

July 1, 1978, and has included two positions in its budget (Item 122) for this purpose. This will result in the elimination of an annual \$31,000 payment to the Teale Center. However, the Teale Center's budget does not reflect the deletion of any technician positions.

Tape Cost Adjustment

We recommend a reduction of \$20,000 in the amount budgeted for the purchase of new magnetic tapes based on redetermination of need.

The proposed budget includes \$140,000 to purchase approximately 15,500 new magnetic tapes. An examination of the basis for this request indicates that the actual amount required is \$120,000. Therefore the amount budgeted for operating expenses and equipment should be reduced \$20,000.

Resources Agency

WATERWAYS MANAGEMENT PLANNING

Item 168 from the General
Fund

Budget p. 358

Requested 1978-79	\$325,669
Estimated 1977-78.....	308,930
Actual 1976-77	213,738
Requested increase \$16,739 (5.4 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Management Plans. Recommend the Resources Secretary and Department of Fish and Game detail at budget hearings their recommendations for administration and implementation of completed waterways management plans. 301

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, steamflow 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 that the Resources Secretary and Department of Fish and Game detail to the fiscal subcommittees at the time of budget hearings their recommendations for administration and implementation of water management plans for the Lower American, North Fork American, Salmon and Van Duzen Rivers.

The budget requests \$325,669 which is \$16,739 or 5.4 percent over estimated current year expenditures of \$308,930. The budget includes \$74,100 for support of three positions in 1978-79. Operating expenses are budgeted at \$197,000 which provides \$177,000 for contract services. In addition, \$36,327 is charged the program by the Department of Fish and Game for administrative overhead.

The department indicates that planning activities on the Smith River will continue in 1978-79. Preliminary data collection on the Klamath River will also continue. Work on the Eel River has been temporarily suspended pending consideration of legislation (SB 1477) which would remove this river from the Wild and Scenic Rivers System and authorize construction of water projects on it.

During the current year the first four management plans for components of the Wild and Scenic Rivers System were submitted by the Resources Secretary to the Legislature. These plans cover the Lower American, North Fork American, Salmon and Van Duzen Rivers. The Department of Fish and Game indicates that a management plan for the Scott River will also be transmitted in the current year.

The four management plans describe the resources within the planning areas 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, will require legislation before they can be implemented. Other recommendations which affect federal lands within the Salmon River and North Fork American River watersheds will require cooperative agreements with the U.S. Forest Service and Bureau of Land Management.

Section 5093.60 of the Public Resources Code provides for the Resources Secretary to administer components of the Wild and Scenic Rivers System. When the Waterways Management Planning program was reorganized in 1975, certain responsibilities for administration of the system were delegated by the Secretary to the Department of Fish and Game. The first four management plans have now been adopted by the Secretary. Neither the

WATERWAYS MANAGEMENT PLANNING—Continued

Secretary nor the Department of Fish and Game have indicated their positions on the need for (1) implementing legislation, (2) cooperative agreements with the federal government, (3) statutory directives to the counties through which the rivers flow, or (4) administrative actions, to carry out the recommendations of the management plans.

The preparation of planning documents does not automatically provide for protection of the resources values for which the rivers were included in the system. Further action is needed. If future management planning activities are to result in a meaningful expenditure of funds, the Secretary and the Department of Fish and Game at the time of budget hearings should (1) recommend actions which can be initiated administratively, and (2) specify their recommendations for legislation which would implement the completed waterways management plans. Lacking further appropriate action by the Secretary and the department to implement the program, we believe there would be insufficient accomplishment to justify continuing the program at the requested level in 1978-79.

**Resources Agency
SEA GRANT PROGRAM**

Item 169 from the General
Fund

Budget p. 357

Requested 1978-79	\$500,000
Estimated 1977-78.....	500,000
Actual 1976-77	494,168
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, and the University of Southern California.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This request provides the fifth and final year of state funding for the Sea Grant program as authorized by Chapter 1115 in 1973.

Specific projects for 1978-79 have not been determined. However, the advisory panel has recommended allocation of the \$500,000 to categories as shown in Table 1.

**Table 1
State Funding Allocation for Sea Grant Projects, 1978-79**

Coastal zone resources	\$70,000
Coastal and marine recreation	15,000
Living marine resources.....	125,000
Energy resources	45,000
Marine mineral resources	15,000
Waste management	30,000
Marine advisory services	125,000
Trainees	40,000
Rapid response	25,000
Program planning and development	10,000
Total.....	\$500,000

Advisory Panel to Recommend Continuing Program

Chapter 1115 specifies that, during fiscal year 1978-79, the Legislature shall consider recommendations from the Resources Agency Secretary concerning state benefits from the program and determine whether to continue similar appropriations in subsequent years. The advisory panel has indicated it will recommend to the secretary that state funding be continued and increased. A report to the Legislature on program benefits is now being prepared jointly by the University of California and the University of Southern California and legislation will be sought this session to continue an allocation of tidelands oil and gas revenues for sea grant purposes.

Resources Agency

CALIFORNIA TAHOE REGIONAL PLANNING AGENCY

Items 170 and 170.1 from the
General Fund

Budget p. 358

Requested 1978-79	\$330,100
Estimated 1977-78.....	279,000
Actual 1976-77	200,710
Requested increase \$51,100 (18.3 percent)	
Total recommended increase (Item 170.1)	\$75,000

CALIFORNIA TAHOE REGIONAL PLANNING AGENCY—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	<i>Analysis page</i>
1. <i>Add new Item 170.1 in amount of \$75,000 from the General Fund. Recommend financing by California for the Tahoe Regional Planning Agency (TRPA).</i>	305

GENERAL PROGRAM STATEMENT

This analysis covers the Tahoe Regional Planning Agency and the California Tahoe Regional Planning Agency.

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 bistate agency were not activated. Subsequently, CTRPA 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. These controls are more stringent than those adopted by 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 bistate compact which provides for political subdivisions (local government) to adopt standards equal to or higher than TRPA.

ANALYSIS AND RECOMMENDATIONS

The 1978-79 Governor's Budget omits all support for TRPA and states that this has been done "so that the question of California's participation in the compact may be reviewed by the Legislature." For CTRPA the budget requests an increase of \$51,100 to \$330,100.

Funding History

Prior to fiscal year 1975-76, the Legislature contributed voluntarily approximately \$100,000 per year to assist the TRPA with its work. Nevada has always contributed one-half of California's amount. TRPA also received large sums of federal funds for separate studies.

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. These actions reflected the Legislature's concern that TRPA was not doing an adequate job of protecting Lake Tahoe. The Legislature left open the question of TRPA's future role in

protecting Lake Tahoe. Its position was set forth in Budget Act language:

"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."

In the Budget Act of 1976, the Legislature once again addressed the issue of relative funding levels for TRPA and CTRPA. Specifically the act increased funding for TRPA from \$65,000 requested in the Governor's Budget to \$100,000 in recognition of the prospect that TRPA provided the only apparent long-term protection for Lake Tahoe. The Act also approved the budget request for CTRPA in full, on the premise that CTRPA should be continued at least until TRPA could be strengthened. In addition, legislation to strengthen TRPA was enacted and forwarded to Nevada for consideration. In essence the Legislature decided to maintain the status quo between TRPA and CTRPA at Lake Tahoe until the bistate compact under which TRPA operates could be strengthened.

During the Legislature's consideration of the 1977-78 budget, an effort was made to delete the proposed \$50,000 contribution to TRPA and provide no funding. The Legislature decided, however, to appropriate \$75,000 based on the statement of TRPA that it could survive with that amount and the request of the California Attorney General that funding be provided so that TRPA could continue its defense of the inverse condemnation suits filed against it. Accordingly, language was added in the Budget Act limiting expenditure of California's contribution solely for defense of the suits, for enforcement of ordinances and for the establishment of air and water quality standards in the Tahoe Basin. At the same time the Legislature increased the budget request for CTRPA from \$254,300 to \$279,000.

Status of the TRPA Compact

The amendments to the TRPA compact approved by the California Legislature in 1976 were rejected by Nevada in 1977. Nevada responded by passing its own legislation to amend the compact. The Nevada legislation was rejected by the California Legislature in January 1978.

Subsequently, following preparation of the Governor's 1978-79 Budget, the Governors of California and Nevada agreed to discuss the differences between the two states and one meeting of their representatives was held in January.

Provide Funding for TRPA

We recommend that the request of \$330,100 for CTRPA be approved and that a new Item 170.1 be added to appropriate \$75,000 for TRPA.

The \$75,000 appropriation we recommend would provide the same amount as appropriated by the Legislature during the current year. Cali-

CALIFORNIA TAHOE REGIONAL PLANNING AGENCY—Continued

fornia's contribution of \$75,000 would permit TRPA to exist during the next fiscal year while both California and Nevada make further attempts to compromise their differences concerning Lake Tahoe. In making this recommendation we are not overlooking the problems in the operation of TRPA or in securing compact amendments agreeable to both states. Instead we are recognizing the long-term importance of improving the functioning of TRPA because the interstate compact is the only known means of handling the complex land use and development problems of the Tahoe Basin. In addition, the California Attorney General recommended to the Conference Committee on the 1977 Budget Bill that California fund TRPA in order to prevent California from having to take over the defense of many large claims in inverse condemnation which have been filed against TRPA and California.

