relied upon to finance increasing department costs. The table also indicates a decline in popularity for hunting, although fishing shows an increase.

Table 2
Department of Fish and Game
Number of Hunting and Sport Fishing Licenses Sold
1971-72 through 1975-76

	1971-72	1972-73	1973-74	1974-75	1975-76	Percent Change 1971-72 to 1975-76
<i>Hunting</i>						
Resident license	629,249	578,884	610,456	595,006	539,935	-14.2%
Junior license.....	68,426	62,397	65,548	63,033	61,480	-10.1
Resident deer tags	376,670	357,264	387,853	350,810	322,420	-14.4
<i>Fishing</i>						
Resident licenses	2,002,019	2,023,139	2,144,370	2,181,749	2,196,074	+9.7
Ocean—three-day license	154,168	147,617	147,151	140,290	148,125	-3.9
Stamp (inland, trout, and anadromous)	3,387,603	3,300,519	3,504,618	3,571,468	3,437,258	+1.5

Budget Reflects Misleading Sense of Adequacy

We recommend that the Department of Fish and Game be directed to report to the Joint Legislative Budget Committee by November 1, 1977, on capital outlay and deferred maintenance needs.

The Department of Fish and Game budget request as submitted reflects a misleading sense of adequacy. The department has remained solvent through stringent and conservative fiscal practices. In 1975-76 the department had savings of \$1,792,991 and estimates savings of \$467,135 in the current year. These savings were achieved by holding positions vacant, delaying the hiring of new positions, savings in purchase of fish food, and reducing the pay classification of seasonal aides. The budget year reflects support savings from taking the research vessel *Scofield* out of service. As noted previously, these savings are being used to balance next year's budget.

Meanwhile, the department has budgeted no appreciable amount of capital outlay from the Fish and Game Preservation Fund for several years and none from that source is budgeted for 1977-78. The department's only capital outlay in 1977-78 consists of the development of Upper Newport Bay, financed by a special General Fund appropriation in Chapter 1304, Statutes of 1976, and \$400,000 for land acquisition for ecological reserves appropriated from the Environmental Protection Program Fund.

The Department of Fish and Game, with extensive fish hatchery and other field facilities, requires funding to repair and maintain these facilities. The only capital outlay expenditures of any consequence in recent years pertaining to these facilities has been for expansion and reconstruction of some fish hatcheries by the Wildlife Conservation Board utilizing bond funds. The department cannot maintain its facilities over an extended period of time without significant maintenance or capital outlay expenditures to keep its facilities in good operating condition. We recommend that the department be directed to report on its capital outlay and deferred maintenance needs in order that these costs be kept in proper perspective.

MARINE RESOURCES

The Federal Fishing Conservation Act of 1976 extends the fishing jurisdiction of the United States from 12 to 200 miles and established the Pacific Fisheries Management Council on the Pacific Coast. Council members include directors of wildlife departments of the coastal states and Idaho. The department indicates no additional state costs are anticipated for 1977-78.

Sea Otter Study

We recommend that the department's request for \$140,453 for sea otter research be approved only with the understanding that the Department of Finance will not allot the funds unless a federal scientific research permit is issued.

The Federal Marine Mammals Protection Act of 1972 (Public Law 92-522) placed the sea otter under the jurisdiction of the federal government rather than the state. The Department of Fish and Game is currently reimbursed \$96,000 per year by the federal government to enforce certain

DEPARTMENT OF FISH AND GAME
(Including Marine Research Committee)—Continued

prohibitions on the taking, possession, transportation, or sale of marine animals protected by the act.

The department proposes next year to expand its existing research on the sea otter. The objective of the study is to have the management of the sea otter returned to the state by the federal government.

After becoming nearly extinct in the 19th century, sea otters have made a remarkable recovery. California sea otters have increased in number and their range extends from Santa Cruz to Point Buchon in San Luis Obispo County. Previous studies have found that the maintenance of an uncontrolled sea otter population may diminish the resource of clams, oysters, and abalone for sport or commercial purposes. The department estimates that there has already been an economic loss of at least \$7 million in terms of recreation and commercial fisheries resources.

In the past year activities relating to the sea otter were limited to some census taking and study of the effect that sea otter foraging has on the marine ecosystem.

The proposed program will cost \$140,453 in the budget year funded by \$100,000, Item 203, General Fund and \$40,453, Item 205, Fish and Game Preservation Fund. The study will require a scientific research permit from the federal government. Any management plans developed as a result of this research will require review by the Marine Mammal Commission and approval of the U.S. Department of the Interior. We recommend that support for this study be approved by the Legislature with the understanding that the state money will be allotted by the Department of Finance only after the required federal permits are obtained. Otherwise there may be no basis for expenditure of the appropriation.

MARKET CRAB INVESTIGATION

Item 206 requests \$168,900 from the privilege tax on crab to continue the department's research on factors contributing to the decline of this invertebrate species. Increased expenditures from \$32,725 in the current year to \$168,900 requested for 1977-78 are indicative of a transfer of support to the Crab Account. The transfer reflects a change in funding, but no significant increase in program activities. The study is to be completed by September 1979.

MARINE RESEARCH COMMITTEE

The Marine Research Committee (Item 207) consists of nine members appointed by the Governor. The law requires that a majority of the members represent the commercial fishing industry. Support for the committee comes from a privilege tax of 5 cents per 100 pounds of sardines, Pacific and jack mackerel, squid, herring and anchovies.

The committee finances research in the development of commercial fisheries of the Pacific Ocean and of marine products. The committee contracts for research with the National Marine Fisheries Service (NMFS), Scripps Institute of Oceanography, California Academy of Sciences, Hopkins Marine Station and the Department of Fish and Game.

DUCK STAMP PROJECTS

Existing law requires any person who hunts ducks and geese to purchase a \$1 state duck stamp. These funds are allocated by the Fish and Game Commission from the Duck Stamp Account for projects protecting waterfowl and preserving habitat. The law requires that at least 80 percent of the funds be spent in Canada and the balance in other parts of the Pacific Flyway. The department requests \$200,250 in Item 208 from the Duck Stamp Account, a decrease of \$38,350 from the current year. The department proposes four projects in Canada (\$180,000) and two California projects (\$21,250) for the budget year.

TRAINING PROGRAM

Penalty assessments imposed on fines for violations of the Fish and Game Code are deposited in the Fish and Game Preservation Fund in a special account for the education and training of department employees. Item 209 requests \$234,600, an increase of \$1,000 over the current year.

NATIVE SPECIES CONSERVATION AND ENHANCEMENT

The department requests \$29,400 (Item 210) from the Native Species Conservation and Enhancement Account for support of nongame species programs.

Projects proposed include the following:

1. \$8,000 to improve habitat and/or interpretive signs for reserves and habitat for the Morro Rock peregrine falcon, Morro Bay kangaroo rat and Santa Cruz long-toed salamander.
2. \$15,000 to restore a Forster's tern nesting colony on Bair Island, San Mateo County.
3. \$4,400 to provide surveillance for protection of the peregrine falcon aerie.
4. \$2,000 to enhance nesting and perching habitat for the bald eagle.

Revenue to the Native Species Account was \$30,461 in 1975-76 and is estimated to be \$30,000 in each of the current and budget years.

**Department of Fish and Game
WILDLIFE CONSERVATION BOARD**

Item 211 from the Wildlife Restoration Fund

Budget p. 482

Requested 1977-78	\$253,861
Estimated 1976-77	223,673
Actual 1975-76	87,597
Requested increase \$30,188 (13.5 percent)	
Total recommended reduction	None

WILDLIFE CONSERVATION BOARD—Continued**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis
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- | | |
|---|-----|
| 1. Wildlife Restoration Fund Surplus. <i>Recommend Legislature add new item to reappropriate \$750,000 diversion of horserace license revenues to General Fund.</i> | 396 |
|---|-----|

GENERAL PROGRAM STATEMENT

The Wildlife Conservation Board was created by the Legislature in 1947. It is composed of the Director of the Department of Fish and Game, the President of the Fish and Game Commission, and the Director of the Department of Finance. In addition, three members of the Senate and three members of the Assembly function in an advisory capacity to the board. The board has a staff of seven. The board's primary responsibilities include selection and acquisition of property which is suitable for protection and preservation of wildlife and providing fishing, hunting and recreation access.

As authorized in Section 19632 of the Business and Professions Code, the Wildlife Conservation Board's program is supported by a continuing appropriation of \$750,000 from horserace license revenues to the Wildlife Restoration Fund. Without this annual diversion, the money would go into the General Fund. The board also administers monies from the Bagley Conservation Fund and several bond issues.

ANALYSIS AND RECOMMENDATIONS

This item requests \$253,861 from the Wildlife Restoration Fund to support the staff of the Wildlife Conservation Board. Most of the \$30,188 increase over current year expenditures of \$223,673 is due to the addition of a new land agent position to assist in the board's land acquisition program.

For 1975-76, \$210,787 was appropriated for staff support but only \$87,597 in state funds was expended, a difference of \$123,190. The board used \$103,655 of federal Land and Water Conservation Fund reimbursements to support the board staff and realized savings during the year of \$19,535.

Fund Surplus

We recommend that the Legislature add a new item to the Budget Bill to reappropriate the 1977-78 continuing appropriation of \$750,000 from horserace license fees to the General Fund.

On June 30, 1976, the accumulated surplus in the Wildlife Restoration Fund was approximately \$3.1 million. Of that amount, the board had allocated (but not expended) about \$2.7 million for new projects, leaving an unallocated fund balance of about \$400,000. As of December 1, 1976, the unallocated fund balance was \$915,504. That amount is adequate to meet the board's needs from the Wildlife Restoration Fund in 1977-78.

To finance its major projects in the budget year, the board has other funds available as follows:

1. Approximately \$8.2 million unexpended balance from the State Beach, Park, Recreational and Historical Facilities Bond Act of 1974.
2. \$15 million for board projects in the Nejedly-Hart State, Urban and Coastal Park Bond Act of 1976.

3. \$379,000 budgeted by the Department of Fish and Game in capital outlay for acquisition of ecological reserves by the Wildlife Conservation Board.

4. Unknown reimbursements of federal Land and Water Conservation Fund monies.

5. \$225,000 in each of the current and budget years from interest on surplus money investments.

The board has sufficient funds available for 1977-78 projects and does not need the continuing appropriation of horserace license revenues. The \$750,000 can be reappropriated to the General Fund.

Resources Agency

DEPARTMENT OF NAVIGATION AND OCEAN DEVELOPMENT

Items 212-217 from the General Fund and the Harbors and Watercraft Revolving Fund

Budget p. 487

Requested 1977-78	\$14,099,583
Estimated 1976-77	16,772,046
Actual 1975-76	9,830,208
Requested decrease \$2,672,463 (16 percent)	
Total recommended reduction	\$997,532

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
212	Beach erosion control program.	General	\$282,600	399
213	Support of department.	Harbors and Watercraft Revolving	1,916,983	406
214	Loans to local agencies for planning and harbor development.	Harbors and Watercraft Revolving	7,708,000	401
215	Grants to local agencies for development of boat launching facilities.	Harbors and Watercraft Revolving	2,592,000	404
216	Subvention to counties for boating safety and law enforcement programs.	Harbor and Watercraft Revolving	1,600,000	406
217	For payment of deficiencies in appropriation.	Harbors and Watercraft Revolving	(100,000)	399
	Total		\$14,099,583	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Beach Coastal Control. Reduce Item 212 by \$82,412.* Recommend reduction in request for the beach erosion control program. Continued funding at the current year level is sufficient for research work. No specific action plans have been developed for erosion control projects. 399

DEPARTMENT OF NAVIGATION AND OCEAN DEVELOPMENT—Continued

2. *Fisherman's Wharf, San Francisco.* Reduce Item 214 by \$200,000. Recommend deletion of request for this project because of environmental and legal issues. 401
3. *San Rafael Marina.* Reduce Item 214 by \$440,000. Recommend deletion of request for this project because of unresolved environmental issues. 403
4. *Spud Point, Bodega Bay Harbor.* Reduce Item 214 by \$200,000. Recommend deletion of request for this project because of unresolved environmental and legal issues. 403
5. *Alameda Launching Ramp Facility.* Recommend approval of \$150,000 requested for this project be withheld because a final EIR has not been submitted. 405
6. *Mammoth Pool Launching Facility.* Recommend approval of \$371,000 requested for this project be withheld because a final EIR has not been submitted. 405
7. *Boating Facility Program.* Reduce Item 213 by \$75,120. Recommend deletion of 3 proposed positions in the Boating Facility program. 406
8. *Boating Safety Program.* Recommend three proposed positions for the white-water river-use program be approved with the stipulation that they not be filled unless pending litigation is resolved in favor of the public's use of the South Fork of the American River. 407

GENERAL PROGRAM STATEMENT

The Department of Navigation and Ocean Development (DNOD) is the state's boating agency. One of the primary responsibilities of the department is to administer boating facility development programs. The department provides financial assistance to local governments in the form of loans for the development of small craft harbors and grants for boat launching facility construction. The department also plans, designs, and constructs boating facilities throughout the state park system and at reservoirs of the state water project. All projects are conducted with the advice and consent of the Navigation and Ocean Development Commission.

Another major function of the department is the promotion of various boating safety programs. Through the training of boating law enforcement officers and the coordination of boating educational organizations, DNOD strives to reduce boating accidents on California waterways.

The department also administers the yacht and ship broker's licensing program to protect the public from fraudulent acts, and the state's Beach Erosion Control program to protect and preserve the state beaches, shoreline, and coastal harbors.

In order to implement its programs, the department is organized into two major divisions plus general management (1) the Boating Facilities Division administers the Boating Facilities and Beach Erosion Control programs; (2) the Boating Operations Division administers the Boating Safety, Boating Law Enforcement and Yacht and Ship Brokers Licensing programs; and (3) general management provides executive direction and administrative support services.

ANALYSIS AND RECOMMENDATIONS

The department proposes total expenditures of \$18,106,583 in the 1977-78 fiscal year as shown in Table 1. This represents an increase of \$3,004,537 (20 percent) above the amount estimated for the current fiscal year. These amounts are greater than the requested appropriations of \$14,099,583 in the Budget Bill because the department (1) estimates that it will receive \$250,000 in federal funds during the budget year for use in its boating facilities and boating operations programs, and (2) proposes an "expenditure timing adjustment" of \$3,757,000 in the budget year to reduce \$11,465,000 of proposed harbor and marina development loans to an appropriation of \$7,708,000. This adjustment is discussed further under "Loans for Marina and Harbor Development" in this Analysis. Item 217 in the amount of \$100,000 is for emergencies and deficiencies and is not included in programed expenditures.

Table 1
Summary of Program Expenditures

<i>Program</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>Increase Over 1976-77</i>	<i>Percent Increase</i>
Beach erosion control	\$379,233	\$200,188	\$282,600	\$82,412	41%
Boating facilities	8,278,641	12,568,765	15,105,799	2,537,034	(20%)
Boating safety and enforcement.....	1,583,991	2,333,093	2,718,184	385,091	17%
Administration distributed..	(263,847)	(331,983)	(330,608)	(1,376)	(-0.5%)
Totals	\$10,241,865	\$15,102,046	\$18,106,583	\$3,004,537	(20%)
Less "expenditure timing adjustment"			-3,757,000		
Less federal funding for boating safety.....			-250,000		
Total of requested appropriation in Budget Bill			\$14,099,583		

BEACH EROSION CONTROL PROGRAM (ITEM 212)

The general objectives of the department's Beach Erosion Control program are to (1) perform individual investigations and participate in joint studies of beach erosion control problems with the U.S. Army Corps of Engineers and the U.S. Geological Survey, and (2) prepare plans and cosponsor the construction of federally authorized beach erosion control projects through a local assistance program.

The department's request from the General Fund for the budget year totals \$282,600, an increase of \$82,412 or 41 percent over the current year. This increase is the result of a proposed step-up of state assistance to local governments in investigating shoreline erosion problems, and \$25,000 for one-half the cost of an additional study phase for the statewide wave data network which is being installed at several locations in southern California by the Scripps Institute of Oceanography.

No Program for Erosion Control Projects

We recommend a reduction of \$82,412 in the department's request for the beach erosion control program. Item 212.