Resources Agency**ENVIRONMENTAL PROTECTION PROGRAM**

Item 171 from the California

Environmental Protection
Program Fund

Budget p. 359

Requested 1978-79	\$836,121
Estimated 1977-78.....	301,000
Requested increase \$535,121 (177.8 percent)	
Total recommended reduction	\$100,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. *Aquaculture Development Study. Reduce Item 171 by \$100,000.* Recommend deletion of funds for requested study of government restrictions because it will not solve the basic economic problems of the industry. 308

GENERAL PROGRAM STATEMENT

Chapter 779, Statutes of 1970, established the 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 (DMV) 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 law requires the Secretaries of the Resources Agency and Business and Transportation Agency to develop the program and determine priorities.

ANALYSIS AND RECOMMENDATIONS**Fund Status**

On June 30, 1977, the surplus in the California Environmental Protection Program Fund was \$2,093,700. The surplus at the end of the budget year is estimated to be \$41,769.

The budgeted expenditures from the California Environmental Protection Program Fund in 1978-79 total \$6,659,086. Most of the expenditures are from appropriations to be made by the Legislature through other items in the Budget Bill directly to the state departments that will execute the projects or programs.

Seven Position Plates and Increased Revenue

Beginning July 1, 1978, Chapter 821, Statutes of 1977, increases from six to seven the number of digits or positions allowed on personalized license plates. DMV anticipates that the change will result in substantial increased sales. The budgeted revenue estimate for 1978-79 is \$5,967,800 compared to estimated current year revenue of \$4,775,300.

Increasing Cost of Sales

The fees for personalized plates are fixed by the statutes. Over the years an increasing percentage of revenue from the sale of plates has been required to finance the increased cost of DMV operations to handle the applications and make the plates. In 1974-75, DMV expenditures were 22.5 percent of revenue. In 1978-79, DMV expenditures are estimated to be \$1,957,284 or 32.8 percent of the \$5,967,800 estimated revenue.

Last year the Legislature recommended that the Department of Finance review the DMV method of allocating charges to the Environmental Program Fund and report its findings to the Legislature. The department has completed its study and reported that the Environmental License Plate program is being subsidized about \$120,000 annually by the Motor Vehicle Account, State Transportation Fund. DMV indicates that its work measurements staff is now reviewing DMV's procedures for administration of the program and will update the costs it allocates to the program when that review is completed. DMV is also installing electronic data processing terminals at some of its field offices. With this equipment field personnel will be able to approve the applicant's request immediately rather than referring the request to headquarters in Sacramento.

Miscellaneous Projects

Item 171 requests \$836,121 for the Resources Agency to fund three miscellaneous projects with its constituent departments as follows:

1. Department of Fish and Game:
 - To study the legal and regulative problems restricting aquaculture development \$100,000
2. Department of Forestry:
 - An aerial photography program of 42 million acres for forest resource assessment 725,000

ENVIRONMENTAL PROTECTION PROGRAM—Continued

3. Department of Parks and Recreation: To expand the Urban Environmental Career education program in the State Park System	11,121
Total.....	\$836,121

Aquaculture Development Study

We recommend that \$100,000 requested to study government restrictions on the aquaculture industry be deleted because the study will not solve the basic economic problems of the industry.

Item 171 includes \$100,000 for a study by a private consultant to determine the legal and regulative problems restricting aquaculture development in the state and to develop a plan of action including recommended legislation to improve and provide for growth of the industry in California. The Department of Fish and Game indicates that a number of state and local agencies and planning bodies restrict the orderly development of the aquaculture industry through duplicate and overlapping responsibilities. This study, according to the department, will result in a plan of action to ensure that these industry obstacles are removed and the interests of the state and industry are protected. Finally, the proposal states that because aquaculture programs will benefit the general public and the environment, the Environmental Protection Program is an appropriate source of funding for the study.

The proposal appears to assume that all the problems of the aquaculture industry are due to government regulations. To some extent regulations may be the cause. However, we believe the primary difficulties of aquaculture are economic. The study proposal makes no reference to economic problems confronting the industry.

We do not believe the study as proposed will solve the industry's problems and recommend that the funds be deleted. If the Legislature desires to proceed with the study, we suggest that \$10,000 is adequate for a study of unnecessary regulations.

**Resources Agency
CALIFORNIA CONSERVATION CORPS**

Item 172 from the General Fund	Budget p. 363
<hr/>	
Requested 1978-79	\$20,084,935
Estimated 1977-78.....	12,061,000
Actual 1976-77	7,818,475
Requested increase \$8,023,935 (66.5 percent)	
Total recommended reduction	\$79,260

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	<i>Analysis page</i>
1. Eight Additional Base Centers. Recommend Legislature approve state or federal funds for only those centers which the CCC can assure that facilities are available.	313
2. Program Support. <i>Reduce Item 172 by \$79,260 plus related benefits and expenses.</i> Recommend deletion of five headquarters positions.	315
3. Program Support. Recommend Legislature direct CCC to improve its fiscal controls and restrict program embellishments.	315

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 that they may develop employable skills.

The CCC is headed by a director and a deputy director who occupy exempt statutory positions. The headquarters are in Sacramento and a training academy is located at Murphys, Calaveras County. By the end of the current year, the CCC will be operating 16 residential base centers and employing approximately 1,000 corps members on natural resource projects. Of the 16 base centers, 8 are former Ecology Corps centers operated jointly with the Department of Forestry. They provide a capability for emergency fire fighting and natural disaster relief. The remaining 8 centers are operated solely by the CCC. The CCC has 169 authorized staff positions.

Under existing law, the CCC terminates January 1, 1981.

ANALYSIS AND RECOMMENDATIONS

Last year our Analysis indicated that the CCC program had floundered at the start and had not been implemented according to the schedule presented to the Legislature when Chapter 342 was being enacted. The current year budget as presented to the Legislature was based on a revised, more realistic schedule.

This past summer the Governor replaced the CCC director. Since that time there has been substantial progress in establishing base centers according to the revised schedule. The progress, however, has not been easy or smooth. There have been enormous problems selecting and training staff, locating and equipping facilities that can be quickly converted to livable residential centers for a relatively large number of young people, and recruiting and selecting corps members. There has been attrition of staff and corps members. There have been disruptions resulting from actions to rectify hurried decisions made earlier. The original facility developed for the training academy was not available to the CCC on a year-round basis and a new facility had to be found.

There have also been problems integrating the former Ecology Corps centers of the Department of Forestry (CDF) into the CCC program.

CALIFORNIA CONSERVATION CORPS—Continued

Joint CDF/CCC staffing arrangements and assignment of responsibilities must still be worked out and the contracts of some Ecology Corps members terminated due to the lower age limitations of CCC. Finally the CCC has had to overcome its early adverse image.

Some of these problems will continue into the budget year because, in general, the budget request is another ambitious proposal calling for opening eight new base centers and major augmentation of headquarters staff.

Budget Increases

Total CCC support expenditures in the budget year are estimated to be \$22,181,383, consisting of:

Item 172, General Fund	\$20,084,935
Subsistence payments from staff and corps members	<u>2,096,448</u>
Total	\$22,181,383

The CCC requests \$1,450,000 in Item 451 for minor capital outlay, which includes \$900,000 to prepare nine field facilities for occupancy in 1978-79.

The General Fund support request of \$20,084,935 in Item 172 is an increase of \$8,023,935 (66.5 percent) over estimated current year expenditures of \$12,061,000. Of the amount requested, \$3,518,975 is budgeted for payment to the Department of Forestry to fund its staff and operating expenses at the eight centers under the joint operation of CDF/CCC. The balance (\$16,565,960) is budgeted for the administration and operation of the CCC.

The budget has several significant increases as indicated in Table 1.

Table 1
California Conservation Corps

	<i>Budget Increases</i> <i>1978-79</i>
1. Increase corps member's salary to minimum wage	\$520,000
2. Establish funding for corps member leadership classes	57,600
3. Provide staff uniform allowance and work clothes for corps members.....	29,060
4. Increase cost to have corps members in residence at base centers 12 months of each year	395,558
5. Augment CCC staff at CDF/CCC centers	1,155,739
6. Increase headquarters program support	454,803
7. Reclassification of field center staff positions	63,486
8. Establish 8 new base centers.....	<u>4,459,217</u>
Total	\$7,135,463

TRAINING AND WORK PROGRAM

The CCC is open to California residents age 18 through 20. Applicants must be willing to live in a camp setting for one year. Corps members receive \$400 to \$475 per month and are charged \$100 per month for meals and \$15 per month for lodging. Applicants chosen for the corps are assigned to the training academy at Murphys for four weeks and then to a base center for the balance of the year.

A base center serves as the home base for about 60 corps members. It operates 24 hours a day, 7 days a week, and has a permanent staff. Corps

members work at the centers or travel to project work locations. Projects are intended to maintain or develop natural resources and to provide meaningful training, experience and skill development for corps members.

In addition to project work, each corps member must complete study and work in different areas of appropriate technology, such as food preparation, greenhouse horticulture, food plant production, animal husbandry, and other subjects such as auto mechanics, fire fighting, flood control, sewing, first-aid, career planning and employment preparation.

Status of Base Centers

The CCC's 1977-78 budget provided for the establishment of eight new base centers by January 1, 1978. As of early February, the CCC had established base centers and assigned staff and corps members at the following six locations:

1. San Luis Obispo—National Guard facility.
2. Deer Park, Escondido—Former Peace Corps facility.
3. Camarillo State Hospital—Ventura.
4. Agnews State Hospital—San Jose.
5. Camp Radford—City of Los Angeles summer camp, San Bernardino County.
6. Siskiyou—Former military base located near Yreka.

There has been slippage of several months in establishing the two remaining centers. The CCC indicates that the seventh center will be established in the latter part of February at the Veterans Home in Yountville and the eighth center at Ft. MacArthur in San Pedro will be operational in the latter part of April.

Four of the eight centers which are to be operated jointly with the Department of Forestry have been integrated with the CCC program, and the remaining four are scheduled for integration by May 1978. The Department of Forestry has encountered delay in establishing its new center at Bollinger in Contra Costa County due to sewage disposal problems.

Base Center Populations

Although the CCC has made progress recently in establishing new base center facilities and integrating CDF/CCC centers, it has not been equally successful in maintaining budgeted levels of populations at the established base centers. As of January 24, 1978, the 10 activated facilities (6 CCC centers and 4 CDF/CCC centers), had 413 corps members in residence compared to a budgeted complement of 600.

For this reason the CCC plans to speed-up the orientation schedule at the training academy. Between January 30 and June 17, 1978, the CCC has scheduled four sessions to train a total of 900 new corps members who will (1) be assigned to (a) the two remaining CCC centers to be established in the current year or (b) the four CDF/CCC centers yet to be integrated, (2) replace corps members who will have completed one year's training, and (3) fill vacancies created by attrition of corps members.

CALIFORNIA CONSERVATION CORPS—Continued**Problems of CDF/CCC Base Center Integration**

The conversion of the eight CDF camps to CDF/CCC base centers as provided in the Governor's Budget presents three problems. First, the budget would transfer 32 positions from the Department of Forestry to CCC. These positions are now assigned to the CDF/CCC base centers and consist of 8 heavy fire equipment operators (HFEO), 8 clerks, and 16 cooks.

There is no change in the appropriation for the CCC as a result of the transfer. The transfer is accomplished by removing a reimbursement of \$524,105 from contract services paid by CCC to the Department of Forestry and by a corresponding increase in CCC's personal services and operating expenses.

The transfer of the heavy fire equipment operator (HFEO) positions has complications because the eight employees have safety member status in the Public Employees Retirement System. If the employees are transferred to CCC along with the positions, the employees will lose their safety status for retirement purposes. Government Code Section 20017.6 includes employees in the HFEO position within the Division of Forestry as state safety members but employees in CCC are not included.

Second, the budget narrative indicates that the position of five fire crew supervisors and one forest ranger remaining in each of the eight CDF/CCC centers will be reviewed in 1978-79 for possible transfer to the CCC to allow full control by CCC of the program. In addition to the problem of safety member status the proposal may require legislation. Chapter 342 specifies that certain CCC centers designated by the Resources Secretary as needed to assure readiness for fire fighting and natural disaster relief shall be operated by the State Forester in accordance with CCC policy. It is possible that the eight centers jointly operated by the CDF/CCC can be better utilized primarily as CCC work project centers. If the CDF positions are transferred to the CCC and the corps members engage in fire fighting activities, Department of Forestry fire control personnel will no longer in fact be leading the corps members on fire missions. Corps member safety is of paramount importance and all firefighting personnel should be under the direct control of the Department of Forestry. Care must also be exercised to ensure that the CCC does not become a second state fire control organization.

Third, the budget includes \$1,155,739 to add 37 CCC staff positions plus operating expenses and equipment at the 8 CDF/CCC centers. The increase is requested to provide an administrator plus staff coverage for CCC training and off-duty staff supervision on the basis of a 24-hour day, seven-day-week. The proposal would provide 15 staff members at each of the CDF/CCC centers for only 60 corps members. This is a ratio of 1 staff member for 4 corps members. At the centers operated solely by CCC there are 13 staff members.

Policy Change on Work Project Reimbursement

When the CCC was first established, the policy was to offer the services of corps members to state and local agencies free of charge. However, federal agencies were to reimburse the CCC for labor costs on a work unit, project or man-day basis. The policy for federal agencies has now been changed. Federal agencies desiring the work of corps members will not be charged for the labor cost of corps members. Based on that policy change, the CCC and the U.S. Forest Service have entered into a cooperative agreement for the CCC to undertake projects on national forest lands, including a reforestation project of about 2,000 acres.

Minimum Wage

The CCC uses a three step compensation plan for corps members which provides \$350 per month up to a maximum of \$425 per month as the corps member progresses through his year's duty. Based on a work month of 173 hours, that amounts to \$2.26 per hour. The budget provides \$520,000 to increase the wage paid to \$2.50 per hour in the three steps over the year. The new level would range from \$400 to \$475 per month. The stated reason for the increase is to fund the minimum wage of \$2.50 per hour.

Eight Additional Centers

We recommend (1) that the CCC report at budget hearings on (a) the location for the eight additional base centers, (b) the rationale for the locations, and (c) the status of lease negotiations for the facilities; and (2) that federal or state funds be approved for only those centers which the CCC can reasonably assure the Legislature will be available as budgeted for 1978-79.

The budget includes \$4,459,217 for support costs of eight additional base centers which would be phased in on a monthly basis beginning November 1, 1978. The funding provides for 108 staff positions and 560 corps members at the base centers and the training academy. The CCC estimates the full year support cost of the eight centers to be \$7,064,966. Item 451 includes \$900,000 for minor capital outlay at the eight proposed centers plus modification of the existing training academy or establishing a second training academy.

The CCC program appears to be open-ended. Chapter 342 authorized the program but provides no guidance as to the number of centers to be established and the number of corps members to be employed. In addition, the program is not established permanently because Chapter 342 is effective only until 1981, unless amended.

Under present procedures, base centers have been established at locations where reasonably satisfactory facilities could be found rather than according to any overall plan or strategy. Finding locations for the first eight camps has been difficult; the next eight may be even more difficult. The current year budget provides funds for eight new centers. The number eight was presumably selected to equalize the CCC with the eight former Ecology Corps centers operated by CDF. The 1978-79 budget offers no rationale for the eight additional centers. It states, "This program is augmented . . . to increase the number of base centers from 16 to 24."

The locations of the new camps are not specified. Supplementary

CALIFORNIA CONSERVATION CORPS—Continued

budget material indicates that the CCC will have sites in varying stages of lease negotiations by July 1, 1978. The CCC has stated a preference for establishing additional base centers in the San Joaquin Valley and in southern California. This is an ambitious proposal which tends to continue the CCC as a crash program.

Federal Funds. The CCC is now completing an application which will be submitted by the Employment Development Department to the federal Department of Agriculture and the Department of Interior for federal funds amounting to approximately \$6.4 million. The money is available under the Federal Youth Employment and Training Act of 1977. The act created the federal Young Adult Conservation Corps program and federal funds are available for state grants to conduct programs similar to CCC. The state may receive the money by February or March.

In view of all the many uncertainties in adding eight new camps, we recommend that the Legislature approve state or federal funds only for those base centers which the CCC can assure the Legislature are available and will be operational in 1978-79.

PROGRAM SUPPORT

The objective of program support is to provide executive leadership, policy direction and administrative services. The total program support cost is \$1,860,530, and includes funding for 30.5 new positions plus seven other positions authorized for one year in the current year budget.

At the present time, there are 26 authorized positions in the CCC headquarters. The Department of Finance has notified the Joint Legislative Budget Committee by Section 31 letter that 9 additional positions in headquarters would be funded from savings in personal services resulting from the merger of two orientation and training centers. The budget request continues these positions and adds 9 professional positions, 10 clerical and clerk positions and 2.5 personnel-years of temporary help.

The existing headquarters staff of the CCC includes the director and a chief deputy director which are statutory positions. The other positions are assigned among the following three sections:

1. Office of Administration and Facilities Management
2. Office of Training and Education.
3. Office of Program Development, Research and Evaluation

Each one of the three sections is headed by a deputy director, two of which are exempt positions, and each section also has an assistant deputy director.

The Office of Administration and Facilities Management performs the fiscal, personnel and administrative services for the entire CCC. The Office of Training and Education is primarily concerned with the CCC work projects and training program. The Office of Program Development, Research and Evaluation applies for federal grants, handles press and media relations and evaluates existing and planned CCC programs.

Reduce Headquarters Staff

We recommend that Item 172 be reduced by \$79,260 plus staff benefits and related expenses to delete two existing positions and three proposed positions for the headquarters staff because the positions are not needed.

The Office of Program Development, Research and Evaluation is headed by a deputy director in an exempt position which was administratively established in the current year and which is proposed for continuation in 1978-79. The deputy's staff consists of an assistant deputy director, two stenographers, an information officer and a program development planner. The budget proposes to add two staff services analyst positions to this section to assist in developing federal grant applications and departmental research activities, and in gathering data for the annual report.

A separate section and deputy director for these activities are not needed. The federal grant application is now being prepared by the assistant deputy director and a planner. The information officer position is funded in the budget but is neither listed as an authorized position in the salary supplement nor listed as a proposed new position. It is not needed. The two additional staff services analyst positions are apparently requested to assist in work already being performed. The balance of the positions in the section, the assistant deputy director, the planner and one clerical, can be assigned to the Office of Administration and Facilities Management. Therefore we recommend that the three proposed new positions consisting of a deputy director and two staff services analysts plus two existing positions, an information officer and a stenographer, be deleted.

Fiscal Conservation Needed

We recommend that the Legislature direct the CCC to improve its fiscal management, control the increasing costs of the program and restrict program embellishments.

The CCC program is becoming increasingly costly. Based on the 1978-79 budget request plus the estimated added full year cost of operating the 8 additional base centers, the full year CCC program cost is over \$15,000 for each corps member. This amount assumes that 1,600 corps members will be in residence at 24 base centers and the training academy for an entire year. If fewer corps members are in residence, which is likely, the cost per corps member will be greater.