The state Beach Erosion Control program was established in 1969 in

DEPARTMENT OF NAVIGATION AND OCEAN DEVELOPMENT—Continued

recognition of the fact that California's 1,000 miles of shoreline, a valuable resource, was undergoing severe erosion in many areas. The primary responsibility for management of this program was assigned to DNOD. Since that time the department has been involved in cooperative efforts with local and federal agencies in the study of beach erosion processes, wave climates and changes in beach profiles. In performing these studies, some useful information has been gathered about erosion processes. However, only to a limited extent have erosion control projects been undertaken at critical locations.

Changes in federal policy have resulted in a sharp reduction of federal funds for beach erosion control investigations and construction of control projects in recent years. This reduction has currently eliminated cooperatively funded state-local-federal projects. Small projects have been left to local governments.

As a result of reduced federal funding coupled with continued public concern relative to protection of our coastline, the department has directed its program towards the gathering of data and study projects needed to gain an understanding of erosion processes. The data being collected by the department are concerned with wave climate, regional sand movement patterns, and sediment transport in coastal rivers and streams.

Several data acquisition and study projects are currently underway or have recently been completed. These projects include: (1) a report by Scripps Institute on "Man's Impact on the California Coastal Zone" which was completed in November 1976; (2) the first semi-annual report by Scripps on the "Coastal Engineering (Wave) Data Network" which was completed in July 1976; and (3) a study of stream sediment transport which is currently being conducted by the Department of Water Resources.

In its California Coastal Plan dated December 1, 1975, the California Coastal zone Conservation Commission pointed out the importance of an effective beach erosion control program for preservation of California's coastal resources. In order to assure the timely implementation of effective erosion control measures, the Coastal Commission recommended that the state initiate programs to (1) set criteria for construction of seawalls, breakwaters and other shoreline structures, (2) phase-out existing harmful structures, and (3) undertake projects to replenish beach sands in critical areas. None of this work is underway.

In view of the lack of leadership by DNOD, the lack of project funding and the lack of specific action plans for the control and mitigation of critical erosion along our coastline, we recommend that department's request for an increase of \$82,412 be denied and funding retained at the current year level. This will allow for continuation of basic research projects until specific programs and plans are developed by the department.

LOANS FOR MARINA AND HARBOR DEVELOPMENT

The department is requesting \$7,708,000 for marina and harbor development loans to cities, counties and special districts during the budget year. Historically, such loans have been made for both recreational boating and commercial fishing developments. Loans for harbor design and construction are made to public agencies with repayment terms of 30 years at 4.5 percent interest. The security for the loans is the income from the marina and leases for commercial establishments within the project area. The sources of the state loans are primarily marine fuel taxes, and repayment proceeds from existing loans.

Although the total requested appropriation for these projects is \$7,708,000 (Item 214), the total of the individual loan requests is \$11,465,000. In order to authorize the full amount of the expenditures for the proposed loans without overappropriating the Harbors and Watercraft Revolving Fund, the department is proposing an "expenditure timing adjustment" of \$3,757,000 and is in addition requesting an appropriation of any unencumbered balances in the Harbors and Watercraft Revolving Fund as of June 30, 1977. The department hopes that this vague appropriation language will permit it to finance the loans authorized for the budget year from reversions and additional revenues to the fund. However, the language in Item 214 could conflict with appropriations of prior year balances and is broader than necessary. It also could leave some projects unfunded in the budget year program. The language in the item needs further review.

The department's proposed projects for the budget year are shown in Table 2. The request for the Benicia, Oyster Point, Port of Oakland, Port of San Luis, Richmond, and Woodley Island projects are continuations of projects begun in previous years. Blythe, Coyote Point, Fisherman's Wharf, Martinez, Monterey, Queens Way, San Rafael and Spud Point are new projects several of which have problems.

Fisherman's Wharf—San Francisco

We recommend deletion of \$200,000 for Fisherman's Wharf, San Francisco because of environmental and legal issues (Item 214).

The department is requesting \$200,000 in the budget year to rehabilitate existing harbor facilities at Fisherman's Wharf in San Francisco. This project is sponsored by the Port of San Francisco and would require approximately \$2 million in state funds. The total cost is estimated as follows.

Port of San Francisco.....	\$5,840,000
Economic Development Administration	950,000
U.S. Army Corps of Engineers	5,960,000
Department of Navigation and Ocean Development.....	2,000,000
Estimated total project cost	\$14,750,000

As proposed, the project is intended for use by the commercial fishing fleet. It would be protected by a federally funded breakwater encompassing berthing facilities for as many as 350 additional fishing boats and several historic ships. Actual slip construction would be scheduled in accordance with new demand. The major constraint identified in prelimi-

DEPARTMENT OF NAVIGATION AND OCEAN DEVELOPMENT—Continued

Table 2
1977-78 Marina and Harbor Development Loans

<i>Project Sponsor</i>	<i>Number of Boat Slips</i>	<i>Project Status</i>	<i>Description</i>	<i>Loan Amount</i>
1. Benicia Marina—Solano County..	309 (RC)	Construction	Continuing project	\$2,000,000
2. Blythe Marina —Riverside County	-	Land acquisition and utilities	New project	500,000
3. Coyote Point Marina—San Mateo County.....	491 (RC)	Marina construction	Continuing project	550,000
4. Fisherman's Wharf—San Francisco County	170 (C)	Marina construction	New project	200,000
5. Martinez Marina—Contra Costa County.....	-	Dry storage construction	New project	175,000
6. Monterey—Monterey County.....	-	Seawall improvements	New project	800,000
7. Oyster Point—San Mateo County	317 (RC)	Marina construction	Continuing project	1,000,000
8. Port of Oakland— Alameda County.....	44 (RC)	Marine Construction	Continuing project	800,000
9. Port San Luis—San Luis Obispo County.....	410 (RC)	Harbor construction	Continuing project	2,000,000
10. Queensway Marina—Los Angeles County.....	571 (RC)	Marina construction	New project	200,000
11. Richmond Marina—Contra Costa County.....	508 (RC)	Marina construction	Continuing project	1,500,000
12. San Rafael Marina— Marin County	600 (RC)	Marina construction	New project	440,000
13. Spud Point, Bodega Bay Harbor— Sonoma County.....	250 (C)	Marina construction	New project	200,000
14. Woodley Island Marina—Humboldt County	214 (RC)	Marina construction	Continuing project	1,000,000
15. Planning loans—statewide				100,000
Total proposed loans				\$11,465,000
Expenditure timing adjustment				-3,757,000
Requested appropriation (Item 214).....				\$7,708,000

(C) Commercial fishing vessels.

(RC) Recreational and commercial fishing vessels.

nary planning efforts is a lack of sufficient space for parking and onshore support facilities for commercial fishing activities.

Although the department reports that this project is feasible, we recommend denial of the requested appropriation because the project is not ready for funding in the budget year. A final Environmental Impact Report has not been completed. The project does not appear to meet loan qualifications in the Harbors and Watercraft Code (Section 40) which

require that harbor facilities be open to recreational and commercial fishing interests rather than exclusively dedicated to commercial fishing. In addition, the feasibility report for this project suggests that the Port of San Francisco is not likely to have the financial capability to meet local share funding and state loan repayment requirements as proposed.

San Rafael Marina

We recommend deletion of \$440,000 for the San Rafael Marina because of unresolved environmental issues (Item 214).

The department is requesting \$440,000 in the budget year for this new marina project (59 acres) which is estimated to cost \$5,490,000 in state funds over several fiscal years. This project, which would be known as "Spinnaker Point," is sponsored by the City of San Rafael and will include 610 berths, parking for 650 cars, and 40,000 square feet of commercial space for a restaurant and a speciality shopping center.

The project requires permits from the U.S. Army Corps of Engineers, San Francisco Bay Area Conservation and Development Commission, and the San Francisco Bay Regional Water Quality Control Board before dredging and construction can start.

The department reports that the San Francisco Bay Area has a severe berthing deficiency and that the project is feasible. However, major questions concerning the project's environmental impact have been raised by the San Francisco Bay Conservation and Development Commission, Department of Fish and Game, Marin Audubon Society, and a private resident of San Rafael. The questions are primarily related to (1) adverse effects of dredging and land filling of an important wetlands habitat area; (2) traffic congestion and inadequate parking; and (3) encroachment upon a buffer zone which surrounds a sewage treatment plant that has serious odor control problems.

Completion of a final EIR was reported by the department on December 28, 1976, but we have received no information indicating that the environmental questions have been resolved to the satisfaction of the reviewing agencies. Therefore, we recommend deletion of the department's request for this project until it is determined to be environmentally acceptable.

Spud Point, Bodega Bay

We recommend deletion of \$200,000 for the Spud Point Marina, Bodega Bay because of unresolved environmental and legal issues (Item 214).

The department is requesting \$200,000 in the budget year for proposed new marina facilities for the commercial fishing fleet at Bodega Harbor. The total estimated cost for this project is as follows:

County of Sonoma	\$50,000
U.S. Army Corps of Engineers	1,840,000
Department of Navigation and Ocean Development	2,360,000
Economic Development Administration	520,000
Total project cost	\$4,770,000

This project is sponsored by the Sonoma County Regional Park Depart-

DEPARTMENT OF NAVIGATION AND OCEAN DEVELOPMENT—Continued

ment and will consist of breakwaters, 250 berths and 30 moorings for fishing boats, shore facilities, a coffee shop, and office complex, and parking for 426 automobiles.

Dredging of approximately 15 acres of wetlands and disposal of approximately 140,000 cubic yards of dredge spoils will be required. In addition, approximately two acres of tidal area will be filled to provide for shore facilities and parking.

The project is designed for large, heavy commercial fishing boats and for transient fishing vessels. There are no proposed restrictions that would exclude pleasure boats. However, no attractions and facilities for pleasure boat owners are included in the plan.

We question whether this project qualifies for a loan from the Harbors and Watercraft Revolving Fund. The Harbors and Navigation Code (Section 40) requires that "facilities in harbors shall be open to all on equal and reasonable terms" in order to qualify for loan funds. This project does not appear to meet this requirement because of its exclusive dedication to commercial fishing interests and its deemphasis of recreational boating.

Although the project's feasibility study points out that every effort will be made to avoid unnecessary dredging and filling of sensitive tidal areas, questions regarding the environmental impacts of the project have been raised by Caltrans, the Department of Parks and Recreation, the North Coast Regional Water Quality Control Board, the Department of Fish and Game, and the North Central Coast Regional Coastal Zone Conservation Commission. These questions are related primarily to (1) traffic congestion on connecting roads, (2) inadequate parking for the marina and support facilities, including the coffee shop, (3) dredging for the marina and entrance channels and the disposal of dredge spoils on state beach areas, (4) the need for identification of cultural property pursuant to the National Historic Preservation Act, (5) mitigation measures to prevent adverse impacts on water quality, and (6) the filling of important wetlands and waterfowl habitat areas. As an added concern, the reviewing agencies have asked that consideration be given to reconstruction of existing marinas in Bodega Harbor as an alternative to dredging and filling of new harbor areas.

Federal authorizations for construction funding for this project will probably not be made available until all major objections raised to the final EIR and the Federal Environmental Impact Statement are resolved.

Based upon the project's apparent failure to meet state requirements for a harbor development loan, unresolved questions relative to the sponsor's final environmental impact report and the uncertainty of federal funding, we recommend that the department's request be deleted and the project deferred until an alternative which satisfies state loan requirements and environmental interests is developed.

LAUNCHING FACILITY GRANTS (ITEM 215)

In the budget year the department is requesting \$2,592,000 for 16 launching facility grants to local agencies. Nine of these projects involve the construction of new facilities including restrooms, parking areas,

boarding ramps, and landscaping. Seven projects involve expansion and/or improvement of existing launching ramps and ancillary facilities. The department's request also includes \$100,000 for restrooms at unspecified launch ramps, and \$100,000 for repairs and extensions of existing launch ramps on a statewide basis. Table 3 shows the grant projects which are requested in the budget year.

Table 3
1977-78 Launching Facility Grants

<i>Project Sponsor</i>	<i>Launching Lanes</i>	<i>Project Status</i>	<i>Grant Amount</i>
1. Alameda—Alameda County	3	New facility	\$150,000
2. Antioch—Contra Costa County	Existing	Expansion and Development	150,000
3. Aspen Grove, Eagle Lake—Lassen County	4	New facility	218,000
4. Black Butte Reservoir—Glenn County	Existing	Boarding floats	30,000
5. Cabrillo Beach—Los Angeles County.....	Existing	Expansion and Development	134,000
6. Capell Cove, Lake Berryessa—Napa County.....	2	New facility	266,000
7. Crescent City Harbor—Del Norte County.....	2	New facility	250,000
8. Cuttings Wharf, Napa River—Napa County.....	2	New facility	180,000
9. Englebright Reservoir—Nevada County.....	Existing	Boarding floats	30,000
10. Kaweah Reservoir—Tulare County.....	Existing	Boarding floats	30,000
11. Klamath Glen—Del Norte County.....	2	New facility	100,000
12. Mammoth Pool Reservoir—Madera County.....	2	New facility	371,000
13. Pinecrest Lake—Tuolumne County.....	2	New facility	162,000
14. Redinger Lake—Madera County.....	Existing	Expansion and Development	67,000
15. Sante Fe Dam—Los Angeles County.....	2	New facility	220,000
16. Ventura Marina—Ventura County.....	Existing	Expansion and Development	40,000
17. Floating restrooms.....	—	—	100,000
18. Ramp repairs and extensions	—	—	100,000
Total.....	21		\$2,592,000

Alameda and Mammoth Pool Launching Ramp Facilities

We recommend that approval of \$150,000 requested for the Alameda launching ramp facility be withheld because a final Environmental Impact Report has not been submitted by the department (Item 215).

We recommend that approval of \$371,000 requested for the Mammoth Pool Reservoir launching ramp facility be withheld because a final Environmental Impact Report has not been submitted by the department (Item 215).

Section 21105 of the Public Resources Code states in part: "the responsible state . . . agency shall include the Environmental Impact Report . . . as a part of the regular project report used in the existing review and budgetary process. It shall be available to the Legislature." Until the final Environmental Impact Reports are submitted for the Alameda and Mammoth Pool Launching Facility projects, we are unable to recommend their approval.

DEPARTMENT OF NAVIGATION AND OCEAN DEVELOPMENT—Continued**Boating Facility Positions**

We recommend a reduction of \$75,120 for two boating facility managers and one clerical position in the Boating Facility Division (Item 213).

Two additional boating facility manager positions and one clerical position are proposed by the department during the budget year to meet increased workload in the marina development and launching facility elements of the boating facilities program. The department indicates that these positions are also needed to monitor completed projects to ensure their proper operation and maintenance.

These positions were requested by the department in its 1976-77 budget. In response to our recommendation, they were deleted because of a lack of workload justification. Although the department has made a second request for these positions, it still has not established that its workload justifies them. In most cases, design and construction of marina projects are handled by the local sponsoring agency while launching facility projects are designed and managed by the department working in close coordination with local agencies. Our analysis indicates that although there has been a minor increase in the number of harbor and marina loan projects administered by the department, the workload associated with launching facility projects has decreased.

BOATING SAFETY AND ENFORCEMENT PROGRAM (Items 212 and 216)

The primary objectives of the Boating Safety and Enforcement program are to (1) reduce deaths, injuries and property losses resulting from boating accidents, (2) obtain uniformity in boating ordinances and their enforcement, (3) achieve a solution to the vessel waste discharge problem, and (4) administer the provisions of the Yacht and Ship Broker Licensing Act with consumer protection the primary goal. In administering this program, the department is involved in coordinating programs with local agencies and providing subventions for the support of these activities.

The department's request for this program from the Harbors and Watercraft Revolving Fund is \$2,468,184 (27.6 personnel years), an increase of \$385,091 or 17 percent over the current year (Items 212 and 216).

Adventure Afloat Program

Following completion of a successful pilot project conducted jointly by DNOD and the San Juan School District, the department is introducing a boat safety course to high schools throughout the state. This course, which is known as "Adventure Afloat", provides 35 hours of classroom instruction and on-the-water training for students from ninth through twelfth grade as a supplement to physical education classes. The objectives of the program are (1) to increase the students' boating safety knowledge, and (2) to give the students supervised experience in boat handling techniques of various types of watercraft.