The 1978-79 budget reflects more operating experience in conducting the program than last year's budget but it also has a number of costly factors:

1. Addition of 5 new positions at CDF/CCC base centers, which provides a ratio of 1 staff member for four corps members.
2. \$240,000 to add additional equipment items at CDF/CCC centers to meet CCC standards.
3. A complement of 12 vehicles at each base center.
4. \$454,803 for 30.5 added positions in headquarters.
5. Budgeting for a full complement of corps members at 24 base centers and the training academy without providing for appropriate savings due to corps member attrition. An appropriate savings based on experience should be calculated and included in the 1979-80 budget.

CALIFORNIA CONSERVATION CORPS—Continued

The offsets to program costs are the public benefits from the services of corps members on work projects and the personal, self-improvement for each corps member as a result of a year's experience in the CCC. As required by Chapter 342 the CCC will report to the Legislature this Spring and in 1979 on the public and personal benefits.

**Resources Agency
ENERGY RESOURCES CONSERVATION AND
DEVELOPMENT COMMISSION**

Item 173 from the State Energy
Resources Conservation and
Development Special Account
in the General Fund

Budget p. 367

Requested 1978-79	\$22,145,331
Estimated 1977-78.....	20,506,682
Actual 1976-77	14,477,106
Requested increase \$1,638,649 (8.0 percent)	
Total recommended reduction	\$1,070,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Power Plant Siting. Recommend workload for power plant siting be reviewed at the time of budget hearings. 320
2. Geothermal Power Plant Siting. Recommend legislation to shorten the siting process for geothermal power plants. 321
3. *General Counsel. Reduce by \$321,000.* Recommend deletion of funding for 8 of 10 requested new positions in the General Counsel's office. 322
4. *Nuclear Power Plant Undergrounding Study. Reduce by \$44,000.* Recommend deletion of funding for positions created for undergrounding study for last half of 1978-79. 323
5. *Nuclear Health and Safety Studies. Reduce by \$312,000.* Recommend deletion of funding for studies of health and safety issues related to nuclear power plants. 324
6. *Non-Nuclear Power Plant, Earthquake Design Guidelines. Reduce by \$95,000 in state funds and \$75,000 in federal funds.* Recommend deletion of funding for this program because guidelines are unnecessary and may limit design flexibility. 325
7. Hazard Studies and Review Criteria. Withhold recommendation on the commission's request for \$206,000 for programs to identify hazards of non-nuclear power plants and to formulate hazard review criteria for siting procedures pending receipt of additional information. 325
8. Research and Development. 326

(a) Recommend the Legislature direct the commission to submit the annual statutory report by November 1 and that the report include justification for the research budget request.

(b) Withhold recommendation on commission's proposed \$3.9 million budget for contracted research and development work pending receipt of report.

9. *Long Range Energy Policy. Reduce by \$298,000.* Recommend deletion of proposed increase for commissions Future Energy Alternatives and Systems Assessment Programs because current funding is adequate. 328

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 573 authorized positions.

ANALYSIS AND RECOMMENDATIONS

Funding Sources. The commission's total expenditures for 1978-79 are estimated at \$29,908,922. Of this total, \$22,145,331 is to be derived from the Energy Resources Conservation and Development Special Account in the General Fund, and is the amount requested in Item 173. The 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.

The remainder of the commission's proposed funding, \$7,763,591 comes from reimbursements and federal grants. Reimbursements, estimated at \$2,163,853, are mostly from fees imposed on utility companies which file notices of intent for certification of power plant sites. Federal funds of \$5,599,738 are expected mainly from the federal Department of Energy.

The commission was loaned \$2 million in the 1977 Budget Act, which it must repay in two \$1 million installments, one by June 30, 1979, and the other by June 30, 1980. The commission's 1978-79 budget includes \$1 million for the first installment. The loan was made to avoid a large, temporary increase in the surcharge. The commission's state funded expenditures grew about \$6 million (42 percent) in 1977-78. This would have caused a 90 percent jump in the surcharge from the statutory minimum of 0.10 mill per kilowatt hour to 0.19 mill. Instead, the loan was made and the surcharge was set at 0.15 mill. SB 373, which is awaiting the Governor's signature, would help to prevent similar situations in the future because the surcharge would be set by March 1 on the basis of the Governor's Budget, and adjusted again after the Budget Act, if necessary. At present, the surcharge can be set as late as August 1, thereby providing the needed revenue for only part of the fiscal year.

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

Surcharge Decreases While Budget Increases

The commission's appropriation request from the Special Account is an increase of \$1,638,649 or 8 percent over the current year. The commission proposes an increase of 62 positions for a total of 635. In spite of the expenditure increase, the surcharge rate will be lowered to 0.14 mill.

A budget increase combined with a surcharge decrease deserves explanation. First, the commission estimates that it will carry over a surplus of \$1,814,616 into the budget year. The surplus was not expected when the 1977-78 budget was prepared. The surplus indicates that the commission does not need all the authorization for increased staff it received for the current year. Second, the surcharge decrease from 0.15 mill to 0.14 mill is nearly offset by the increased revenue expected due to more kilowatt hours of electricity estimated to be sold in the budget year.

In addition to the requested increase from the Special Account, the commission is projecting an increase in federal funds of \$2,130,480 and an increase in reimbursements of \$1,296,504. Overall, the total commission budget of \$28,908,922 is an increase of \$4,065,633 over 1977-78, not including the \$1 million loan repayment.

Significant Budget Changes

The most significant changes in the commission's budget for 1978-79 are as follows:

Additional staff and contract funds to develop safety and siting criteria for an LNG facility	\$304,000
Additional nuclear safety studies	\$147,000
Increased legal staff	\$381,000
Increased energy audits for industry, utilities and government	\$204,000
Increased energy education and technical assistance	\$752,000
Increased solar energy programs	\$1,845,000
New programs for the development and use of clean fuels	\$236,000
Additional evaluation of alternative energy technologies ..	\$272,000
Additional staff to assist public participation in commission proceedings	\$50,000
Decreased funding for processing power plant siting applications	\$-643,000
Decreased studies on undergrounding nuclear power plants and on nuclear fuel cycle	\$-436,000

Nuclear Power Plant Siting

Chapters 194, 195 and 196, Statutes of 1976, were a legislative alternative to the "Nuclear Initiative" on the June 1976 ballot which would have limited the construction and operation of nuclear power plants. These chapters prohibited the Energy Commission from siting nuclear power plants in California until (1) the commission finds that the federal government has identified and approved, and that there exists a technology for the construction and operation of, nuclear fuel rod reprocessing plants

(Chapter 194); (2) the commission has completed a study of the necessity for, effectiveness and economic feasibility of undergrounding or berm containment of nuclear reactors (Chapter 195); and (3) the commission finds that the federal government has approved and there exists a demonstrated technology or means of disposal of high level nuclear waste (Chapter 196).

The commission has established a Nuclear Office to study the reprocessing, undergrounding and waste storage issues. The office has 15 positions and funding of about \$1 million in the current year. In July 1977, the commission issued an interim report on its storage and reprocessing studies. No repository for commercial powerplant, high-level wastes will be in operation until 1985, the report indicated, and many uncertainties with respect to the method of storage remain. In addition, the report noted that the President, in April 1977, announced a policy "to defer indefinitely the commercial reprocessing and recycling of plutonium produced in the U.S. nuclear power programs." This policy may make the conditions of Chapter 194 impossible to satisfy. The report on undergrounding required by Chapter 195 was to be completed by January 1, 1978, but the schedule has slipped slightly and it will probably be published in mid-February.

While the Nuclear Office has researched these matters, most of the rest of the commission has been actively involved in the siting procedures for the proposed Sundesert nuclear powerplant, to be located near Blythe. The Sundesert plant was exempted from the provisions of Chapter 195, (undergrounding) but not from those of Chapters 194 and 196. Chapter 1144, Statutes of 1977, required the commission to report to the Legislature by January 16, 1978 whether it could make the findings required in Chapters 194 and 196, and if it cannot, to recommend to the Legislature whether the Sundesert plant should be exempted from them. The commission issued a draft report on January 11, 1978 addressing the reprocessing and waste storage issues.

The report states that, because of recent changes in federal policy, "reprocessing is no longer a required step in the fuel cycle for light water reactors" and that reprocessing is "neither necessary nor desirable." Therefore, it indicates Chapter 194 does not apply to new light water nuclear reactors in California. (The proposed Sundesert plant and all existing nuclear plants in California have light water reactors.) Nonetheless, the draft report concludes that the positive findings required in Chapter 194 cannot be made at this time. The draft report also concludes that the positive findings required by Chapter 196 regarding nuclear waste storage cannot be made at this time. The commission, on January 25, 1978, approved a formal decision confirming the conclusions of the draft report and recommended that the proposed Sundesert plant not be exempted. Unless the Legislature makes some change in the laws, it appears that the commission will not be able to approve siting of nuclear power plants in California for several years.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued**Power Plant Siting Program**

We recommend that the workload for power plant siting be reviewed at the time of budget hearings.

One of the principal functions of the commission is siting of electric power plants. A notice of intent (NOI) to file an application for certification for a power plant site is the first step in the siting process. The utility must propose at least three alternative power plant sites in each NOI (except for geothermal plants where only one site is required). 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 accepted, or within 9 months in the case of geothermal plants.

The second step of the siting process is the application for certification (AFC). It is limited to one of the sites which the utility has chosen from among the sites approved by the commission in the NOI phase. In order to approve the AFC, the commission must make positive findings regarding the conformity of the plant to public safety standards, environmental standards and regulations and to the commission's forecast for electric demand.