Assistance supplied by the department to the schools includes instructor and student textbooks, lecture plans, guest lectures and equipment demonstrations, plans for building training aids, and instructional movies.

The goal of this program is to reduce the number of boating accidents,

injuries, fatalities, and property damage that occur in California. In 1974, approximately 5,000 accidents, 1,000 injuries, 1,500 fatalities and property damages amounting to over \$9.2 million were reported.

White-Water Safety Program

We recommend three proposed positions for the department's white-water river-use program be approved with the stipulation that they not be filled unless pending litigation is resolved in favor of the public's use of the South Fork of the American River.

The department is requesting an increase of \$64,410 in its boating safety program during the budget year to provide for three additional positions, two boating administrators and one clerk. The positions would be used to develop river usage, recreation, navigation, and safety plans with priority being given to implementing a White-Water Safety program for persons using canoes, kayaks and inflatable rafts on mountain rivers and streams.

We recognize the importance of minimizing white-water accidents, injuries, fatalities and other related problems in California. However, in past Analyses we recommended that the department's request for increased staff in this area be deferred until a viable program is developed for approaching the problems associated with white-water boating. In response to our recommendation the department was authorized one position in the Budget Act of 1976 to develop a comprehensive plan.

In early January 1977, we received the department's preliminary plan for the proposed program. It provides a structured approach for program implementation and sufficient justification for effective use of the requested additional positions.

Although the department is now ready to implement a white-water program, pending litigation threatens public use of the South Fork of the American River, *People v. County of El Dorado*. The basic issue of this litigation is whether a county can ban rafting and other pleasure boating on a navigable river.

At the insistence of property owners, El Dorado County adopted an ordinance effective September 1976, to arrest all persons rafting on the South Fork of the American River from Chili Bar to Salmon Falls for trespassing on private property.

To protect the public's rights on a navigable waterway, the Attorney General, at the request of DNOD, petitioned the Superior Court of El Dorado County on August 20, 1976, to declare the ordinance invalid on the grounds that it would deprive persons of their constitutional and legal rights to navigate freely along a navigable river of the state. This petition was denied and the Attorney General is currently appealing to the California Court of Appeals.

The ultimate decision on the American River conflict will decide the public's right to use this major recreational waterway. It may also influence potential litigation relative to the public's use of other rivers in the state such as the Yuba, Carson, and Klamath. For this reason, we recommend that the department's request for additional positions to work in this area be approved with the stipulation that they not be filled unless the pending litigation is decided in the public's favor and use of the river is assured.

DEPARTMENT OF NAVIGATION AND OCEAN DEVELOPMENT—Continued

Resources Agency

CALIFORNIA COASTAL COMMISSION

Items 218-220 from the General
Fund

Budget p. 496

Requested 1977-78	\$5,120,861
Estimated 1976-77 (six months)	2,111,933
Requested increase \$3,008,928	
Total recommended reduction	Pending

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
218	State Operations	General	\$4,384,611
219	Assistance to Local Planning Agencies	General	336,250
220	Legislative Mandates	General	400,000
			\$5,120,861

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. New Coastal Zone Planning and Management Program. Defer recommendation until program and expenditure details are available. 410

GENERAL PROGRAM STATEMENT

The California Coastal Act of 1976 (Chapter 1330 as amended by Chapter 1331 and Chapter 1440) establishes a permanent state coastal management commission and policies and procedures for regulating coastal development. Specifically, the act, which was effective on January 1, 1977, created in the Resources Agency the California Coastal Commission and, for an interim period ending no later than June 30, 1979, six regional coastal commissions. The Coastal Commission is successor to the Coastal Zone Conservation Commission established by Initiative Proposition 20 enacted by the voters in November 1972.

Commission Membership

The 15 member Coastal Commission is composed of six representatives of the public appointed by the Governor and Legislature, six representatives of the regional commissions and three nonvoting state officials (the Secretaries of the Resources Agency and the Business and Transportation Agency and the Chairperson of the State Lands Commission). The membership of the six regional commissions ranges from 12 to 16 with one-half appointed as representatives of the public and one-half locally elected officials.

Area of Jurisdiction

The commission has jurisdiction over development in the coastal zone. The law defines "coastal zone" as that area specified on the maps prepared by the former Coastal Zone Conservation Commission titled "California Coastal Zone, dated August 11, 1976, and on file with the Secretary of State." In general, the coastal zone extends from the seaward limit of the state's jurisdiction inland 1,000 yards from the mean high tide line. In some environmentally significant areas it extends inland to the lesser of the first major ridgeline or five miles. In developed urban areas the zone extends inland less than 1,000 yards.

Local Coastal Programs

Each local government lying within the coastal zone must prepare (or request the commission to prepare) a local coastal program for that portion of the zone within its jurisdiction. A local coastal program implements the policies of the 1976 Coastal Act at the local level. The program includes relevant portions of a city or county general plan or local coastal element and zoning ordinances and zoning district maps. All local coastal programs must be submitted to the commission for approval by January 1, 1980.

Development Controls

Effective January 1, 1977, any person wishing to undertake a development in the coastal zone must obtain a coastal development permit. The Coastal Act of 1976 defines "development" in broad terms. The law excludes (1) agriculture and kelp harvesting, (2) timber operations performed in accordance with a timber harvesting plan pursuant to the Forest Practice Act, (3) development under the jurisdiction of the Energy Commission and (4) relatively minor improvement or maintenance activities.

Prior to state certification of a local coastal program and upon the request of a local government, the commission must exclude from permit controls developed urban areas that meet certain criteria. However, the exclusions may not include tidelands, beaches or the first row of lots adjacent to beaches or the mean high tide line.

Prior to certification of the local coastal program, the development permit may be issued by local government (if the local government elects to implement the permit process) or by the regional commission. After the local program is certified, the development review authority will be delegated to local government except for developments on:

1. Tidelands, submerged lands or public trust lands lying within the coastal zone.
2. Those portions of the Ports of Hueneme, Long Beach, Los Angeles and the San Diego Unified Port District which are located within the coastal zone.
3. Any state university or college within the coastal zone.

ANALYSIS AND RECOMMENDATIONS

The current year budget of the Coastal Commission provides for estimated support expenditures of \$2,778,501 for the last half of the 1976-77 fiscal year consisting of \$2,111,933 from the General Fund and \$666,568 in

CALIFORNIA COASTAL COMMISSION—Continued

federal funds. The General Fund expenditures are derived from the following sources:

1. \$1,476,506 appropriated by Chapter 1440 from the Bagley Conservation Fund (in effect, General Fund).
2. \$635,427 in General Fund savings realized by the former Coastal Zone Conservation Commission from the appropriation in Chapter 1208, Statutes of 1974. The Department of Finance has transferred the \$635,427 to the new Coastal Commission.

Of the total estimated expenditures of \$2,778,501 in 1976-77, \$2,578,501 is for support of the state and regional commissions and \$200,000 is for local assistance.

An Interim Budget Proposal for 1977-78

We defer recommendation on Items 218, 219 and 220 for the California Coastal Commission until program and expenditure details are available.

The Governor's Budget estimates total Coastal Commission expenditures in 1977-78 to be \$7,810,861 consisting of:

General Fund (Items 218, 219 and 220)	\$5,120,861
Federal funds.....	<u>2,690,000</u>
Total.....	\$7,810,861

The \$7,810,861 total would provide \$5,729,611 for operation of state and regional commissions and \$2,081,250 for local assistance. The state operations expenditures would be financed by \$4,384,611 of General Fund money (Item 218) plus \$1,345,000 of federal money.

The Governor's Budget states that the commission's request for 1977-78 is an "interim proposal" and that "a definitive outline of the staffing proposed for the new commission and the related operating costs will be presented to the Legislature in a supplementary budget submission." The printed budget has no detail as to positions, operating expenses or program expenditures. It is essentially an extension of the former commission's workload plus an estimate of increased responsibilities in the budget year.

Short Statutory Time Deadlines

The California Coastal Act specifies time deadlines for numerous commission actions which will require substantial staff effort. Table 1 indicates the major statutory deadlines through 1977-78 for commission action.

Table 1
Statutory Deadlines for Coastal Commission Actions

<i>Deadline</i>	<i>Action Required</i>
1/30/77	Adopt interim procedures for review of permits, appeals and exemptions.
3/12/77	Prepare and adopt map of the coastal zone on scale of one inch equals 24,000 inches.
4/1/77	Prepare and adopt a map delineating the boundaries of specified port jurisdictions within the coastal zone. Adopt procedures for the preparation, submission, approval, appeal, certification and amendment of local coastal programs.
5/1/77	Adopt permanent procedures for review of permits, appeals and exemptions. Adopt regulations for timing review of waste treatment facilities.
6/30/77	Identify special treatment areas to protect natural and scenic qualities in logging areas.

- 7/1/77 Deadline for local government to request the commission to prepare the local coastal program.
- 9/1/77 Recommend sensitive coastal resource areas for adoption by Legislature.
- 1/1/78 Designate locations where powerplant siting would prevent achievement of Coastal Act objectives.
- 7/1/78 Joint presentation of the Coastal Commission and San Francisco Bay Conservation and Development Commission study to the Legislature.
Recommendations by Office of Planning and Research to minimize potential duplication and conflicts among state agencies.
- 8/1/78 Adopt procedures for review of appeals after certification of local coastal programs and port plans.

Permit Workload

There is considerable uncertainty regarding the commission's workload in issuing permits. The Coastal Act authorizes local governments to issue permits during the interim period while the local coastal programs are being prepared. At the time of this writing it was not known how many cities and counties would assume that responsibility.

Also, the area of the coastal zone under the 1976 Coastal Act, which requires development permits, is much larger than the permit area under Proposition 20 enacted in 1972. These factors make it difficult at this time to determine permit workload.

Local Assistance

The budget provides \$200,000 for local assistance in 1976-77 and \$2,081,250 in 1977-78. The latter amount consists of the following:

Federal funds.....	\$1,345,000
Item 219, General Fund	336,350
Item 220, Legislative mandates.....	400,000
Total.....	\$2,081,250

The Coastal Act provides that at least 50 percent of federal funds received after July 1, 1977, pursuant to the Federal Coastal Zone Management Act, shall be used to develop and implement local coastal programs. The budget indicates the state will receive \$2,690,000 in federal funds under Section 306 management grants in 1977-78. One-half (\$1,345,000) is budgeted to local agencies. The budget also includes local assistance of \$336,250 from the General Fund to provide the local matching funds required for the federal grants.

Legislative Mandates

The 1976 Coastal Act provides that local direct planning and administrative costs shall be reimbursed by the state in the annual state budget process. The act also states that local costs incurred in the 1976-77 fiscal year shall be submitted to the State Controller by October 31, 1977. It is not known whether local government will incur planning and administrative costs in the 1976-77 fiscal year. However, the Department of Finance has included \$400,000 from the General Fund in Item 220, should valid claims be received by the Controller.

The total local direct planning and administrative cost to implement the 1976 Coastal Act is unknown. The Office of Planning and Research (OPR) in its report "The Costs of Local Implementation of the Coastal Plan," estimated that the total cost would be a minimum of \$3.4 million over a

CALIFORNIA COASTAL COMMISSION—Continued

three-or four-year period. The OPR study was based on the Coastal Plan submitted by the Coastal Zone Conservation and Development Commission in December 1975, and not on the 1976 Coastal Act.

Permit Fees

The Coastal Act authorizes the commission to require a "reasonable filing fee and the reimbursement of expenses" for processing development permit applications. The fee revenue can be expended by the commission only when appropriated by the Legislature. The budget indicates permit application fees will be deposited as revenue to the General Fund. The estimated fee revenue is \$229,000 for 1976-77 and \$458,000 for 1977-78.

Resources Agency

DEPARTMENT OF PARKS AND RECREATION

Items 221-228 from the General Fund and special funds

Budget p. 499

Requested 1977-78	\$77,987,494
Estimated 1976-77	74,682,254
Actual 1975-76	39,711,957
Requested increase \$3,305,240 (4.4 percent)	
Total recommended reduction	\$1,311,464

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
221	Department support	General	\$47,788,126
222	Department support for Hostels and Trails Program	Hostel Facility Use Fees, General Fund	115,068
223	Department support	Parks and Recreation Revolving Account, General Fund	109,729
224	Department support	Collier Park Preservation Fund	1,849,038
225	Off-Highway Vehicle Studies	Off-Highway Vehicle Fund	491,748
226	Boating safety support	Harbors and Watercraft Revolving Fund	179,632
227	Local Assistance Grants for Urban Parks	General	25,000,000
228	Local Assistance Grants for Off-Highway Vehicle Parks	Off-Highway Vehicle Fund	2,454,153
			<u>\$77,987,494</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Hearst Castle Special Account. Recommend transfer of remaining balances in the Hearst Castle Special Reserve accounts to the General Fund.

417

2. San Francisco Maritime Park Account. Recommend transfer of the remaining balances in the San Francisco Maritime State Historic Park Account to the General Fund. 417
3. Collier Park Preservation Fund. Recommend deletion of Item 224 requesting \$1,849,038 from the Collier Park Preservation Fund for planning of State Park Capital Outlay projects and addition of the same amount to Item 221 (General Fund). Recommend transfer of remaining balance in the Collier Park Preservation Fund to the General Fund. 417
4. *Bagley Conservation Fund. Recommend augmentation of Item 221 by \$47,622 and an offsetting deletion of reimbursements to the department's support budget from the Bagley Conservation Fund. Recommend transfer of remaining balance in the Bagley Conservation Fund to the General Fund.* 418
5. Statewide Parks and Recreation Planning. Recommend department be directed to submit a progress report on statewide parks and recreation planning to the Joint Legislative Budget Committee by December 1, 1977. 419
6. *Acquisition and Development Division Staffing. Reduce Item 221 by \$20,000.* Recommend deletion of one position requested for design and construction projects at Camillus Nelson State Historic Farm and the Hazlett Warehouse in San Francisco. 421
7. *Operations Division. Reduce Item 221 by \$978,086.* Recommend deletion of 46.8 personnel-years for operations surveillance of new acquisition, staffing of new park units and staffing of units which will be transferred to the National Park Service. 424
8. California State Railroad Museum. Recommend department be directed to appoint a director to manage California State Railroad Museum. 424
9. State Park Reservation System. Recommend department be required to submit a report on status of the State Park Reservation System to the fiscal committees by April 1, 1977. 425
10. *Concession Management. Recommend augmentation of Item 221 by \$60,000.* Recommend two additional positions in the Concessions Services Division and filling of the vacant position in the Chief of Concessions Divisions with a qualified business manager. 427
11. Will Rogers State Park. Recommend department be directed not to renew contract with Polo Associates for use of equestrian facilities and to provide unrestricted public use of this unit. 428
12. Ranger Training Program. Recommend budget not be approved until identification of Ranger Training and In-service Training programs. 429

DEPARTMENT OF PARKS AND RECREATION—Continued

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| 13. Steep Ravine. Recommend department be directed to resubmit application to California Coastal Zone Conservation Commission for demolition of cabins at Steep Ravine, Mount Tamalpais State Park. | 430 |
| 14. <i>Youth Conservation Corps. Reduce Item 221 by \$421,000.</i> Recommend reduction of 39 personnel-years in the Youth Conservation Corps program or enactment of statutory authority for this program. | 431 |
| 15. Underwater Parks and Reserves. Recommend department be required to submit a plan for underwater parks and reserves to the Joint Legislative Budget Committee by December 1, 1977. | 432 |

GENERAL PROGRAM STATEMENT

The Department of Parks and Recreation has the responsibility to acquire, develop, interpret and operate California's State Park System. All new state park system projects are undertaken with the advice of the California State Park and Recreation Commission.

In addition, the department administers federal and state grants to cities, counties, and special districts for acquisition and development of local parks and recreational facilities throughout the state.

The state park system consists of over 250 units which are grouped into several different classifications: *state parks*, large areas with outstanding scenic, natural, cultural, or ecological values; *wilderness areas*, areas which are relatively untouched by man and retain their primeval character; *reserves*, areas embracing outstanding natural or scenic characteristics; *historic units*, areas established to preserve objects of historic or scientific interest, and places commemorating important persons or historic events; and *recreation areas*, areas which are selected, developed and operated to provide multiple outdoor recreational opportunities. Recreation areas may include underwater parks, off-highway vehicle areas, state beaches, and wayside campgrounds when adjacent to major highways. A state park unit might contain a *natural preserve*, which is an area of outstanding natural or scientific significance with rare or endangered plant species or unique geologic or topographic features.