About 40 percent of the commission's staff and funding (228 positions and \$10,164,504) are devoted to the power plant siting program in the current year. Large increases for the program have been granted by the Legislature in each of the last two budget acts based on the expectation that many NOI/AFC applications would be processed. The commission based its requests for these increases on estimates made by the utility companies of the number of power plant siting applications they would file. However, these estimates have been consistently too high.

The 1976-77 budget request assumed that five NOIs would be filed. The 1977-78 request anticipated filing of four NOIs and two AFCs. In fact, only five NOIs have been received by the commission, and three of these have been rejected because they contained insufficient information. No AFCs have been received. At this time it is not clear that any AFCs will be processed next year other than one combined cycle plant by PG&E and possibly several small geothermal plants.

The commission has reduced the utility companies' estimates of NOI/AFC applications by 30 percent for 1978-79. In addition, it has revised its estimate of the staff required to process each siting application downward, based on experience with the first two NOIs. It has therefore reduced its budget for NOI/AFC processing by 21 positions and \$643,000. The remaining staff may still be too large for the workload that may develop.

It should be noted that the commission has authority to secure additional funding for NOI/AFC processing in the event that the Budget Bill appropriation is too small and more staff is needed. Chapter 1114, Statutes of 1977, permanently established the Energy Resources Conservation and Development Reserve Account, which had previously been created each year by the Budget Act. The Reserve Account consists of any unappropriated balance in the Special Account as of June 30 of each fiscal year. It may not exceed \$3 million. The budget estimates that \$1,426,953 will be

in the Reserve Account on July 1, 1979. These funds may be allocated to the commission by the Director of Finance for (1) cash flow purposes, (2) salary increases, (3) augmentation of the budget for processing NOIs and claims of exemption (claims that power plants are exempt from the requirement to gain siting approval from the Energy Commission).

Because of the major uncertainties confronting the commission and the Legislature in projecting workload, a review of workload factors at the time of budget hearings would be appropriate. We recommend that such a review be conducted and in the event no substantial developments affecting workload have occurred, that the budget request for siting be approved as submitted.

Commission Lags in Developing NOI and AFC Procedures

The NOI hearing process is nearly completed for the first two power plants the commission has reviewed. The commission expects that several NOIs may be received soon, particularly for geothermal plants. However, the commission has no hearing procedures developed for geothermal NOIs. This deficiency is important because geothermal NOIs must be processed in 9 months, rather than in 18 months as provided for other types of plants. In addition, the commission has not developed procedures for processing an AFC for any type of power plant.

The Legislature in the Budget Act of 1977 approved 8 additional positions specifically to prepare NOI and AFC procedures, giving the commission a total of 9 positions for this work. The commission stated at that time that the positions would be primarily used for developing AFC procedures, but this work has not been accomplished. It is illogical for the commission to estimate its staffing and funding needs for such hearings if it has not determined the fundamental procedures for the hearings. Moreover, the lack of AFC procedures has created a tendency to include all possible issues in the NOI hearings. Because the NOI hearings cover three or more sites and the AFC hearings cover only one selected site, it is apparent that the two types of hearings must be differentiated with respect to the amount of detail on each site.

Geothermal Power Plant Siting Process Should be Shortened

We recommend legislation to reduce the time period for geothermal power plant siting procedures from 18 to 9 months.

The Warren-Alquist Act contains special provisions for the NOI/AFC process with respect to geothermal power plants. Instead of allowing a total of 36 months for processing as it does for other types of plants, the act allows 18 months. And instead of being required to file three proposed sites with the commission, an applicant need only file one. The latter provision recognizes the fact that there is little choice in the location of a geothermal plant, because the heat contained in geothermal steam or hot water dissipates rapidly, requiring the power plant to be very near the geothermal wells. The commission has not yet received an NOI for a geothermal power plant but at least one is expected before the end of 1977-78.

Chapter 958, Statutes of 1976, created a Geothermal Resources Task Force, made up of two members each of the Senate and the Assembly,

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

three public members and eleven representatives of state agencies, including the Energy Commission. Chapter 958 required the task force to determine, among other things, the best methods of planning for geothermal development and the methods state agencies should follow to develop geothermal resources. The task force, in its report issued in December 1977, recommended that the Energy Commission establish a combined NOI/AFC review process of 9 months and sponsor legislation eliminating the requirement in the NOI/AFC process that the commission determine whether individual geothermal power plants conform to the 10-year forecast of statewide and service area power demands.

We concur with this recommendation because it could lead to streamlined procedures for geothermal NOIs, reduce the number of hearings, save money and generally expedite the siting process for geothermal plants.

Additional Legal Positions Requested

We recommend a reduction of \$321,000 to delete funds for 8 new positions in the General Counsel's office.

The General Counsel advises and represents the commission on legal matters before state and federal boards and agencies and in litigation. From its inception, the commission has been burdened with overly legalistic procedures. As a result, the General Counsel's office has become a funnel through which both legal and technical matters pertaining to commission hearings must pass. The commission's siting procedures are adjudicatory (trial-like) with commission attorneys representing the commission staff, and the utilities represented by batteries of attorneys. Commission attorneys help the staff prepare testimony and write briefs and pleadings, necessitating hours of time outside the hearing room for each hour inside. For each large power plant siting case to be heard in 1978-79, the commission estimates that one to one and one-half years of attorney time will be needed.

During budget hearings last year the commission agreed that streamlining was needed and stated that two committees had been appointed to suggest improvements. The two committees have submitted their reports, and have recommended changes that could speed the process and reduce unnecessary hearing time. Both recommended that adjudicatory procedures be minimized and replaced, to the extent possible, by more informal hearings. Another simplification suggested was that pre-hearing conferences be used to obtain stipulations on matters not in dispute. This would save many days now spent in hearings. The commission has not acted to change its procedures and is now requesting six more attorneys and four associated legal intern and clerical positions at a cost of \$381,000, for purposes that are generally agreed to be needlessly demanding of legal staff.

The legal staff probably works longer hours than any other group in the organization. The General Counsel is aware of the problems in the present siting process. We recognize a need for adequate legal staff but we cannot recommend a large increase in staff to meet a need that shouldn't exist and which the commission has promised to diminish. We also note that the

commission currently has two vacant attorney positions. We therefore recommend a reduction of \$321,000 in the commission's request and deletion of 8 positions. This would still allow an increase of \$60,000 and two additional attorneys. Our recommendation provides some relief while emphasizing the need for procedural improvements.

Reduce Funding for Undergrounding Study

We recommend a reduction of \$44,000 to delete 2 positions in the Nuclear Office for the last half of fiscal 1978-79.

As discussed above, the Nuclear Office was created by the commission to respond to Chapters 194, 195 and 196, Statutes of 1976. In 1976-77 funding was provided for the undergrounding study required by Chapter 195 by redirecting \$380,375 budgeted for other commission programs and by an appropriation contained in Chapter 61, Statutes of 1977.

On January 13, 1977, the commission presented testimony to the Assembly Committee on Resources, Land Use and Energy to justify the appropriation in Chapter 61. At that time, the commission stated that 5.5 positions had been created for purposes of the study in 1976-77 and would be continued in 1977-78. The cost in 1977-78 is \$173,258 and the funds are provided in the Budget Act of 1977.

Chapter 61 also added language to the provisions of Chapter 195 which states that any position created by the commission for the purpose of the undergrounding study shall be eliminated by the end of the 1977-78 fiscal year. However, the commission's work is behind the statutory deadline and the required report will not be completed until February 1978. Presumably because of the delay and uncertainty of scheduled actions, the commission's budget requests a continuation of three positions in 1978-79 for the undergrounding study at a cost of \$88,000. The positions would be used to provide support for technical work and hearings if the commission decides to require undergrounding by regulation. We recommend a reduction of \$44,000 to delete funding for these positions for the last half of fiscal 1978-79. This would allow 10 months (March to December) to write regulations, which should be ample time. Our recommendation is also as consistent as possible with the intent of Chapter 61 that the positions be terminated when the work is completed. Furthermore, the Legislature would then have a period of one year as specified in the statute to review the proposed rules and regulations before the commission takes any further action.

Location of Power Plants

Subsections 25309(e) and (l) of the Public Resources Code require the commission to include in its Biennial Report areas appropriate for additional electric generating sites, including the generating capacity to be installed and the type of fuel and other characteristics of the facilities which will be required to meet the commission's 10 year electricity demand forecast. The commission had one position for this work in 1976-77 and received two additional positions in the current year, for a total of three. Although the budget for 1978-79 indicates that only one of the three positions is being used for this "locational planning", it requests an increase of one position for this purpose. We assume that the two additional

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

positions authorized by the Legislature have been shifted to other work, indicating that the commission considers locational planning to be a low priority.

In our analysis of the Air Resources Board budget (see page 344) we are recommending that the Air Resources Board, the Office of Planning and Research, and the Energy Commission coordinate their work on industrial and power plant siting. The Energy Commission has done little in this area so far. It will have to do more if the administration's policy to take a positive, rather than a negative regulatory approach to industrial siting is to be effective.

Nuclear Health and Safety Studies

We recommend a reduction of \$312,000 to delete funding for studies of health and safety issues related to nuclear power plants.

The Nuclear Office requests an increase of 3 positions and \$147,000 to study health and safety issues related to nuclear power plants. The increase would bring total funding for this program to \$312,000, including \$170,000 in funds for consultant contracts. The results of the studies would be used as input to the NOI/AFC process. This work is primarily authorized by Section 25511 of the Public Resources Code, which requires the commission to review factors related to safety of power plants and to include findings from this review in the preliminary report (a step in the NOI/AFC process).