The department is also responsible for management of the California Exposition and Fair in Sacramento. The Cal-Expo budget is separate from the department's budget and can be found under Items 229-230.

ANALYSIS AND RECOMMENDATIONS

The department's total proposed expenditures in the budget year for all support and local assistance programs from all sources is \$87,961,995. This represents a net decrease of \$14,658,025 or 14 percent from the amount estimated for the current fiscal year. This decrease is primarily due to an \$18.2 million reduction in financial assistance to local recreational agencies resulting from completion of the 1964 Park Bond Act local grants program, in the current year and scheduled completion of the 1974 Park Bond Act local grants program in the budget year.

The department's total estimated expenditures differ from the request-

ed \$77,987,494 in the Budget Bill because the department estimates that it will receive approximately \$9,974,501 in transfers from various appropriations for capital outlay and reimbursements from state and federal agencies. Table 1 summarizes actual, estimated and proposed expenditures by major programs for a three-year period.

Table 1
Summary of Program Expenditures
Department of Parks and Recreation

<i>Program Expenditures</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>Increase Over 1976-77</i>	<i>Percent Increase</i>
Statewide parks planning.....	\$536,248	\$1,207,385	\$737,383	\$ (-)470,002	(-)39%
Development of the state park system	3,130,842	3,742,605	4,450,584	707,979	19%
Operation of the state park system	39,126,754	46,745,813	49,508,735	2,762,922	6%
Resources preservation.....	693,004	1,056,260	1,564,943	508,683	48%
Assistance to local recreational agencies	38,657,177	49,867,957	31,700,350	(-)18,167,607	(-)36%
Administration (distributed) ..	(5,079,665)	(5,754,310)	(6,308,752)	554,442	10%
Total programs	\$82,144,025	\$102,620,020	\$87,961,995	\$14,658,025	14%
Capital outlay transfers and reimbursements			9,974,501		
Request for appropriations in Budget Bill.....			\$77,987,494		

Simplification of Funding Needed

Although the Department of Parks and Recreation basically operates from the General Fund, its programs receive funding from sixteen other sources. These funding sources and their purposes are shown in Table 2.

The large number of funding sources, with differing restrictions as to their use, greatly complicate the department's budgeting and expenditure controls. In addition, difficulty in spending the money for the designated uses causes pockets of money to accumulate which are not available for priority purposes.

Table 2
Funding Sources
Department of Parks and Recreation

<i>Fund</i>	<i>Authority</i>	<i>Purpose</i>	<i>Source</i>
1. General Fund	Budget Act and other appropriations	Generally for department support and local assistance grants.	General Fund
2. Collier Park Preservation Fund	Chapter 1502, Statutes of 1974	Acquisition, planning and development of state park system projects.	Annual deposit of first \$7 million of park entrance fees (excluding boating fees).
3. Bagley Conservation Fund	Chapter 1, Statutes of 1971, First Extraordinary Session, Section 316(b)	Acquisition of beaches and park lands including wildlife areas.	One-time withholding tax surplus and transfers from General Fund and tidelands revenues.
4. State Park Road Account, Bagley Conservation Fund	Chapter 1032, Statutes of 1973	Maintenance and repairs of roads in the state park system.	Annual transfer of \$900,000 from Highway Users Tax Account, Transportation Tax Fund.

DEPARTMENT OF PARKS AND RECREATION—Continued

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| 5. Hostel Facilities Use Fees, General Fund | Chapter 265, Statutes of 1974 | Development of hostels and trails between park units. | One-time transfer from Abandoned Vehicle Trust Fund and General Fund. |
| 6. Harbors and Watercraft Revolving Fund | Chapter 1544, Statutes of 1970 | Boating safety and enforcement at state park units. | Annual deposits of approximately \$165,000 of boaters' state park use fees. |
| 7. Federal Land and Water Conservation Fund | P.L. 88-578 | Planning, acquisition and development of lands and waters for recreational purposes at state and local levels. | Annual transfers of miscellaneous federal revenues. |
| 8. Federal Historic Preservation Fund | P.L. 89-665, P.L. 89-754 | Preservation of historic and cultural properties at state and local levels. | Annual transfers of funds from U.S. Treasury. |
| 9. Off-Highway Vehicle Fund | Chapter 1816, Statutes of 1971 | Planning, acquisition, development, and maintenance of off-highway vehicle use areas at state and local levels. | Annual transfers of fuel taxes, registration fees, and use fees paid by off-highway vehicle owners. |
| 10. Park and Recreation Revolving Account, General Fund | Chapter 1222, Statutes of 1972 | Planning, acquisition, and development of state park system projects. | Federal reimbursements for completed park projects, primarily from federal Land and Water Conservation Fund. |
| 11. State Park Contingent Fund | Chapter 94, Statutes of 1939 | Acquisition and improvement of state parks in accordance with terms of gifts or donations. | Private gifts, municipal or county donations. |
| 12. Hearst San Simeon Special Account, General Fund | Budget Act of 1969, Item 257 | Restoration and maintenance of Hearst Castle. | Annual transfer of entrance fees which are in excess of operation costs. |
| 13. San Francisco Maritime State Historic Park Account, General Fund | Chapter 1764, Statutes of 1971 | Development, operation and maintenance of San Francisco State Historic Park. | Lease revenues, Hazlett Warehouse. |
| 14. 1970 Recreation and Fish and Wildlife Enhancement Bond Fund | Chapter 782, Statutes of 1970 | Planning and construction of recreation facilities at state water project facilities. | \$54 million of general obligation bond proceeds. |
| 15. 1964 State Beach, Park, Recreational and Historical Facilities Bond Fund | Chapter 1690, Statutes of 1963 | Acquisition and development of park properties at state and local levels. | \$145 million of general obligation bond proceeds. |
| 16. 1974 State Beach, Park, Recreational and Historical Facilities Bond Fund | Chapter 912, Statutes of 1972 | Planning, acquisition and development of park properties, including historical resources, at state and local levels. | \$240 million of general obligation bond proceeds. |
| 17. 1976 State, Urban and Coastal Park Bond Fund | Chapter 259, Statutes of 1976 | Planning, acquisition and development of coastal and urban park properties at state and local levels. | \$265 million of general obligation bond proceeds. |

Hearst Castle Special Account

We recommend transfer of the remaining balances in the Hearst Castle Special Reserve Accounts as of June 30, 1977, to the General Fund and assignment of fiscal responsibility from this account to the General Fund.

As a first step towards the elimination of unnecessary special accounts in the General Fund and simplification of the department's funding, the Legislature deleted an item of \$2.3 million in the Budget Act of 1976 for support of the Hearst San Simeon State Historic Monument from Hearst Castle revenues and augmented the department's support budget in the same amount. This action eliminated special accounting for revenues at the monument.

In order to complete the phasing out of this unnecessary account we recommend addition of a control section to the Budget Bill to transfer the remaining balances of the reserves in the special accounts as of June 30, 1977, to the General Fund and the assignment of responsibility for all outstanding appropriations, reversions and reappropriations from this account to the General Fund.

In conjunction with our recommendation for phasing out this special account, we recommend under Item 399 that the department's capital outlay request for restoration and facility improvements at Hearst Castle be funded next year directly from the General Fund.

San Francisco Maritime Park Account

We recommend transfer of the remaining balance in the San Francisco Maritime State Historic Park Account, General Fund, as of June 30, 1977 to the General Fund.

Chapter 1764, Statutes of 1971, provides that lease payments collected from tenants of the state-owned Hazlett Warehouse in San Francisco, will be deposited in the San Francisco State Historic Park Account in the General Fund. Monies in this special account are continuously appropriated to the Department of General Services for administration of the property and to the Department of Parks and Recreation for development, operation and maintenance of the San Francisco Maritime State Historic Park.

Pursuant to Chapter 352, Statutes of 1976, the department plans to transfer the San Francisco Maritime State Historic Park (including vessels and the Hazlett Warehouse) to the National Park Service on March 1, 1977. Accordingly, we recommend adding a control section to transfer the remaining balance in this account to the General Fund.

Collier Park Preservation Fund

We recommend deletion of Item 224 which would appropriate \$1,849,038 from the Collier Park Preservation Fund for planning of state park system capital outlay projects, and addition of the same amount to Item 221 (General Fund).

We further recommend transfer of the remaining balance in the Collier Park Preservation Fund as of June 30, 1977, to the General Fund and assignment of responsibility of all outstanding appropriations, reversions, and reappropriations from the Collier Park Preservation Fund to the General Fund.

DEPARTMENT OF PARKS AND RECREATION—Continued

Chapter 1502, Statutes of 1974, provides that the first \$7 million in state park system fees, except for boating fees, shall be deposited in the Collier Park Preservation Fund. Revenues in excess of this amount are deposited in the General Fund. The money in the Collier Park Preservation Fund is available for planning, acquisition and development of state park system projects when appropriated by the Legislature.

During the budget year an estimated \$10,817,030 will be available in the fund to cover estimated expenditures totaling \$11,587,353. This will result in an estimated year-end deficit of approximately \$770,323 in the fund. In our discussion of the department's capital outlay projects which are proposed under Item 402, (Collier Park Preservation Fund) we discuss the projected deficit.

Projects Should Compete for General Fund Monies. Although this special fund was intended to insure the availability of monies from the General Fund for state park capital outlay projects, it provides funding for only a minor portion of the department's total capital outlay requirements.

This fund produces unnecessary complexities in the funding and control of the department's support and capital outlay needs. As an added concern, the department is budgeting \$1,849,038 from this fund for general planning purposes. This planning goes substantially beyond the scope of planning needed for specific capital outlay projects proposed to be financed from this fund.

In order to eliminate this restriction of General Fund monies and request projects proposed under this fund to compete on a priority basis with other projects for monies from the General Fund, we recommend deletion of support Item 224 which would provide \$1,849,038 for capital outlay planning and augmentation of Item 221 by the same amount. The remaining balance in the Collier Park Preservation Fund should be transferred by control section language to the General Fund and all remaining appropriations and reversions and reappropriations which are the responsibility of the Collier Fund should be assigned to the General Fund.

In our analysis of capital outlay (Item 402) we further recommend that the department's proposed capital outlay projects from the Collier Fund be appropriated directly from the General Fund.

Bagley Conservation Fund

We recommend augmentation of Item 221 by \$47,622 and an offsetting deletion of reimbursements to the department's support budget from the Bagley Conservation Fund (Item 401).

We further recommend transfer of the remaining balance in the Bagley Conservation Fund as of June 30, 1977, to the General Fund and assignment of responsibility for all outstanding appropriations, reversions and reappropriations from the Bagley Conservation Fund to the General Fund.

Chapter 1, Statutes of 1971, (Section 316(b)) transferred \$40 million of surplus General Fund revenue from enactment of state withholding tax legislation to the Bagley Conservation Fund for beach, park and land

acquisition (including wildlife areas) and for coastline planning and development of recreational facilities. The Budget Act of 1973 (Section 19.3), transferred an additional \$41.5 million from the General Fund to the Bagley Conservation Fund. In addition, the Budget Act of 1974 (Item 383.5), transferred \$28.7 million to the fund from state tidelands revenues. Most of the \$110.2 million, transferred into the fund at various times has been appropriated by the Legislature for planning, acquisition, and development of projects in the state parks system.

Chapter 1440, Statutes of 1976, (AB 400) made an additional transfer of \$13.3 million from the General Fund to the fund for the (1) support of the California Coastal Zone Conservation Commission, (2) designated coastal park acquisitions, and (3) hostel planning and facilities in the state park system.

Fund is Not Needed. The Bagley Conservation Fund does not receive an annual transfer from the General Fund, but the fund is so large that it serves to restrict General Fund monies to special purposes. As in the case of the Collier Park Preservation Fund, the Bagley Fund is not needed and should be eliminated.

In order to simplify the department's funding problems and make unappropriated General Fund monies in the Bagley Conservation Fund available for other purposes on a basis of demonstrated need and priority, we recommend augmentation of Item 221 (General Fund) in the amount of the proposed reimbursement of \$47,622 from the Bagley Conservation Fund (Item 401), and the addition of a control section to transfer any remaining balance in the Bagley Conservation Fund as of June 30, 1977 to the General Fund. We further recommend that all outstanding appropriations, reversions and reappropriations which are the responsibility of the Bagley Conservation Fund be assigned to the General Fund.

In our analysis of Item 401 we recommend that all new capital outlay projects be directly appropriated from the General Fund rather than from the Bagley Conservation Fund.

STATEWIDE PARKS AND RECREATION PLANNING

The department's new Planning Division has been assigned the responsibility to establish needs and priorities for statewide recreational resources and to provide the basic planning framework for a state park system plan.

The request for this program is \$737,383, a decrease of \$470,002 (39 percent) under the current year. This decrease results from a reassignment of planning functions within the department.

Continuing Need for Statewide Parks and Recreation Planning

We recommend that the department be directed to submit a progress report on its Statewide Parks and Recreation Planning program to the Joint Legislative Budget Committee by December 1, 1977. This report should emphasize improvement of acquisition planning.

In the Budget Act of 1976, the Legislature directed the department to develop planning policies and methodologies as a basis for an ongoing State Park System Planning program. This action was taken because the master plan for the state park system was last revised in 1968 and is now

DEPARTMENT OF PARKS AND RECREATION—Continued

obsolete. In addition, the Legislature expressed concern about the lack of adequate planning capability in the department as the basis for orderly acquisition, development and operation of the state park system.

In response to the Legislature's request, the department organized the Statewide Parks and Recreation Planning program in July 1976. The purpose of this program is to strengthen both statewide planning and state park system planning to provide for more effective use of resources in the development and operation of a state park system and the administration of grants for the department's urban parks programs.

Planning Manual. On December 1, 1976, the department submitted a report on its efforts to develop planning policies and methodologies to our office. This report consisted of several documents: *Planning and Development Manual; Operations Manual; Criteria for Urban Grants; Acquisition, Filter and Selection System; Resource Management Directives;* and a statement from the Department of General Services discussing acquisition and fee title properties, easements and development rights.

Development of the Planning and Development Manual is a first step towards establishing a process for formulation of planning policies and methodologies as a basis for the creation of state park plans. Although this manual defines policy formulation, and acquisition and development elements of the department's planning and decision-making process, it is in our judgment too complex and requires further work in order to establish an ongoing process which is in the simplest and most effective form.

In addition, the department's target date of 1979 for full implementation of its planning program does not give adequate recognition to the immediate need for developing a viable program for selection and implementation of state park system acquisitions. Accelerated development of this element is essential because a systematic and planned approach to acquisitions is lacking. Further discussion of problems in the department's acquisition program is presented in our analysis of Item 400.

In order to provide for continuing progress on development of a viable State Park Planning program which gives priority to greatest needs on a timely basis, we recommend that the Legislature require the department to submit a further progress report on its planning program to the Joint Legislative Budget Committee by December 1, 1977. In preparing this report, the department should give emphasis to acceleration of its acquisitions planning efforts and should secure the assistance of outside consultants and management personnel as necessary.

DEVELOPMENT OF THE STATE PARK SYSTEM

Development of the state park system is the joint responsibility of the Acquisition and Development Division and the Resource Preservation and Interpretation Division. The department's request for this program totals \$4,450,584, an increase of \$707,979 (19 percent) over the current year.

1976 State, Urban and Coastal Park Bond Act

The Nejedly-Hart State, Urban and Coastal Park Bond Act of 1976 was approved by the voters in the 1976 General Election. This act provides for the issuance of \$280 million of general obligation bonds for acquisition, development and restoration of real property for state and local park, beach, recreational and historical preservation projects throughout the state.

Specifically the bond act includes \$110 million for state park system acquisitions along the coast, \$13 million for other state park acquisitions, and \$21 million for state park development projects.

An additional \$26 million is earmarked for recreational facilities at state water project reservoirs, \$15 million is allocated to the Wildlife Conservation Board for Wildlife Preservation projects, \$85 million is allocated for grants to cities, counties, and districts for urban parks, and \$10 million is allocated to the Coastal Conservancy for Preservation of coastal open-space and agricultural lands (see also Items 444 and 445).