We recommend deletion of the funding. First, as we have discussed earlier, the commission's recent findings with respect to nuclear waste storage and fuel reprocessing pursuant to Chapters 194 and 196 of 1976, will probably make it impossible to site nuclear power plants in California for several years and may reduce concern over current safety problems. Second, the Legislative Counsel has stated that Section 25511 of the Public Resources Code is unconstitutional insofar as it applies to commission review of factors related to radiation safety, because of federal preemption. If this opinion is sustained, this program is not needed. We are recommending deletion of the \$312,000, not because we are uninterested in nuclear safety hazards, but in order to secure guidance from the Legislature as to whether or not it wishes the work to continue under the current circumstances.

Increased Use of Solar Energy

The commission's budget for 1978-79 reflects a decision to accelerate the use of solar energy systems. In the current year, the Solar Office has 25 positions and about \$1.5 million in state funds. For 1978-79, the budget proposes 27 new positions and additional state funding of \$1,083,000. Total funding and staff budgeted for solar energy development, includes \$2,647,000 in state funds and \$762,000 in federal funds for a total of \$3,409,000.

The commission's solar program appropriation request was increased by about \$1 million in the final stages of budget preparation. The expanded solar program is not well defined. In addition, the Solar Office will have considerable difficulties in more than doubling its present staff while at-

tempting to conduct effective programs.

Some of the most important impediments to solar water and space heating are economic and, for the most part, are beyond the direct power of the commission to remove.

The Legislature has already provided encouragement to solar energy. For example, Chapter 1082, Statutes of 1977, provides a state tax credit for solar systems which in effect reduces their cost by 55 percent. In addition, Resolution Chapter 29, Statutes of 1977, will place on the June 1978 ballot a constitutional amendment which would exempt solar equipment from the property tax.

It should be noted that funds for solar energy are also contained in the budget of the Department of Housing and Community Development (Item 141). This item contains \$5 million for a solar energy demonstration program which would involve loans and grants for the installation of solar water and space heaters on residences belonging to low or moderate income families, or for elderly Californians.

Finally, the Governor is proposing a \$450 million program in separate legislation to provide financial assistance to school districts and cities and counties for the purpose of improving the efficiency of energy conserving facilities and to install energy conservation devices. It is not apparent from the budget how these various efforts will be coordinated and directed to maximize their impact and to promote the efficient expenditure of funds.

Reduce Funding for Non-Nuclear Plant Earthquake Design Guidelines

We recommend a reduction of \$95,000 in state funds and \$75,000 in federal funds to delete funding for the commission's program to develop seismic related structural guidelines for non-nuclear power plants.

The commission requests \$170,000 (including \$75,000 in federal funds) to continue the development of structural design guidelines for major systems and components of non-nuclear power plants pursuant to Public Resources Code Section 25511. The purpose of the guidelines would be to minimize power outages caused by earthquakes. We recommend deletion of this program.

It is not clear whether the Energy Commission should be involved in structural design and safety of non-nuclear power plants. The Public Utilities Commission may be a more appropriate entity to oversee utility companies in designing plants to withstand earthquakes. Any guidelines proposed by the Energy Commission could impede the application of new and better designs and could limit the flexibility of engineers when designing structures to meet the needs of specific sites. The Legislature should review the commission's role and responsibility for structural design in this area.

Hazard Studies and Review Criteria

We withhold recommendation on the commission's request for \$206,000 for programs to identify hazards of non-nuclear power plants and to formulate hazard review criteria for siting procedures pending receipt of additional information.

The commission requests \$206,000 in state funds for a program to identify and rank hazards associated with non-nuclear power plants and to

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

develop criteria for review of these hazards during siting procedures. The commission has also budgeted \$120,000 in federal funds for these programs.

To the best of our knowledge, the principal hazard related to non-nuclear power plants is air pollution. The Air Resources Board already has a large staff studying power plant emissions and emission control methods, and is requesting added funding for 1978-79. The commission does not need to develop its own expensive program for air emission hazard studies.

Water borne pollutants can be hazardous, but they are primarily the responsibility of the Water Resources Control Board. Hazards to workers inside nonnuclear power plants are the responsibility of the State Division of Industrial Safety and the federal Occupational Safety and Health Administration. We have requested further information on how the commission intends to use the money. Until we can review this information we defer recommendation on the commission's funding request.

Report on Research Program Needed

We recommend that the Legislature direct the commission to submit the annual statutory report on its research and development program by November 1, and to include in the report justification for the research budget request.

Further, we withhold recommendation on the \$3.9 million for contracted research and development work pending receipt of the statutory report.

Section 25603 of the Public Resources Code requires the Energy Commission to submit "an integrated program of proposed research and development and technical assessment projects set forth on an item-by-item basis" to the Governor each year for inclusion in the budget. The commission is to describe the "objectives and anticipated end product of each project, funding and staff requirements, timing and other information necessary to describe the projects adequately." A description of the progress of current research is also required.

Volume 6 of the commission's 1977 Biennial Report, entitled "Energy Research and Development Program" fulfilled the requirements of law indicated above, although its description of proposed 1977-78 research projects was sketchy. The Biennial Report was not issued until March 1977, and therefore was too late for our 1977-78 Analysis. As of late January the commission had not prepared the required report for the 1978-79 budget year, and therefore has not met the requirements of the law. We recommend that the Legislature direct the commission to submit the report required by Section 25603 by November 1 each year to serve as the justification material for the research budget. This should not create additional work for the commission, because it already is required to submit the report to the Governor in time for inclusion in the budget.

In the past, the Budget Act has contained language requiring the commission to submit a report to the Legislature every two months listing research and technical assessment contracts in excess of \$10,000 which

were awarded in the preceding two months or are proposed to be awarded in the next two months. The language is not in the Budget Bill this year. We believe that the commission has now gained sufficient experience that it can formulate an adequate research program in time for inclusion in the budget each year and therefore the statutory report if submitted as recommended is sufficient.

We defer recommendation on the commission's request for approximately \$3.9 million for contracted research pending receipt of the statutory report for 1978-79. The information provided by the commission on these projects to date is in most cases, insufficient.

Contract Funding for Public Participation Rejected

The statutes provide for a Public Adviser, who must be an attorney appointed by the Governor. The adviser attempts to ensure full and adequate participation by interested groups and the public in commission proceedings. The Public Adviser's office has 6 positions and funding of about \$170,000 in the current year. The Public Adviser has tried numerous times to obtain funding through the budget *to compensate individuals and groups for their involvement in commission proceedings*. The Energy Commissioners refused to include such funds in the 1976-77 budget. In 1977-78, the commissioners approved money in the budget but it was deleted by the administration. The Public Adviser requested the money directly from the Legislature, which also rejected the proposal. This year, funding of \$150,000 was approved by the commissioners for inclusion in the commission's proposed budget, but was again eliminated by the administration. In addition to these adverse decisions, the Attorney General in March 1976, opined that the Warren-Alquist Act does not authorize the establishment of a program for the utilization of Energy Commission funds to finance public participation.

The idea of funding public participation has appeal because representatives of the utilities who appear before the commission are paid by the ratepayers through their utility bills. Public interest, environmental and other interest groups must pay their own costs. However, public funding for them would set a precedent which, if applied to all boards and commissions would result in substantial state costs. There would also be difficulty in determining which groups should receive funding and which should not, and the money could be directed to groups which advocate a particular point of view. State government has functioned in the past on the premise that people will speak if they feel strongly about an issue. In addition, the individual commissioners have a responsibility to consider the public interest.

The commission is requesting two additional positions for 1978-79, at a cost of \$50,000, for the Public Adviser's office. These positions should help to advise the public on improving its participation. It should be noted again that the commission's power plant siting procedures with their emphasis on legalistic, courtroom type procedures probably do more to limit public participation than any other factor. Not only are these procedures expensive for the state, they are also expensive for the participants to the hearings.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued**Research on Long-range Energy Policy**

We recommend a reduction of \$298,000 for requested increases in the Systems Assessment and Future Energy Alternatives programs.

Two programs entitled systems assessment and future energy alternatives attempt to study long-range energy needs and recommend policies for meeting those needs. These programs have 8 positions and funding of \$560,000 for 1977-78. The budget proposes an increase of 5 positions and \$298,000 for 1978-79, bringing total funding to \$858,000. We recommend deletion of the proposed increase because the current staffing and funding is adequate for these programs.

Future Alternatives Program. The purpose of this program for 1978-79 is to "address the difficult task of developing and applying methods for evaluating the feasibility of the long-term energy and society scenarios generated in the 1977-78 year." The commission has explained that these energy and society scenarios are for 50 to 60 years in the future. The number and variability of such possible scenarios is practically infinite, being limited only by the imagination. Recent events such as the Arab oil embargo and the changes in availability of Canadian and Mexican natural gas illustrate the difficulties in predicting energy conditions even a few years ahead.

We also note that the commission has recently approved a \$240,000 contract with Stanford Research Institute, a large portion of which is for development of energy and society scenarios for the mid-21st century. With this large research commitment in the current year, extension of the current funding of \$160,000 for this program into 1978-79 should be adequate. The commission's Energy Assessments Division is already spending about \$2 million annually in state funds to forecast electricity demand and to determine the best ways of meeting that demand over the next 20 years. The commission is having significant difficulties with this more limited time horizon. Large increases for even longer range studies are not supportable at present.

Systems Assessment Program. The purpose of the program is to assess the contribution that alternative energy systems can make to cope with perceived limitations of existing resources and technologies, and to find methods and policies for putting such systems into use. This program currently has funding of \$400,000.

The program tasks for the budget year will include (1) development of methods to compare the desirability of various energy technologies for energy supply, (2) development of conceptual designs for structures that incorporate energy savings or new technologies, (3) assessment of the implications of the increasing scarcity of oil products on transportation, industry and agriculture and the development of future options, and (4) a study of the contribution that can be made to energy supply by forest, agricultural and urban waste.

The vagueness of the proposed projects gives little assurance of useful results. The comparison of the desirability of various technologies will attempt to weight factors of concern to the commission such as environ-

mental impact, fuel availability, and cost, against each other for use by the commission when making decisions on power plants. Any such weighting attempts to compare apples and oranges and is inherently subjective. Decisions on power plants will depend on the specific characteristics of each plant, which cannot be assigned numbers or scores compatible with this methodology. It is very unlikely that the commissioners or other decision makers would actually use such a method. The remainder of the tasks are similarly long-range and somewhat abstract. These kinds of research studies are also being carried out in many major universities. The current staff and funding is adequate to carry on an effective commission program and to monitor and utilize the results of outside research.

This program will also assess the adequacy of utility company research and development activities and study the feasibility of storing energy in compressed air. However, the commission has no authority over utility research, and has been granted substantial funding for research on compressed air storage in the past.

We support carefully planned and realistic long-range research and studies of alternatives. However, we believe that the proposed expansion of research will not be productive and that continuing the current staffing of 8 positions and funding totaling \$560,000 for the Systems Assessment, and the Future Energy Alternatives programs is adequate. We recommend continuation of this funding level and deletion of the proposed increase of \$298,000.

Resources Agency

STATE SOLID WASTE MANAGEMENT BOARD

Items 174 and 175 from the
 General Fund and the State
 Litter Control, Recycling and
 Resources Recovery Fund.

Budget p. 372

Requested 1978-79	\$19,978,876
Estimated 1977-78.....	3,167,176
Actual 1976-77	1,489,513
Requested increase \$16,811,700 (531 percent)	
Total recommended reduction	Pending

1978-79 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
174	General Support	General	\$1,978,876	330
175	Litter Control, Recycling and Resource Recovery program including loans and grants	Litter Control, Recycling and Resource Recovery	18,000,000	333
			<u>\$19,978,876</u>	

STATE SOLID WASTE MANAGEMENT BOARD—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	<i>Analysis page</i>
1. Budget Support Information. Recommend approval of board's budget be withheld and the board be directed to provide supporting information to the fiscal subcommittees on all programs and projects.	331
2. General Fund Loan. Recommend board be directed to submit to the fiscal subcommittees its funding requirements for start-up of the Litter Control, Recycling, and Resource Recovery program to determine need for a General Fund loan.	333
3. Bay Area Solid Waste Management Program. Recommend board be directed to provide the fiscal subcommittees with a status report on all projects currently funded under the program.	338

GENERAL PROGRAM STATEMENT

The State Solid Waste Management Board was created by the Nejedly-Z'berg-Dills Solid Waste Management and Resource Recovery Act of 1972 (Chapter 342, Statutes of 1972). The board was given responsibility for the development and maintenance of solid waste management policy and a resource recovery program. The act assigned primary responsibility for solid waste management and planning to local government.

Among the board's responsibilities are (1) developing and enforcing statewide policies and environmental standards for waste handling and disposal, (2) assisting local government in the development of required county solid waste management plans and approval of such plans, (3) undertaking research and development of new technology for solid waste processing and resource recovery systems (including waste conversion to energy), and (4) analyzing markets for recovered materials, industrial chemicals, and recovered fuels. Chapter 1246, Statutes of 1976 (SB 1395), requires the board to work with local agencies and certain state agencies to select sites and develop financing plans for construction of resource recovery facilities. Chapter 1161, Statutes of 1977 (SB 650) requires the board to administer a grant and loan program for litter control, recycling and resource recovery throughout the state.

ANALYSIS AND RECOMMENDATIONS

The board's total proposed expenditures in the budget year are \$22,673,684 or 419 percent greater than the \$4,367,945 estimated for the current year. This major increase is primarily the result of \$18,000,000 included in the board's budget for implementation of the new Litter Control, Recycling and Resource Recovery program established by Chapter 1161.

The board's total expenditures differ from the \$19,978,876 requested in the Budget Bill because it will receive \$2,579,000 in federal grant monies during the budget year under the National Resource Conservation and Recovery Act (RCRA) of 1976 (PL 94-580) and \$74,618 in general reimbursements. In addition the board plans to make General Fund expenditures of \$41,190 under Chapter 1158, Statutes of 1977, during the budget year.

Table 1 summarizes estimated and proposed expenditures by major programs for a two-year period.

Table 1
Summary of Program Expenditures
Solid Waste Management Board

<i>Program Expenditures</i>	<i>Estimated 1977-78</i>	<i>Proposed 1978-79</i>
Planning implementation and enforcement	\$1,895,024	\$11,260,515
Resource recovery	2,472,921	11,413,169
General support	(1,344,303)	(2,863,627)
	\$4,367,945	\$22,673,684
Federal grants, reimbursements and Chapter 1158 appropriations		(-)2,694,808
Request for appropriations in Budget Bill		\$19,978,876

Budget Request Unsupported

We recommend that approval of the Solid Waste Management Board's budget be withheld and the board be directed to provide to the fiscal subcommittees by April 1, 1978, detailed supporting information for all of its programs and projects so that the adequacy of financing can be determined.

The board's budget request includes funding for a number of solid waste management planning, implementation, enforcement and resource recovery programs and projects. Several of the programs and projects have been underway for some time. Others are new or undergoing major changes and in need of careful review. For the most part, the budget requests for the board's programs and projects are not adequately supported by either detailed information or specific plans for implementation which indicate funding requirements and expenditure programs.

An important problem is that the board's budget does not differentiate between activities it expects to perform under new federal legislation (RCRA) and those to be carried out under existing state legislation such as Chapter 1246, Statutes of 1976 (SB 1395) or Chapter 1161, Statutes of 1977 (SB 650). These statutes tend to overlap and it appears that some resource recovery work probably can be performed under all three statutes. The dollars to be expended, the positions needed and the work to be done should be differentiated and assigned to each statute.

The budget provides funds to continue work on solid waste processing and resource recovery plants, but the proposed work is not defined. In addition, a realistic evaluation of the prospective success of these plants is not available, nor does the budget indicate that such evaluations will be made. It is not evident from the budget whether money for pilot projects, test facilities or working drawings may be needed next year.

Finally, if any of these projects are to be constructed, the board should be working out the sources and amounts of funding for each project, whether from the Pollution Control Financing Authority, under the provisions of Chapters 1246 or 1161, federal funds, or private or local government funds.

STATE SOLID WASTE MANAGEMENT BOARD—Continued

In order that the board's past and prospective accomplishments can be judged and appropriate financing provided for its programs and projects, we recommend that the board be required to supply by April 1, 1978, supporting information needed to permit a thorough analysis of its entire budget, including details on federally funded programs administered by the board.

PLANNING, IMPLEMENTATION AND ENFORCEMENT PROGRAM

The general objectives of the board's planning, implementation and enforcement program are to (1) establish and maintain statewide solid waste management policies, (2) develop minimum environmental standards for solid waste handling and disposal and assist local government in enforcement of such standards, (3) assist local government in developing and implementing county solid waste management plans, (4) develop a program for the disposal of hazardous wastes in cooperation with the Department of Health, (5) develop litter cleanup and public education programs along with administering litter cleanup and recycling grants to local, private and state agencies, and (6) develop federally mandated state and regional waste disposal plans in cooperation with local government.

The board's estimated expenditures for this program in the budget year are \$11,260,515 (58.5 positions), a net increase of \$9,365,491 or 494 percent over the current year.

National Resource Conservation and Recovery Act

The National Resource Conservation and Recovery Act (RCRA) of 1976 (PL 94-580) provides for development of: (1) financial and technical assistance for state and regional solid waste management plans, (2) a hazardous waste regulatory program, (3) a program to eliminate open dumps, (4) grants to rural communities to improve waste management systems, and (5) authority for research, demonstrations and studies. The act is administered by the Environmental Protection Agency (EPA).

In California, the Solid Waste Management Board has been designated by the Governor as the lead agency to implement the federal law in coordination with the Water Resources Control Board, the Air Resources Board and the Department of Health. The Board is now developing an interim state solid waste management plan which will be submitted to the EPA in July 1978, and updated annually. In order for the state to qualify for federal funds, the state plan must: (1) identify responsibilities and boundaries of state, local and regional authorities in carrying out the plan, (2) show the distribution of federal funds, and (3) specify the strategy for coordinating regional planning.

In addition, the plan must include an inventory of landfill disposal sites and problems, and a strategy and compliance schedule for closing open dumps. Strategies for increasing resource recovery operations and facilities, and providing greater control over the handling and disposal of hazardous wastes must also be included in the plan. The strategy for hazardous wastes must provide for stringent control over the issuance of permits for handling, transporting, storage, disposal and recycling of hazardous wastes and also set forth appropriate enforcement provisions.

In the current year, the board has received \$1 million from EPA under RCRA and anticipates an additional \$318,000. If the full amount of \$1,318,000 is received, a transfer of \$480,000 will be made to the Department of Health for development of the hazardous waste elements of the report and the board will retain the remaining \$838,000 for its own use. No grants to local agencies will be made in the current year. The budget assumes that \$2,579,000 will be received in 1978-79 which would provide for 34.3 personnel-years and pass-through grants of \$1,657,540 to other state agencies and to local agencies.