The department proposes \$33,503,672 for eleven coastal and inland acquisitions under this program during the budget year. Our discussion and recommendations relative to these projects are included under Item 443 of the Analysis.

Acquisition and Development Division Staffing

We recommend a reduction of \$20,000 in Item 221 and deletion of one position requested for design and construction projects at Camillus Nelson State Historic Farm and the Hazlett Warehouse in San Francisco.

The department's request for acquisition and development contains one position for support of design and construction work at Camillus Nelson State Historic Farm and Hazlett Warehouse. This position is not needed because the department has deferred its plans for development projects at Camillus Nelson and the Hazlett Warehouse is scheduled for transfer to the National Park Service on March 1, 1977.

MANAGEMENT OF THE STATE PARK SYSTEM

Management of the state park system is the responsibility of the Operations Division. The department's request for this program totals \$49,508,735, an increase of \$2,762,922 (5.9 percent) over the current year.

Park System Cost, Attendance and Revenues

In prior Analyses we have made a comparison of park operation costs, revenues, manpower and visitor attendance for the state park system. This information is updated in Chart 1 to reflect the most current information.

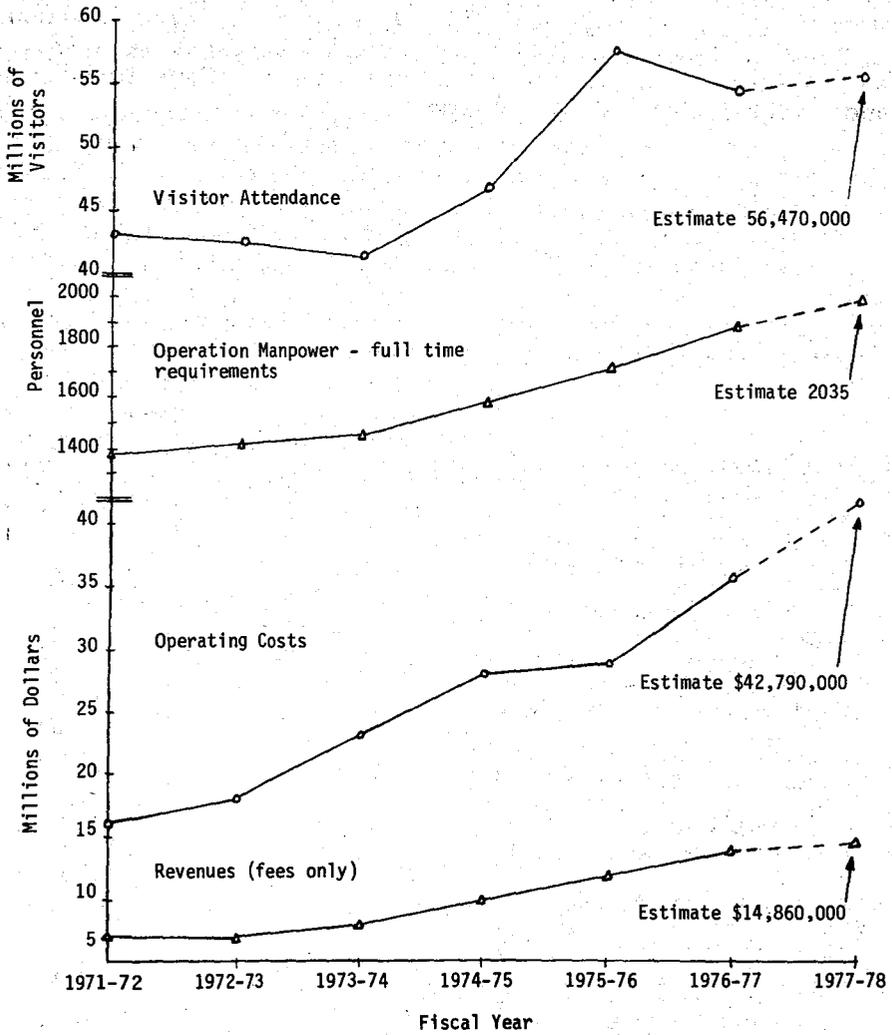
This comparison shows that (1) operating costs and manpower have increased substantially each year, (2) visitor attendance increased rapidly in 1974-75 and again in 1975-76 at units close to urban areas due to the occurrence of gasoline shortages. Although in 1976-77 this increase has leveled off because ample supplies of gasoline have again been available, and (3) revenues have increased slowly each year except in 1976-77 when entrance and camping fees were increased.

The increasing divergence between operating cost and personnel curves compared to the revenue curve is indicative of (1) inflationary and

DEPARTMENT OF PARKS AND RECREATION—Continued

cost-of-living effects on salaries, (2) increased numbers of personnel needed for maintenance functions due to more elaborate design and landscape features, (3) more visitor amenities, (4) environmental considerations such as sewage facilities, (5) higher personnel training and area management costs, (6) additional acquisitions requiring operations surveillance and (7) the limited revenue increase.

Chart 1
Operating Costs, Revenues, Manpower and
Visitor Attendance for the State Park System
(Including Hearst San Simeon)



DEPARTMENT OF PARKS AND RECREATION—Continued

Operations Division Staff Increases

We recommend a net reduction of \$978,086 (46.8 personnel-years) in Item 221 for operations surveillance of new acquisitions, staffing of new park units and staffing of units which will be transferred to the National Park Service.

Approximately 80 percent of the department's operating budget is for the Operations Division, which is responsible for the operation and maintenance of the park system. As a direct result of the acquisition of additional land and ocean frontage, completion of new park units and expansion of existing units, the Operations Division proposes adding 180.9 personnel-years and related operational expenses at a cost of \$2,558,966 in the budget year.

Our analysis of the division's request shows that the following reductions should be made in the amount of \$978,086.

Description	Request		Recommended Reduction	
	Personnel-years	Dollars	Personnel-years	Dollars
1. Auburn-Folsom Reservoirs (protection) An agreement with the Bureau of Reclamation has not been signed.....	10	\$241,114	10	\$241,114
2. Border Field State Park (development) A full-time ranger and groundskeeper is not required.....	5.2	51,275	1.5	10,641
3. Big Basin Redwoods State Park (acquisition) A ranger (intermittant) is not required.	1.0	18,201	0.5	5,273
4. Emma Wood State Beach (development) Completion of this unit will not occur in budget year.	7.9	9,784	7.9	9,784
5. San Gregorio State Beach (development) Completion of this unit will not occur in the budget year.	3.9	53,867	3.9	53,867
6. Lake Perris (development) This project is behind schedule for completion.	28.5	166,630	—	50,095
7. Sunset State Beach (development) A permanent maintenance worker is not needed for the Palm Beach day-use facility.	2.5	27,995	1	14,312
8. San Francisco Maritime Historic Park and Stinson and Muir State Beaches. These units will be transferred to the National Park Service on March 1, 1977.	existing staff	—	22	594,000
			46.8	\$978,086

Leadership Needed for Railroad Museum

We recommend appointment of a director to manage activation and operation of the California State Railroad Museum in Sacramento.

During the budget year the department will complete its planning and start construction of the California State Railroad Museum in Old Sacramento. Completion of this major project, which is estimated to cost ap-

proximately \$10 million, is scheduled for the fall of 1979.

The Legislature has placed high priority on development of state park projects in Old Sacramento. The California State Railroad Museum will be the key departmental development. It should provide large numbers of visitors with a dynamic experience in railroading and railroad history in California. It will emphasize the building of the Transcontinental Rail Line in central California and the first rail lines in southern California. This project with its widescreen orientation theaters and display of historic locomotives, rail cars, engineering exhibits and artifacts has the potential of being one of California's major museum attractions.

During the design development phase the project has encountered delays and suffered from a lack of effective management. Although most of the planning and design problems have now been resolved, responsibilities for project activation and operation remain fragmented and necessary preparation for operation is inadequate. A director should be assigned to provide needed management of the activation and operational phases of this highly complex project. The construction needs to be fully coordinated with the interpretive program, railroad rolling stock and artifacts must be restored and installed, and a docent program for conducting tours for visitors and school groups needs to be organized.

In order to assure that a project manager is assigned to this project, we recommend that the Legislature substitute a director for two new exhibit and interpretive specialists positions for the State Railroad History Museum which are not needed in the budget year.

State Park Reservation System

We recommend that the Department of Parks and Recreation be required to submit a report on the status of its State Park Reservation System to the fiscal committees by April 1, 1977. This report should include a study of alternatives for providing a state operated backup system and analyses of fiscal impacts.

Since 1971 Ticketron, a private contractor, has operated the State Park Reservation System using approximately 150 computer terminals in retail stores throughout the state. This system provides reservations for campsites in the state park system and tours of the Hearst San Simeon State Historic Park. The cost to the public for this service is approximately \$450,000 annually. In early 1976, the department issued a request for bids for continued operation of the system. After reviewing the bids from a number of firms, including Ticketron, the department selected a new contractor, Select-A-Seat based in Phoenix, Arizona.

Litigation. Subsequent to the contract award, Ticketron sued the state in June 1976, charging that the department failed to follow competitive bidding procedures as prescribed by Section 4 of the Budget Act. As a result, a preliminary injunction was issued by the court preventing the state from entering into an agreement with any firm. The injunction was lifted in December, 1976.

In advance of the expiration of Ticketron's contract on December 31, 1976, the department notified Select-A-Seat of its intention to enter into a contract for operation of the reservation system for a five-year period.

DEPARTMENT OF PARKS AND RECREATION—Continued

Select-A-Seat, after having difficulties in posting the required surety and performance bonds, finally met the state's requirements on December 29, 1976. However, a serious question as to Select-A-Seat's ability to perform this contract arose because an involuntary bankruptcy action under Chapter 10 of the Bankruptcy Act is pending against this firm in Arizona.

Because of the prolonged legal battle, Select-A-Seat will be unable to quickly reestablish the reservation services which were terminated by Ticketron on December 31, 1976. Select-A-Seat plans the activation of four terminals on January 29, thirty-five terminals on April 1, and full operation of 150 terminals by August 1, 1977. In the interim, the use of a telephone reservation system using a toll-free number will be evaluated.

Inability to handle reservations. The shutdown of Ticketron's system on December 31, 1976, and the inability of Select-A-Seat to provide a fully operative system until August of 1977, means that the state park system will have greatly reduced capability to handle reservations during the peak visitor demand periods of this year. This will have an adverse impact on services to the public and visitation of state park units and the Hearst Castle. A substantial drop in state park system revenues (\$14.8 million estimated in the budget year) might occur. Additional adverse effects may also be incurred if the bankruptcy court places Select-A-Seat in receivership and it is unable to perform its contract.

Back-up System Needed. In our 1976-77 Analysis we recommended that the Department of Parks and Recreation in cooperation with the Department of Motor Vehicles study the feasibility of providing a state operated reservation system and report to the Joint Legislative Budget Committee by December 1, 1976. The purpose of this recommendation was to determine the feasibility of (1) providing a state operated backup system on short notice in the event of a failure of a private contractor and (2) using state facilities and systems to effect long-term savings and improvement of services to the public.

In response to the Legislature's directive, the Department of Parks and Recreation and the Department of Motor Vehicles submitted a preliminary draft of the required report to our office on December 1, 1976. Rather than providing a feasibility study of alternative state and contractor operated reservation systems, the report consisted of a preliminary computer systems design with cost estimates for implementation. No attention was given to providing feasibility analyses of alternative systems to include such factors as use of state facilities, convenience to the public, hours of availability, sharing of costs with other state functions, and an analysis of total systems cost and state park system revenues. We have informed the department of the inadequacies of this report.

In view of the department's problems in obtaining dependable and satisfactory contractor operation of the state park reservation system and the potential adverse impacts on public service and state park system revenues that would be incurred if a contractor fails to perform, we recommend that the department be required to report to the fiscal committees on the status of the reservation system by April 1, 1977. Included in this report should be rectification of the above deficiencies in the Decem-

ber 1, 1976 report pertaining to alternatives for providing a state operated backup system and analyses of associated fiscal impacts.

Concessions Management

We recommend augmentation of Item 221 by \$60,000 to provide for two additional positions in the Concessions Services Division.

We further recommend that the department be directed to fill the vacant position of chief of the concessions division with a business manager.

Concession operations have been a part of the state park system for many years. Historically such privately operated businesses have supplied groceries, bait, and fishing tackle at state campgrounds, and quick service foods and refreshments at state beaches. In most cases the concessionaires have been required to operate in state facilities which were inadequate and unattractive.

Recognizing the need to provide more and better facilities and services for the public throughout the state park system, the Department of Finance published "Survey 1025" in 1959 which strongly recommended the use of private capital for development of concession facilities. This report resulted in enactment of Chapter 1328, Statutes of 1963. Under this legislation, the department was given broader authority to enter into contracts with private individuals or firms to construct, maintain, and operate a variety of concessions in state parks for the safety and convenience of the general public.

In the budget year the department will have approximately 140 concessions throughout the park system. It is estimated that these concessions will have gross sales of approximately \$15 million annually and make lease payments of \$760,000 to the department. Capital outlay investments in concessionaires operated facilities and equipment will exceed \$10 million.

The types and sizes of concessions vary from a boat rental service with sales of less than \$5,000 annually to a large restaurant and shopping complex with sales exceeding \$3.5 million annually.

Most of the concessions are small with sales less than \$100,000 and are concentrated in Old Town San Diego, Columbia, Marshall Gold Discovery, and Monterey State Historic Parks. There are several marinas located at State Water Project reservoirs. Complete campground areas at Lake Elsinore State Park and Lake Oroville were constructed and are operated by concessionaires.

Some of the concession operations are very successful such as the Big Sur Lodge in Pfeiffer Big Sur State Park, while some have problems. Some make favorable lease payments to the State (Van Kessel Gift Shop in Columbia) and others have difficulty in meeting their day-to-day costs.

The department has been working to improve concession operations but such operations still fall short of their full potential. No meaningful program policies and plans have been formulated to provide positive direction for concessions in the system. Some services are provided by state park personnel which could be provided more effectively by concessionaires at lower costs to the General Fund, and in some cases with a net revenue to the General Fund.

DEPARTMENT OF PARKS AND RECREATION—Continued

It is also evident that in the planning of new state park acquisitions and development projects, little consideration is given to investigating concession opportunities. For the most part general development plans for new units and expanded development projects are undertaken without specific considerations being given to the economics and opportunities of concessions. Planning for concession operations at Lake Perris is an example.

The Big Sur Lodge at Pfeiffer Big Sur Park is very successful and greatly enhances park facilities at this unit. Many people use the Lodge who want to enjoy this park, but do not want to camp. It is the only concession of this type in the state park system. The feasibility of constructing and operating similar lodges at other large park units such as Salt Point, Big Basin, Malibu Creek, and Cuyamaca Rancho State Parks should be investigated.

Additional opportunities for concessionaires at locations such as San Clemente, and New Brighton State Beaches and Malibu Creek State Park should be actively considered by the department.

Planning capability needed. The department is proposing 6.5 positions for its Concession Services Division during the budget year. This staffing level provides for only day-by-day management problems associated with existing concessions' contracts and the normal addition of new contracts as needed. No staff time is available for participation of the Concessions Division in developing new general development plans or specific development projects. In order to provide planning capability within the division we recommend augmentation of the department's budget by two positions. One position should be filled by a person versed in business management and financial analysis. The other by a person with facility design, cost and construction experience. These additional positions should be used to investigate new opportunities for concessions operations and to determine the financial feasibility of such ventures before specific projects are selected for outside bidding.

Monopoly at Will Rogers State Park

We recommend that the department be directed not to renew its contract with Polo Associates for use of equestrian facilities at Will Rogers State Park and to provide for unrestricted public use of the park's facilities.

Will Rogers Ranch was gifted to the State of California on August 19, 1944. According to the terms of the bequest, the grounds and buildings are to be maintained as they were when Will Rogers and his family lived at the ranch. In donating this property to the state, the donor's plan was to make the ranch available to the general public without restrictions.

In November 1952, following an open bid competition, the department entered into an agreement with the Will Rogers Polo Club for use of the park's Polo Field and stable facilities. Although this agreement limited the number of horses to 19, the trustee representing the Rogers family expressed objections to use of the ranch by the Polo group. These objections were considered by the department but the agreement was finalized.

A separate agreement for equestrian activities other than polo, (e.g.,

riding lessons and trail riding) was consummated with the Will Rogers Riding Club in 1965. The two agreements continued until 1968 when all polo and other equestrian activities were combined into a single 10-year contract with Polo Associates, an organization with approximately 110 members. This agreement increased the limit in the number of horses to 100 and provided for weekly polo matches and daily practice, four horse shows annually, and exclusive use of all equestrian facilities including stables, corrals, trails and playing fields by the association.

Exclusive use of facilities. Following completion of an audit of Polo Associates' contract in January 1975, the Auditor General reported to the Legislature that the equestrian concession agreement at Will Rogers State Park is operated primarily for the benefit of the association's members, rather than for the general public. The auditor also pointed out that the agreement appeared to be in conflict with the purposes of the park.

We have reviewed the association's use of Will Rogers State Park and find that it enjoys almost exclusive use of the park's equestrian facilities which occupy the major portion of this small park unit. The limit of 100 horses is consistently exceeded and facilities are subject to very heavy use and are not being properly maintained. Erosion is severe in many areas and additional facilities have been built by the association without prior state approval. In addition, problems have been encountered because of overnight parties involving teenage livery workers employed by the association.

State Subsidy of Private Group. In 1975-76 the department received approximately \$9,400 in lease payments from the association. However, the net revenue to the state was reduced by \$3,600 following payment by the department of one-half of the cost for watering of the polo field. The net revenue received (\$5,800) represents a daily charge of approximately 16 cents per horse for use of the facilities. In comparison, the daily charge for use of facilities at a private polo club in Santa Barbara is approximately \$2.

Will Rogers State Park is now the trailhead for an extensive trail system which extends through Topanga Canyons State Park, Malibu Creek State Park and the Greater Malibu Mountains area. Public rather than private use of the facilities is therefore more important than in years past.

Because the Polo Associates appear to have a monopoly on the use of facilities at Will Rogers State Park and are obviously receiving a state subsidy, we recommend that the Legislature direct the department not to renew its agreement with the association in 1978 and to return the park's facilities to unrestricted public use.

Ranger Training Program Not Identified In Budget

We recommend that the department's budget not be approved until it identifies the Ranger Training and In-service Training programs in its budget request.

During last year's hearings on the department's support budget, it became obvious that requirements for the ranger training and in-service training programs conducted at Asilomar Conference Grounds were not identified. Since establishing these training programs, the department has

DEPARTMENT OF PARKS AND RECREATION—Continued

made a practice of using its authorization for part-time seasonal help to cover the cost of full-time personnel who are assigned to these programs.

As an alternative to requiring the department to identify its training program needs and amend its 1976-77 budget request, the fiscal committees adopted language in the Supplementary Report of the Committee on Conference to the Budget Bill of 1976 which limits the use of no more than \$385,000 (36 personnel-years) from authorizations of temporary help for payment of salaries for trainees in the Ranger Training program during the current year.

Previous Commitment. In agreeing with this restriction the department indicated that it would provide a statement of training program objectives and budget requirements in its budget request for the 1977-78 fiscal year. The department has not honored this commitment and has not identified its training program in its 1977-78 budget.

In order to permit an evaluation of the Ranger Training and In-service Training programs, we recommend the budget not be approved until it is amended to show the training program.

Cabins at Steep Ravine

We recommend the department be directed to resubmit its application to the California Coastal Zone Conservation Commission for demolition of cabins at Steep Ravine, Mount Tamalpais State Park.

At the western boundary of Mount Tamalpais State Park there is a group of cabins known locally as *Steep Ravine*. These cabins are on a promontory overlooking the ocean. Until recent years these cabins served as a retreat for a select group of individuals who rented the cabins from the state.

Chapter 540, Statutes of 1972, provided that the department should not renew leases for the private use of the cabins at Steep Ravine. Section 28.65, Budget Act of 1974, ordered that no concession contracts for occupancy of the cabins should be awarded by the department and further directed that the buildings be demolished. An appropriation was made for this purpose.

Permit denied. Subsequently, the department's application for a permit to demolish the cabins was denied by the California Coastal Zone Conservation Commission on October 24, 1974. In taking this action the commission gave consideration to a request made by Marin County that the cabins be retained and leased to the Yosemite Institute, a nonprofit educational organization which proposed the use of the site as a center for the study of natural history. Although an Environmental Impact Report has been filed with the department for the Institute's proposed use of the cabins, the department is prohibited by Chapter 540 and Section 28.65 from entering into a lease agreement.

Because the Legislature clearly expressed intent that there be no further use of these cabins and ordered their removal and because the California Coastal Commission is now operating under revised statutory authority, we recommend that the department be directed to resubmit its application to the California Coastal Commission for removal of these structures. In addition, the department should determine the need for a

reappropriation of funds in the budget year for demolition.

Youth Conservation Corps

We recommend a reduction of \$421,000 (39 personnel-years) in Item 221 for the Youth Conservation Corps program or enactment of statutory authority for this program if the Legislature wishes to reassign this program to the Department of Parks and Recreation.

The department is requesting \$421,000 in the budget year for its proposed Youth Conservation Corps program. This request would provide for one permanent supervisory position and 38 temporary help positions during the budget year. The source of funding would be \$195,000 from the General Fund and \$226,000 from federal funds.

Chapter 342, Statutes of 1976, established the California Conservation Corps and repealed legislation which authorized the Youth Conservation Corps (YCC) in the Department of Parks and Recreation. The YCC is a summer program for high school youths age 15 to 18 and is based on a federal program which provides matching funds. About 400 youths are normally provided summer employment in this program. For the current year \$195,000 in state funds was included in the California Conservation Corps budget and has been used temporarily to contract with the Department of Parks and Recreation to operate the program while the California Conservation Corps was being organized (see Item 178).

In view of the absence of statutory authority to conduct this program within the department, we recommend deletion of the department's request or enactment of statutory authority for this program if the Legislature wants the program to be assigned to the department.

Public Works Employment Act of 1976

The department has applied for \$1,012,000 in federal funds under Title II of the Public Works Employment Act of 1976 (PWEA). The funds requested by the department for this program will be used primarily for (1) deferred maintenance and grounds services at Cal-Expo, (2) additional administrative services at Cal-Expo, (3) construction of exhibit displays at Cal-Expo, (4) additional security staff to meet needs at Cal-Expo, (5) restoration of historic railroad locomotives and cars which are to be permanently displayed in the California State Railroad Museum and (6) cataloging of approximately 100,000 interpretive objects which are presently in storage and the installation of these objects in historic exhibits in the California Railroad Museum and other state Historic Parks located throughout the state.

We have reviewed the department's request and find that it provides for the immediate employment of skilled, semi-skilled, and unskilled workers. The program is: (1) a one-time expenditure of federal funds, (2) of relatively low priority within the department, (3) a valid activity requiring and justifying funding and (4) a program which has not been included in previous budget requests because it is not of sufficiently high priority to be funded through available resources.

DEPARTMENT OF PARKS AND RECREATION—Continued

RESOURCE PRESERVATION

The Resource Management and Protection Division was organized in the current year to provide for protection of the natural cultural and historic resources of the state park system. This new division combines the programs of the Natural Heritage and Cultural Heritage Sections and the Office of Historic Preservation into one organization.

This department's request for this consolidated program totals \$1,564,943, an increase of \$508,683 (48 percent) over the current year. This increase is primarily attributed to 16 proposed new positions for projects funded under the federal National Historic Preservation Act.

Underwater Parks and Reserves

We recommend that the department be required to submit a plan for underwater parks and reserves to the Joint Legislative Budget Committee by December 1, 1977. This report should include plans for preservation and interpretation of ocean resources, safety regulation of divers, and estimates of budget requirements.

California's beautiful marine environment has drawn greatly increased interest in recent years. Since the development of self-contained underwater breathing apparatus (SCUBA), in excess of 340,000 persons have been certified as SCUBA divers in the state. This number may double by 1980.

Recognizing that the resources of coastal park units extend beyond the water's edge into the ocean where upwelling currents feed underwater life which is abundant and varied, the Department of Parks and Recreation established the Underwater Parks and Reserves program in 1968. To assist in this undertaking an Advisory Board for Underwater Parks and Reserves, consisting of eminent scientists and educators, was appointed to assist the department in identifying outstanding marine areas and to recommend methods by which these areas could be managed for preservation and visitor use.

During the last nine years several outstanding underwater parks and reserves have been designated at locations such as Point Lobos State Reserve, Salt Point State Park, Julia Pfeiffer Burns State Park, and La Jolla Cove. Additional locations such as Montana de Oro State Park, Mendocino Headlands State Park, and Torrey Pines State Reserve are being investigated for addition to the statewide system of underwater parks. The subtidal areas within these parks are being leased from the State Lands Commission for a maximum period of 10 years.

The department does not have jurisdiction over fish and wildlife within the underwater parks and reserves. The regulation of hunting and fishing is entirely within the jurisdiction of the Fish and Game Commission, and, in the case of commercial fishing, regulation is solely by legislative action. Within designated ecological reserves the taking of any form of marine life is strictly prohibited by regulations adopted by the Fish and Game Commission. SCUBA diving for observation, research, and photography is allowed.

With the assistance of marine biologists on the advisory board, the de-

partment has undertaken comprehensive resource inventories of marine plant and animal communities within the underwater parks and adjacent state lands. Park rangers are also being trained at Scripps Institute of Oceanography at La Jolla to participate in the surveys and to work within other areas of the program. These inventories (photographic and written records) will be used to develop final resource management and interpretive plans for the underwater park units.

Sea Grant Study. Because California's coastline is both a state and national asset, federal aid to develop interpretive methods and resource management plans is being sought by the department's advisory board. Sea Grant funding amounting to \$10,000 for development of resource management plans and interpretation for Salt Point State Underwater Park and the proposed Mendocino Headlands State Underwater Park has been made available. The broad objectives of this project are (1) to develop interpretive techniques for existing and future underwater parks, with emphasis upon interpretive materials for nondiving visitors, and (2) to develop resource management plans for underwater park areas in northern California. Emphasis will also be given to the identification of safety hazards in underwater recreation areas.

Imaginative interpretive methods have been proposed to allow the nondiving visitor to experience the beauties of marine parks. These proposals include underwater TV cameras in areas of exceptional water clarity which would provide viewers on shore with color pictures of the off-shore environment. The making of color movies at specific locations along the coast is also under active consideration.

Program not in budget. Although the Underwater Parks and Reserves program has been underway for several years, the program is not identified in the department's budget and no appropriations have been requested for work which is now underway. In addition, the department has not submitted a program or plan to the Legislature for its review and approval. As a result, progress is on a piecemeal basis and is lacking in effective direction.

In order to give formal recognition to this program and provide for legislative review of necessary planning and funding requirements, we recommend that the department be directed to submit a plan to the Joint Legislative Budget Committee by December 1, 1977. This plan should provide a comprehensive and systematic approach to the preservation and interpretation of resources within the system of underwater parks and reserves. The plan should also include an analysis of the carrying capacities of the marine parks, provisions for the improvement of safety for divers, and a study of needed on-shore facilities such as access roads, interpretive facilities, and emergency equipment. Estimates of support and capital outlay budget requirements should also be made available.

The present efforts of the department should be fully identified and be subjected to customary budgetary review and approval. If the program is not conducted on an approved basis, it should be discontinued until properly organized, funded and authorized.

DEPARTMENT OF PARKS AND RECREATION—Continued

ASSISTANCE TO PUBLIC AND PRIVATE
RECREATIONAL AGENCIES

Assistance to public and private recreational agencies is the responsibility of the Grants and Local Assistance Office. The department's request for this program totals \$31,700,350, a decrease of \$18,167,607. The decrease is primarily due to (1) completion of the urban grants portion of the 1964 Park Bond Act Program in the current year, (2) scheduled completion of the urban grants portion of the 1974 Park Bond Act Program in the budget year, and (3) delay in the start of the urban grants portion of the 1976 Park Bond Act Program until 1978-79 to allow completion of planning activities.

Table 3 shows the estimated and proposed grant amounts by source for the current year and the budget year.

Table 3
Local Assistance Grants

<i>Fund Source</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>
General Fund	\$24,479,760	\$24,884,172
State Beach, Park, Recreational and Historical Facilities Fund of 1964	600,000	—
State Beach, Park, Recreational and Historical Facilities Fund of 1974	23,538,246	3,902,327
Off-Highway Vehicle Fund, Local Assistance	922,814	2,548,409
Federal Funds	277,183	352,689
	<u>\$49,818,003</u>	<u>\$31,687,689</u>

1964 Park Bond Act Program

The department has completed its local assistance grants program under the 1964 State Beach, Park, Recreational and Historical Facilities Bond Act. This program provided \$40 million for local grant projects.

1974 Park Bond Act Program

During the budget year the department will complete its local assistance grants program under the 1974 State Beach, Park, Recreational and Historical Facilities Bond Act. This program provided \$90 million for local grant projects.

California Urban Open-Space and Recreation Local Grants Program

Chapter 174, Statutes of 1976, established the California Urban, Open-Space and Recreation program. An appropriation of \$25 million (General Fund) was provided in the Budget Act of 1976 to fund the first year of projects under this program which is estimated to cost up to \$75 million over three years.

This program is to provide for grants to cities, counties and districts for the acquisition and development of high priority recreation and open-space projects on a basis of population. These projects must place emphasis on the most urgent recreation needs in the most heavily populated areas. As required by the Legislature, the department has established program criteria and a procedural guide for this program.

In order to provide for the second year of local grants under this program the department is requesting \$24,884,172 plus administrative costs

for a total of \$25 million (Item 227).

1976 Park Bond Act Program

The 1976 State, Urban, and Coastal Park Bond Act (Chapter 259, Statutes of 1976) provides \$85 million for grants to counties, cities, and districts. These grants will be for the acquisition, development or restoration of real property for urban parks, beaches, recreation, and historic preservation projects.

The department has started planning for this program and will be requesting appropriations for local grants in the 1978-79 fiscal year.

MANAGEMENT AND ADMINISTRATION

Departmental administration is the responsibility of the director, his staff, the newly organized Management Office, and the Administrative Services Division.

The request for this program is \$6,308,752, an increase of \$554,442 (10 percent) over the current year. This increase is for new clerical, accounting and procurement positions and three professional positions for legislative bill analysis and legal assistance.

**Department of Parks and Recreation
CALIFORNIA EXPOSITION AND STATE FAIR**

Items 229 and 230 from the
General Fund

Budget p. 535

Requested 1977-78	\$6,419,621
Estimated 1976-77	5,900,475
Actual 1975-76	7,559,066
Requested increase \$519,146 (8.8 percent)	
Total recommended reduction	None

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
229	Exposition and State Fair	General	\$2,755,333
230	Appropriation of revenues from Exposition and State Fair	General	3,664,288
			<u>\$6,419,621</u>

CALIFORNIA EXPOSITION AND STATE FAIR—Continued**GENERAL PROGRAM STATEMENT**

The California Exposition and State Fair (Cal-Expo) began operations on the present site in June 1968. The construction and initial operations were conducted by a nonprofit corporation under the general supervision of the California Exposition and Fair Executive Committee within the Department of General Services.

The gates were opened on an incomplete exposition facility intended to run nine months of each year. Construction funds were exhausted, the time allowed for construction had ended, and private financing of exposition features was impossible due to the general adverse reaction to the status of Cal-Expo, as it is popularly known. The public's decreasing interest in Cal-Expo's summer operations was shown in reduced attendance figures. Also, revenues were negligible and operating losses accumulated.

On September 30, 1968, the Executive Committee terminated the operating agreement with the nonprofit corporation and assumed full operating responsibility for Cal-Expo. The state thereafter began financing the large annual deficits created because revenues did not cover operating costs. It also started paying for \$1,130,000 annual debt service on \$13 million of revenue bonds sold to finance the structures at Cal-Expo.

In 1973, Chapter 1152 abolished the Executive Committee and transferred all control over Cal-Expo to the Department of Parks and Recreation. With this transfer an appreciable increase in funding was provided.

In late 1975, the Director of Parks and Recreation appointed a special committee to review all past, present and future problems at Cal-Expo. The committee contained board representation including the City and County of Sacramento, the Department of Finance, the Legislative Analyst, several legislative committees and executive branch offices as well as nongovernmental interests. It was instructed to consider all alternatives for Cal-Expo ranging from major expansion to closing it and disposing of the site. The committee made a series of recommendations for improved operations, management and facilities at Cal-Expo.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The \$6,419,621 budget request for Cal-Expo consists of a General Fund support appropriation and the use of operation revenues. In total, these items represent an increase of \$519,146 or 8.8 percent.

The General Fund request in Item 229 decreases approximately \$100,000 from the current year appropriation. The reduction results from an unusually high expenditure level provided for 1976-77 when \$402,000 was added for deferred maintenance, for minor capital outlay and other expenditures.

The significant increase in expenditure next year is due to expected higher operating revenues. Revenues from the fair and horseracing increased approximately \$400,000 last fall. Further increases from these two sources and other miscellaneous sources are estimated to approximate \$600,000 next year. These higher revenues are expected to finance higher operating costs and fair program improvements next year. As a conse-

quence, the appropriation of fair revenues for operating purposes in Item 230 increases from approximately \$2.9 million in the current year to \$3.66 million in the budget year. It should be noted that if this significant increase in revenues is not realized, programs will have to be curtailed.

In 1975-76 the Legislature provided \$2,640,000 to purchase the contract of Ancorp to provide food and beverage service. The fair management is contemplating purchase of the carnival operating contract from Greater Atlas Shows but provision for this purchase is not made in the Budget Bill.

Cal-Expo has been allocated Title II funds under the Public Works Employment Act of 1976 as follows: (1) maintenance and ground services, \$218,000, (2) concession administration and exhibit implementation, \$144,000 and (3) security services, \$100,000. The total is \$462,000 for expenditure in both the current and budget years.

Resources Agency

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

Item 231 from the General Fund

Budget p. 538

Requested 1977-78	\$706,735
Estimated 1976-77	583,462
Actual 1975-76	537,189
Requested increase \$123,273 (21.1 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

- 1. Federal Funding. Defer recommendation pending clarification of possible duplicate federal funding. 438
- 2. Joint BCDC—Coastal Commission Study. Recommend commission detail to the Legislature proposal to conduct joint BCDC-Coastal Commission management study required by the Coastal Act of 1976. 438

GENERAL PROGRAM STATEMENT

The permanent San Francisco Bay Conservation and Development Commission (BCDC) was created by Chapter 713, Statutes of 1969. The Commission consists of 27 members representing bay citizens and various levels of government. It is charged with the continuing objectives of maintaining the Bay Plan based on current information and projections. The commission also has permit authority in the following areas:

- 1. All filling and dredging activities in the San Francisco Bay, including San Pablo and Suisun Bays, certain sloughs, creeks and tributaries;
- 2. Changes in use of salt ponds or other "managed wetlands" adjacent to the bay; and
- 3. Any substantial change in use of land within a 100-foot strip inland

**SAN FRANCISCO BAY CONSERVATION
AND DEVELOPMENT COMMISSION—Continued**

from the bay.

The Suisun Marsh Preservation Act of 1974 directed BCDC to prepare a plan to "preserve the integrity and assure continued wildlife use" of the Suisun Marsh for submittal to the Legislature. The plan was submitted to the Legislature in December 1976.

ANALYSIS AND RECOMMENDATIONS

For 1977-78 the commission requests \$706,735 from the General Fund, which is an increase of \$123,273 over current year expenditures. Part of the budget year increase is due to state funding of two positions financed in the current year with federal funds. The commission proposes to reestablish an enforcement investigator position funded for the current year but abolished by the State Controller pursuant to Section 20 of the 1976 Budget Act. Finally, permit fee revenue, estimated to be \$25,000, is to be deposited in the General Fund. This revenue was previously budgeted as reimbursements.

Federal Funding

We defer recommendation on the San Francisco Bay Conservation and Development Commission's budget pending clarification of possible duplicate funding if certain federal money is received.

The California Coastal Commission has submitted the state's application to the Department of Commerce for Section 306 management grants under the 1976 amendments to the Federal Coastal Zone Management Act (Public Law 94-370). This application includes \$2,690,000 for the Coastal Commission and \$206,874 for BCDC. The Governor's Budget includes the federal funds for the Coastal Commission but does not include the federal funds for BCDC. If approved, these funds will be available in the budget year. Because these federal monies would support certain enforcement and planning positions currently proposed for state funding in the budget year, we defer recommendation on this request.

Bay Plan Revision

The commission has requested state funding for two previously authorized assistant planner positions in order to resume work on revision of the Bay Plan. These positions were supported with state funds in 1975-76. In the current year they were budgeted to be financed with federal funds. These funds have not become available and the positions have remained vacant. If these positions are not filled by June 30, they may be abolished pursuant to Section 20 of the Budget Act.

Joint BCDC-Coastal Commission Study

We recommend that BCDC detail to the Legislature at the time of the budget hearings its proposal to conduct the joint BCDC-Coastal Commission management study required by the Coastal Act of 1976.

The California Coastal Act of 1976 (Chapter 1330, Statutes of 1976) directs the Coastal Commission and BCDC to conduct jointly a review of how the BCDC programs relate to the Coastal Act. The two commissions must present their recommendations to the Legislature by July 1, 1978.

It is not clear how BCDC proposes to fund and carry out this statutory requirement in the budget year. At the time of budget hearings, BCDC should present its work plan and funding proposal to the Legislature.

**Resources Agency
DEPARTMENT OF WATER RESOURCES**

Item 232 from the General Fund

Budget p. 540

Requested 1977-78	\$19,925,900
Estimated 1976-77	19,373,200
Actual 1975-76	17,540,720
Requested increase \$552,700 (2.9 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. Foothill Fault System. Withhold recommendation on \$75,- 442
000 for a geologic-seismologic study of the Foothill Fault System pending clarification by Resources Agency of the department's geologic and seismic research and data needs.

GENERAL PROGRAM STATEMENT

The Department of Water Resources (DWR) is responsible for (1) planning for the protection and management of California's water resources, (2) implementation of the State Water Resources Development System, including the State Water Project, (3) public safety and the prevention of damage through flood control operations, supervision of the safety of dams, and safe drinking water projects, and (4) furnishing technical services to other agencies.

ANALYSIS AND RECOMMENDATIONS

Funding Overview

The budget requests \$19,925,900 from the General Fund contained in Item 232 and is for support of DWRs state operations. This is an increase of \$552,700 over the comparable amount of General Fund support in the current year.

The total expenditures for all DWR programs for the budget year is \$290,904,400, an increase of \$43,030,732 over the current year amount of \$247,873,668. The total General Fund request is for \$28,938,900. Of the total General Fund request, \$5,700,000 is for subventions for flood control and levees which are contained in Items 233 and 234. Another \$3,313,000 is for capital outlay and is contained in Items 405 and 406.

Except for an increase of \$150,000 appropriated by Chapter 1302, Statutes of 1976, for planning Delta levees during the current year and the budget year, the budget reflects a level expenditure in constant dollars compared to the amount appropriated by the 1976 Budget Bill. Changes in this year's budget are basically reorganizations of program components

DEPARTMENT OF WATER RESOURCES—Continued

or revisions in priorities within existing programs.

The most significant increase in DWRs budget is due to the Safe Drinking Water Bond Act of 1976. The budget estimates expenditures of \$30,565,000 in the current year and \$60,597,000 in the budget year, or an increase of \$30,032,000. In the budget year \$60,000,000 is for loans to domestic water suppliers for construction, improvement or rehabilitation of domestic water systems. The remaining \$597,000 is to support the activities of DWR and the Department of Health (DOH) in implementing the act. DOH will receive \$282,380 to establish priority lists of domestic water suppliers to be considered for financing, and \$314,620 will be expended by DWR to process applications and negotiate contracts.

The remainder of DWRs budget represents reimbursements, federal funds, and money from a number of special funds. These latter monies are principally for the operation and maintenance of the State Water Project and related facilities, capital outlay, and debt service on State Water Project bonds. Both the Clean Drinking Water Bond and the State Water Project monies are appropriated by their respective bond acts and are not included in the Budget Bill.

Planning

Water resources planning has always been a significant activity in the department. One major focus of DWRs planning relates directly to the State Water Resources Development System. This includes studies of future water supplies for the State Water Project, investigations of water quality and environmental problems related to the project, and planning for additional project increments such as the Delta facilities. The total funds budgeted for this program next year amount to approximately \$6.3 million, of which only \$335,600 is General Fund money.

DWRs other major planning focus is the continuing formulation of the California Water Plan which is largely supported by the General Fund. The proposed 1977-78 General Fund expenditure for this program is approximately \$9.1 million. The purpose of the California Water Plan is to provide a statewide coordinated framework for the economic and environmentally sound management of California's water resources by local, state and federal agencies. Activities in this program are being reoriented to reflect DWRs commitment to maximize use of developed water resources prior to developing new sources.

Bulletin No. 3, "The California Water Plan," was adopted by the Legislature in 1959. DWR has updated and amended this plan through reports to the Legislature published approximately every four years and known as the Bulletin No. 160 series. The next Bulletin No. 160, due in December 1978 will be issued jointly by DWR and the State Water Resources Control Board (SWRCB).

Another DWR project which has been underway for the last two years will culminate in the publication of a revised "Water Management Element", as part of the California Water Plan. This report will be Bulletin No. 4 and is also known as the "Water Action Plan." It is scheduled for release in the summer of 1977.

"Water Action Plan." Bulletin No. 4 has been designed to (1) recognize that limited water resources must be conserved and protected so that they may be used not only for domestic, industrial and agricultural purposes but also for instream uses such as habitats for aquatic and riparian life or recreation; (2) recognize the economic and environmental limitations to the construction of additional physical facilities; and (3) reflect the water quality control plans (basin plans) recently adopted by SWRCB, as well as other SWRCB-adopted water quality control policies.

Work on the "Water Action Plan" began by identifying critical water supply problems in ten areas of the state which could be resolved in the near future. The studies of these problems emphasize water conservation, waste water reclamation, water pricing, reexamination of traditional methods of determining water demands, redefinition of existing water supplies through assessment of dry year criteria, efficiencies achievable through water exchanges, and conjunctive use of surface and ground water supplies.

The "Water Action Plan" is expected to result in a definition of the water needs of the study areas, the sources to meet those needs and the required implementation measures. The implementation of these recommendations will depend in part on the extent to which cooperative arrangements and new relationships can be worked out with other state, local and federal agencies which also have water management responsibilities. Success in these endeavors is not currently assured. The work under the "Water Action Plan" is also expected to result in a recommended Water Conservation Policy for the state.

Regional Planning. The work designated as the "Continuing Formulation of the California Water Plan" has been the subject of a series of revisions and still is not structured in an entirely satisfactory manner. The "Regional Studies" component appears to be an accumulation of miscellaneous and unfinished work rather than a specific, coherent effort under which resources can be allocated and the results evaluated. The rationale for this component appears to be that problems related to specific geographic areas should be studied together. The regional areas into which the state is divided for purposes of this component are consistent with the SWRCB basin planning areas and this arrangement may facilitate DWRs attempt to deal with the water quality problems identified in the SWRCB basin plans.

Nevertheless as presently structured the "Regional Studies" component encompasses a very wide variety of studies such as preparation of a riparian lands atlas for the Sacramento River, fish and wildlife studies for the Trinity River, water well standards in selected counties, land subsidence in the San Joaquin Valley, an interim program for Delta levee improvement, a study of waste water reuse in the San Felipe service area, and development of a ground water model for the south coastal region. Many of these studies are being conducted jointly with a variety of local, state and federal agencies and in many cases the means of transition from study to implementation is not clear.

Our concern with the above activities is their vague relationship to the work in other components, the lack of priorities, and lack of clear criteria

DEPARTMENT OF WATER RESOURCES—Continued

by which the results of the work may be evaluated. Currently, it is impossible to say whether the program is meeting its overall objectives, whether it is fully on schedule, or whether too few or too many resources are being expended on this effort vis-à-vis other efforts. Considering that the expenditure level for "Regional Studies" is budgeted at \$2,435,700 in 1977-78, more definition of this work is needed and perhaps some miscellaneous efforts should be dropped. The department appears to recognize that additional attention will have to be devoted to this program to resolve these difficulties. Improvement should be realized in the 1978-79 budget.

Foothill Fault System Seismic Study

We defer recommendation on a requested General Fund increase of \$75,000 plus \$200,000 in federal funds for a geologic-seismologic study of the Foothill Fault System pending clarification by the Resources Agency and this office of the respective responsibilities of DWR and the Division of Mines and Geology in meeting the state's geologic and seismic research and data needs.

The responsibility of the Department of Water Resources for the safety of nonfederal dams and reservoirs is carried out through the independent analysis and evaluation of plans for new dams and alterations of existing dams, through site inspection of dams under construction, and through the continuing inspection and evaluation of operational dams.

In the current year DWR is conducting preliminary planning and data base review for a study of the geology and seismology of the Foothill Fault System along the western edge of the Sierra Nevada. This system had been considered inactive but the Oroville earthquake of 1975 demonstrated the active nature of at least part of the system.

The study has been initiated on the recommendation of DWR's Dam Safety Advisory Board. In May 1976, the board called attention to recent studies which suggested that the seismic potential of this fault system may be considerably greater than heretofore thought. Citing several large new dams being contemplated in the area and the approximately 200 existing dams in the area currently under DWR's jurisdiction, the board urged DWR "to help increase understanding of the seismic potential of this very important region by sponsoring pertinent geologic studies within the region, and by attempting to negotiate cooperative investigative programs with the state, federal and private agencies that are also concerned."

DWR has applied to the National Science Foundation (NSF) and the U.S. Geological Survey for grants from each of \$100,000 per year. The study proposed would be for four years, with a total budget of \$1.1 million. The General Fund share of \$75,000 per year over four years would total \$300,000. As of the writing of this Analysis, no federal funds have been committed.

The application by DWR to NSF stated, "At the present time, the assessment of seismic potential for such an area would rely almost exclusively on statistical extrapolations of its meager seismic history, tempered with intuitive judgments as to the probable state of crustal strain. We believe that method is inherently unreliable for the determination of design earth-

quakes." The study which DWR proposes would be to determine basic information on the individual faults in the foothill area and the degree of activity of the fault systems. This information would then be used to reevaluate the seismic response of existing dams at specific sites in the area and the requirements which should be placed upon dams designed for construction in the area or proposed for rehabilitation.

Because information about the Foothill Fault System could be valuable to a variety of other users, it is important that the work by conducted in such a manner that the information received can serve the widest possible needs of all persons. It is clear that DWR has need for certain information on a timely basis and alterations in the design or performance of the study should not delay unduly the availability of this information or jeopardize its quality.

The Resources Agency has indicated that it will review DWRs proposed work and the work currently underway or proposed by the Division of Mines and Geology for its own purposes and also in behalf of the Energy Conservation and Development Commission. The review will cover the needs of these agencies for geologic and seismic data and will seek to coordinate the work and assign responsibilities in order to avoid duplication and to secure maximum coverage. (A discussion of the work of the Division of Mines and Geology is under Item 192.) We expect to recommend a coordinated program, as approved by the Resources Agency, at the budget hearings.

Use of Data Processing Technology

In last year's Analysis we recommended that the department review the need for each computer program being maintained by the computer systems office with the objective of eliminating any unnecessary computer processing. In response to this recommendation the department has established a process to identify any unnecessary computer use and in our opinion has met the intent of the recommendation. The new process is described in a July 1976 report by the department entitled "Review of Computer Processing in the Department of Water Resources."

In addition, the department has recently taken another step to improve management review of computer use. In this regard, it has proposed that annual budget documents prepared by program managers include proposed electronic data processing (EDP) expenditures in an EDP component statement. We support this concept because it will improve the department's ability to relate specific uses of computer technology to departmental objectives and also to identify duplicative or overlapping uses.

Establishment of the computer use review process and implementation of the EDP component statement concept will represent positive steps taken by the department to ensure the cost-effective use of computer resources. We believe that a desirable additional step would be the development of a process to identify specific departmental activities which should be examined with respect to potential benefits from the use of modern data processing technology.

At present, such examinations as are made occur on the initiative of

DEPARTMENT OF WATER RESOURCES—Continued

individual program managers and according to availability of funds. The computer systems office has the ability to identify specific application areas which offer potential benefits if automated, but the office operates on a fully reimbursed basis and cannot follow through unless funds are made available to perform a specific study. This is not conducive to the most effective use of the department's computer resources. The department should develop a method of identifying EDP applications which can be improved and fund those which offer a good return on investment.

Water Quality Operating Guidelines

In our Analysis two years ago we recommended that the Secretary for Resources review the jurisdictional overlap between the Department of Water Resources (DWR) and the State Water Resources Control Board (SWRCB) in the water quality planning area and coordinate this work to eliminate any duplication or voids in their activities. This recommendation was approved. A coordinated effort was undertaken by DWR and SWRCB to address the problem. As explained in a letter from the Secretary for Resources in January 1976, this effort to improve coordination of water quality related activities has been focusing on three areas of mutual concern: (1) basic data collection and processing, (2) special studies, and (3) statewide planning.

In November 1976 four agreements were signed by DWR and SWRCB to clarify certain operational relationships and to define more precisely some of the responsibilities of the two agencies related to (1) water quality investigations, (2) a water quality data collection program, (3) the water analysis laboratory program, and (4) development of a statewide water quality data management program. Generally these documents are agreements in principle and their real utility will be tested as they are applied to some of the difficult substantive decisions which lie ahead. For example, the first agreement states only generally that DWR will conduct and fund those water quality investigations "that are essential for the conservation, development, or management of the state's water supply sources" while SWRCB will conduct and fund those "that are essential for carrying out its responsibilities for the protection, maintenance, and enhancement of the quality of the state's water resources."

As another example, the agreement on the data management program states that DWR and SWRCB will participate jointly in an evaluation and interim operation and use of DWR's Water Data Information System and the federal STORET system. It also commits the two agencies to select, prior to July 1, 1977, a statewide coordinated water quality data system for common use. The decision on July 1, 1977, should be a significant measure whether or not real progress is occurring.

It should be noted that additional operating guidelines remain to be formulated pertaining to the operations of the two agencies with respect to ground water management. Finally, it should be pointed out that considerable work lies ahead if planning efforts are to be integrated to a maximum extent. DWR has recently submitted a proposal to SWRCB addressing the following: (1) preparation of a common data base and

development of common planning assumptions, (2) sharing of workload and planning studies, (3) development of integrated and compatible water management and water quality elements of the California Water Plan, and (4) use of the authorities and responsibilities of both agencies to implement planning results to the maximum extent possible. Efforts in these areas should proceed as rapidly as possible in order to avoid duplicating expenditures and to enhance the effectiveness of the programs of both agencies.

Resources Agency
DEPARTMENT OF WATER RESOURCES
(Subventions for Flood Control)

Item 233 from the General
 Fund

Budget p. 547

Requested 1977-78	\$5,500,000
Estimated 1976-77	5,500,000
Actual 1975-76	3,792,710
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

In order to protect areas subject to flooding, the federal government established a nationwide program for the construction of flood control projects to be carried out by the Corps of Engineers. Congress has required local interests to sponsor projects and to participate financially by paying for the costs of rights-of-way and relocations. Prior to 1973 California, through the Department of Water Resources, reimbursed the local interests for the cost of rights-of-way and relocations. After 1973, rights-of-way and relocation costs for a given project were shared between the state and the appropriate local agency as provided by Chapter 893, Statutes of 1973.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The total state cost of all projects authorized since the program's inception in 1946 is estimated by the department to be about \$229 million. Of the \$229 million, approximately \$158 million will have been paid at the end of the 1975-76 fiscal year, leaving a future state obligation of about \$71 million. The state funds appropriated in any given fiscal year are based on an estimate of the value of claims that will be presented by local entities and processed by the department. The department estimates that the \$5.5 million request should be sufficient for the budget year.

**Resources Agency
DEPARTMENT OF WATER RESOURCES
(Subventions for Delta Levee Maintenance)**

Item 234 from the General
Fund

Budget p. 547

Requested 1977-78	\$200,000
Estimated 1976-77.....	200,000
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The contribution by the state, as appropriated by this item, continues the precedent set by the Legislature in Chapter 1302, Statutes of 1976. Chapter 1302 appropriated \$200,000 to the Department of Water Resources for the 1976-77 fiscal year to reimburse local agencies for the maintenance and improvement of nonproject levees in the Delta.

Such reimbursements are conditioned upon approval by the Reclamation Board of local agency plans for the maintenance and improvement work. The plans must be consistent with criteria adopted by the Reclamation Board.

**Resources Agency
STATE WATER RESOURCES CONTROL BOARD**

Item 235 from the General
Fund and Item 236 from the
Clean Water Grants Adminis-
tration Revolving Fund

Budget p. 562

Requested 1977-78	\$14,711,035
Estimated 1976-77.....	13,710,054
Actual 1975-76	11,159,570
Requested increase \$1,000,981 (7.3 percent)	
Total recommended reduction	\$77,208

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
235	Water Resources Control Board	General	\$9,035,557
236	Facility Development Assistance	State Clean Water Grants Administration Revolving	5,675,478
			<hr/> \$14,711,035

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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- 1. **Water Rights.** Recommend the Legislature direct the board to request the Governor's Special Commission on the Revision of California Water Rights Law to study and recommend changes in law to streamline water rights application procedures. 449
- 2. **Data Management.** Withhold recommendation on board's request for \$24,948 (Item 235), for two positions for data management program. 450
- 3. **Consolidated Administrative Services.** *Reduce by \$77,208 plus related staff benefits and operating expenses (prorated between Items 235 and 236).* Recommend (a) 7 proposed additional positions for administrative services be deleted and (b) the Consolidated Administrative Services organization, whose funding is in the board's budget, be dissolved and its activities returned to its clients. 450

GENERAL PROGRAM STATEMENT

The State Water Resources Control Board has two major responsibilities: control of water quality and determination of water rights. The board is composed of five full-time members, appointed by the Governor, who serve staggered four-year terms. Its staff of 458 authorized positions is under the direction of an executive officer. Nine regional water quality control boards carry out the water pollution control programs under the policies of the state board. The nine boards have a total of 262 authorized positions.

The state board carries out its water pollution control responsibilities mainly by establishing requirements for waste discharges and by administering state and federal grants to local governments for the construction of waste water treatment facilities. Water rights responsibilities are met through a permit process which requires persons desiring to appropriate water from streams, rivers, and lakes to make application to the board.

ANALYSIS AND RECOMMENDATIONS

The Budget Bill request is for \$14,711,035, an increase of 7.3 percent over the current year. The General Fund (Item 235, \$9,035,557) supports water quality regulation and water rights determination work. This amount is an increase of \$382,312 over the board's estimated General Fund expenditures for the current year. The State Clean Water Grants Administration Revolving Fund (Item 236, \$5,675,478) supports the board's facilities development assistance program which involves grants to local agencies for construction of waste water treatment facilities. This fund is supported by a fee imposed on grantees of one-half percent of the total grant. The budget request for the Revolving Fund is an increase of \$618,669 over the current year.

The board's total proposed budget of \$124,532,521 contains the two Budget Bill items discussed above and \$109,821,486 from four other sources. The State Clean Water Bond Fund is the largest of these, providing \$103,146,587. Bond Fund expenditures do not appear in the Budget Bill

STATE WATER RESOURCES CONTROL BOARD—Continued

because they are continuously appropriated in the Bond Act. \$100,000,000 of the Bond Fund total will be disbursed in grants to local agencies for the construction of waste water treatment facilities. These state grants comprise 12½ percent of the total cost of the facilities. The federal government provides 75 percent. Local agencies match the state share and pay all local costs not eligible for grants. The remaining \$3,146,587 from the Bond Fund is for several water quality control programs such as surveillance and monitoring, water quality control planning and data management.

The State Water Quality Control Fund is used by the board for loans to local agencies in cases of extreme financial hardship to assist in the construction of facilities for the collection, treatment or export of wastewaters to prevent water pollution. The budget allocates \$762,000 for this purpose. Loans are to be repaid at an interest rate of 5.3 percent.

Federal funds amounting to \$3,834,252 are used in the water quality regulation and water quality planning program. Reimbursements of \$2,078,647 include \$1,025,553 from the Air Resources Board and the Solid Waste Management Board for consolidated administrative services.

The board is requesting an additional 74 positions for 1977-78. Most of these positions are supported by federal funds and by the Revolving Fund.

Additional Staffing Requested for Wastewater Treatment Plant Construction Grant Administration

The Federal Clean Water Act Amendments of 1972 (P.L. 92-500) required, as a minimum, secondary treatment for all discharges and more stringent limitations in selected areas as necessary to meet water quality standards by 1977. To help meet the goal, the law authorized federal grants to local agencies for the construction of wastewater treatment plants. The total allocation to California for such grants was about \$2.1 billion, all of which must be obligated by September 1977. The board has been given comprehensive authority by the Environmental Protection Agency to perform review and approval functions for the grant program.

The facility development assistance staff of the board's Division of Water Quality has expanded rapidly in the last three years in an attempt to accelerate the construction of new treatment facilities. The program had 76 positions in 1974-75. In 1975-76, 71 positions were added, and in 1976-77, an additional 27. For 1977-78, the board is requesting 16 more positions to allow it to monitor the construction phase of projects. Earlier staffing increases have been directed mostly toward assisting local agencies in construction planning. The increase will require additional expenditures from the State Clean Water Grants Administration Revolving Fund of \$555,000.

One of the 16 positions requested is for evaluation of alternatives to conventional wastewater treatment facilities. The high cost of conventional sewage treatment plants and their collection systems plus the problems of effluent discharge make other methods of treatment such as land disposal attractive, especially in rural areas and small communities. In some cases, costs to local agencies for conventional facilities may be too high now, even though the local share is only 12½ percent. We commend the board's efforts to examine this problem and suggest that it receive more attention.

Staff Increase for 208 Planning

Section 208 of the Federal Water Pollution Control Act Amendments of 1972 provided for the preparation of areawide water quality management plans. This planning is the next step following the water basin planning under Section 303e of the act, which was begun in 1972 and completed in late 1975. Section 208 addresses both "point sources" (such as industrial discharges and sewage treatment plant outfalls) and "nonpoint sources" (such as urban runoff and agricultural wastewater). In California the point sources have already been covered in the basin plans. Therefore, the Section 208 planning in this state is oriented mostly toward nonpoint sources and in some cases includes air quality and solid waste considerations. The Environmental Protection Agency has made available to California approximately \$13.5 million for 208 planning. These funds will run out in November 1978.

In seven, mostly urban, areas of the state, comprehensive local planning agencies have been given the responsibility for 208 planning. These agencies are the Association of Bay Area Governments (San Francisco Bay Area), Association of Monterey Bay Area Governments, the Sacramento Regional Planning Council, the Southern California Council of Governments, the Comprehensive Planning Organization (San Diego), the Ventura County Sanitation District, and the Tahoe Regional Planning Agency. Together these organizations will receive about \$11.2 million. The Water Resources Control Board is the responsible planning agency for the rest of the state (referred to as the nondesignated areas). The board will receive about \$2.3 million for this work. For 1977-78, the board is adding 25 positions to prepare the nondesignated area plans. These positions will be totally supported by federal funds. In addition, the board is proposing an increase in contract expenditures of \$350,000 associated with 208 planning. This is also federally funded.

Water Rights Applications Delayed

We recommend that the Legislature direct the board to request the Governor's Special Commission on the Revision of Water Rights Law to study and make recommendations for changes in law to streamline water rights application procedures.

One of the principal functions of the board is the determination of water rights. Any person who wants to use water from surface streams, other surface bodies of water or subterranean streams must apply to the board for a permit to appropriate water. Last year the board requested and the Legislature authorized, an increase of 21 personnel-years at a cost of \$661,400 to eliminate a backlog of 700 applications. The backlog was to be eliminated within three years but instead has increased to about 800 applications. The average time to process an application has reached three years. We believe this increasing backlog is caused by several factors: (1) a large number of applications because of recent drought conditions, (2) a lack of sufficient manpower to process applications, (3) a need for more effective management, and (4) the intricacies of water rights law.

This year, the board is requesting an additional 3 positions at a cost of

STATE WATER RESOURCES CONTROL BOARD—Continued

\$48,048 to help alleviate the backlog. These positions would be used for environmental impact review which is the current bottleneck in the system. We recommend that the 3 additional positions be granted. However, in view of the staffing increases last year, and the promises of a reduced backlog, the workload should be closely monitored. In addition the board should examine its structure and operations to determine more efficient procedures, and an attempt should be made to simplify the law.

On January 1, 1977, the Governor announced the formation of the Governor's Special Commission on the Revision of California Water Rights Law. It is to begin work in February, and should present its recommendations by the end of the year. Funding for the commission will be provided by the federal government through the Water Resources Control Board. We recommend that the board request the new commission to study and make recommendations to the Legislature for changes in law which will streamline the water rights application process.

Water Quality Data Needs Under Review

We defer recommendation on the board's proposed increase of \$24,948 plus related staff benefits and operating expenses for two positions for the data management program (Item 235).

The board proposes an increase of two positions in the budget year for the data management program. According to the board, the cost of the positions will be offset by a decrease in contract costs because the work is now being done for the board under contract.

A large part of the board's data management program is concerned with water quality data. Both the board and the Department of Water Resources have water quality data systems, and a unified system is needed to eliminate duplication and reduce costs. The two agencies have been studying the problem, and have agreed to select a system for common use by July 1, 1977. The common system should reduce overall costs of data management to the two agencies. Consequently, the additional staff for the board may not be needed. We defer recommendation on the positions pending receipt of additional information on the board's data management needs based on further progress expected this winter and spring.

Eliminate Consolidated Administrative Services

We recommend (1) that \$77,208 plus related staff benefits and operating expenses for 7 additional positions for administrative services be deleted and (2) that the Consolidated Administrative Services organization, which is shown in the board's budget, be dissolved and its functions returned to its constituent clients (reduction prorated between Items 235 and 236).

The Governor's Reorganization Plan No. 1 of 1975 proposed the establishment of an Environmental Quality Agency containing the Air Resources Board, the Solid Waste Management Board, and the Water Resources Control Board. At about the same time, the administrative services functions of the three boards were consolidated without legislative approval into one organization, now called Consolidated Administrative Services (CAS). As noted in our Analysis last year, the presumed

purpose of the consolidation was to produce savings which could partially fund the Office of the Secretary for Environmental Quality. In mid-1975, the Legislature rejected the Governor's reorganization plan, and it was not resubmitted last year. However, a de facto agency has been in partial operation in spite of the Legislature's action.

The positions in the de facto agency office are presently funded in the budgets of the Governor's Office and the Air Resources Board. The CAS is financed by assessments made on the Water Resources Control Board, the Air Resources Board and the Solid Waste Management Board. The expenditures and positions of the CAS show in the budget of the Water Resources Control Board as a matter of convenience because they must be shown somewhere. The chief of CAS has been supervised by the de facto secretary even though there is no legal basis for such supervision.

We have seen no evidence that the consolidated organization has produced any savings. In fact, costs for CAS appear to have mounted rapidly even after considering workload increases. In 1975-76, expenditures were approximately \$1,445,000. For 1977-78 they are estimated at \$2,054,908. We note also that some of the functions which CAS originally performed, such as budgeting, have been reassumed by its clients.

For 1977-78, the budget of the Water Resources Control Board contains an increase of 7 positions for CAS. Funding for these positions should not be approved. The three client agencies of CAS should present their funding needs for their own administrative systems, and their budgets should be adjusted to return responsibility for their administrative services to them.

**Health and Welfare Agency
DEPARTMENT OF AGING**

Item 237 from the General Fund

Budget p. 572

Requested 1977-78	\$1,301,409
Estimated 1976-77	1,288,758
Actual 1975-76	1,315,120
Requested increase \$12,651 (1.0 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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|---|-----|
| 1. Management Practices. Recommend development of policy and procedural statements for fiscal and programmatic controls with a report to the fiscal committees April 1, 1977. | 454 |
| 2. Reduce Regional Offices. Recommend department phase out regional offices in Fresno and Oakland. | 457 |
| 3. Merger of Nutrition Projects with Area Agencies on Aging. Recommend the Legislature require completion of merger by time of projects' 1980 renewal cycles. | 457 |