The board has not received policies and guidelines from EPA. Consequently, there is considerable confusion about the program, its timing and amounts of federal funding in the budget year and subsequent years.

Duplication between RCRA and Section 208 Studies. There is some duplication between RCRA and provisions of Section 208 of the Federal Water Pollution Control Act Amendments of 1972 (PL 92-500). Under Section 208 the Governor has designated the State Water Resources Control Board and certain regional planning agencies such as the Association of Bay Area Governments and the Southern California Association of Governments to develop comprehensive plans to prevent the deterioration of ground waters, including plans to control disposal of solid waste, sewage sludge, and hazardous wastes. In addition, it is not clear how the county solid waste management plans which have been completed by the counties pursuant to Chapter 342, Statutes of 1972, will relate to development of the plans required under RCRA.

Litter Control, Recycling and Resource Recovery Program

We recommend the Solid Waste Management Board be directed to submit to the fiscal subcommittees by April 1, 1978, its funding requirements for start-up of the Litter Control, Recycling and Resource Recovery program to determine whether a General Fund loan for the program should be made in the Budget Bill.

The Litter Control, Recycling, and Resource Recovery Act (Chapter 1161, Statutes of 1977—(SB 650)) provides for a comprehensive litter control and waste removal program and the development of operational projects for the recovery of energy and resources from solid waste. In order to generate funds for this program, the legislation imposes an annual assessment on retailers, wholesalers, and manufacturers of certain products which contribute substantially to waste and litter generation. In addition, a surcharge of \$0.25 per ton is levied on operators of a solid waste disposal site, based on specified solid wastes disposed of in landfills. The assessment on retailers is based on the amount of sales tax liability generated by retail sales while the assessment on wholesalers and manufacturers is based on the average number of full-time employees regularly employed during the assessment year. The assessment is effective January 1, 1978, and the surcharge is effective January 1, 1979. Total revenues of approximately \$25-\$30 million from the assessment and the surcharge are anticipated annually, and will be deposited in the Litter Control, Recycling and Resource Recovery Fund which is administered by the board.

Chapter 1161 contains a formula for allocation of grants and loans to

STATE SOLID WASTE MANAGEMENT BOARD—Continued

specified state and local agencies and nonprofit organizations. Such loans and grants are to be for litter cleanup, providing litter receptacles and bags, research and development projects for recycling, resource recovery and energy conversion projects, public education, and litter law enforcement programs. The board's costs of administering the program are also to be charged to the fund.

Delay in Collection of Revenues. Although the act became effective on January 1, 1978, assessment revenues will not be available to the board in the current year to cover its advance planning costs or to provide for loans and grants. These revenues will not be sufficient to support major program expenditures by the board until February 1979.

In the budget year, the board is requesting an appropriation of \$18 million from the Litter Control, Recycling and Resource Recovery Fund under Item 175 of the Budget Bill. Of this amount, approximately \$900,000 (35.3 personnel-years) is designated for program administrative costs and \$17,100,000 is for loans and grants to local agencies and private entities.

General Fund Loan may be Needed. The board has applied for a loan from the Emergency Fund to cover start-up costs of the program in the current year but it is uncertain whether money will be made available before July 1, 1978. In addition, direct funding of the program from Item 175 will not be possible at the start of the budget year because collections of the first year assessments will not occur until after the end of the 1978 calendar year when approximately \$25 million is expected to be received. Although this amount exceeds the \$18 million requested, a loan from the General Fund will be necessary for cash flow purposes during the first half of the budget year.

In order to assure that the program is not unnecessarily delayed, we recommend that the board be directed to determine the amount needed from the General Fund to pay its administrative costs and provide any necessary loans and grants prior to the receipt of assessment revenues. This loan could be added to the Budget Bill (as Item 174.1) with repayment to be made in the budget year from the Litter Control, Recycling, and Resource Recovery Fund according to terms and conditions prescribed by the Department of Finance.

The board should also provide the Legislature with a detailed plan for implementing this program in the budget year. At present the board's request is not sufficiently detailed. More information is needed to indicate how the money will be expended for the board's administrative costs and for grants and loans to public and private entities. In addition, the board has encountered technical difficulties due to certain provisions of the act. These problems should be brought to the Legislature's attention.

RESOURCE RECOVERY PROGRAM

By 1980, California will generate approximately 22 million tons of mixed residential and commercial waste which will require disposal in landfill dumps. In order to reverse the long-term practices of large scale disposal of wastes which should be recovered and reused, the Solid Waste Management and Resource Recovery Act of 1972 mandated the development of

a resource recovery program in California.

The board's estimated expenditures for this program in the budget year are \$11,413,163 (44 personnel-years), a net increase of \$8,940,248 or 361 percent over the current year.

Resource Recovery Feasibility Studies

Since 1976 the board has been investigating the feasibility of constructing several solid waste resource recovery and energy conversion facilities. Funding for most of the feasibility studies has been provided by Budget Act appropriations totaling \$1,925,000 from the General Fund for the Bay Area Solid Waste Management program and the Humboldt County resource recovery project. In addition, funding has been made available by a \$275,000 appropriation from the Environmental Protection program fund for the Southern California Resource Recovery program. Funding has also been provided for project feasibility studies by local governments using federal funds and by private entities.

In the current year, the board has also worked on projects to meet the mandates of Chapter 1246, Statutes of 1976. This legislation requires the board, in cooperation with the State Energy Resources Conservation and Development Commission, the Department of Water Resources, the State Lands Commission, and the Water Resources Control Board, to select sites to convert solid waste into energy and synthetic fuels. Selection of these sites was to be completed by July 1, 1977, with an implementation and financing plan submitted to the Legislature by December 31, 1977. The latter date was not met. The facilities are required to be operational not later than January 1, 1981.

Tentative Site Selection. Recently the board has made a tentative selection of seven sites, six of which are considered as Chapter 1246 projects, and one (Four North Counties) that has *not* been identified with a program. However, completion of site selection, implementation and financing are awaiting completion of the project feasibility studies, most of which are currently in progress. The following is the general status of these projects:

Humboldt County Waste Processing and Energy Conversion Plant.

The project being investigated by Humboldt County is for construction of an 800 ton per day, solid waste processing and waterwall combustion plant which would produce steam for a 30 megawatt turbine generator to be constructed by PG&E. The waste for firing the boiler would be composed of 30 percent Refuse Derived Fuel (RDF) and 70 percent wood waste. A preliminary estimate indicates the plant would cost approximately \$27 million (1982 costs) and would employ about 45 workers.

An alternative proposal has recently been introduced by the Humboldt Bay Power Company (a group of wood product firms) which proposes to construct a 1,500 ton per day plant generating 40 megawatts of power. This plant would burn a mixture of 20 percent RDF and 80 percent wood waste. At this time, the board has not received detailed information on this proposal.

The county's feasibility study was financed by the board with \$200,000 of General Fund money made available from excess funding for the Bay

STATE SOLID WASTE MANAGEMENT BOARD—Continued

Area Solid Waste Management project. The cost of the privately funded alternative proposal is unknown.

Four North Counties Waste Processing and Energy Conversion Plant.

The project being investigated jointly by the Counties of Marin, Mendocino, Napa and Sonoma, is for site selection and construction of a 1,500 ton per day solid waste processing and energy conversion plant. The conversion system to be used will be determined in the study. The waste stream will be a mixture of RDF and wood waste. A preliminary estimate indicates the plant would cost in the range of \$60-\$80 million (1982 costs) and would employ 50-60 workers.

The county's feasibility study was financed by the board with \$150,000 of General Fund money from the Bay Area Solid Waste Management project. The board has not yet received detailed information on this project and has not included it in the Chapter 1246 program.

City and County of San Francisco, Steam/Generator Plant. The City and County of San Francisco, in cooperation with the Sunset Scavenger Company, the Golden Gate Disposal Company and the Sanitary Fill Company, is investigating the feasibility of constructing a 1,400 ton per day solid waste processing and water wall combustion plant which would produce steam for a 34 megawatt turbine generator. The plant would be built by the Sanitary Fill Company adjacent to its existing transfer station in the City of Brisbane, San Mateo County. The electric generator would be owned and operated by either Sanitary Fill Company or by PG&E. A preliminary estimate indicates the plant would cost approximately \$80 million (1982 costs), and would employ about 50 workers for operation and maintenance of the system.

The feasibility study was financed by the board with \$200,000 of General Fund money from the Bay Area Solid Waste Management Program and \$150,000 from the Sanitary Fill Company.

City of Alameda, Steam Generator Plant. The City of Alameda is investigating the feasibility of constructing a 1,000 ton per day solid waste processing and water wall combustion plant producing steam for a 35 megawatt turbine generator constructed as part of the project. The electric power would be utilized by the city's own utility system, in place of energy presently purchased from PG&E. A preliminary estimate indicates the total cost of the plant would be approximately \$71 million (1982 costs). The proposed plant is expected to create about 40 new jobs for operation and maintenance of the system.

This feasibility study was financed with \$110,000 of General Fund money from the Bay Area Solid Waste Management Program and \$50,000 from the city.

Central Contra Costa Sanitary District, Waste Processing Plant. The Central Contra Costa Sanitary District is studying the feasibility of constructing a 1,200 ton per day solid waste processing facility to recover ferrous metals and aluminum and to produce a refuse derived fuel (RDF). The RDF would be used in the furnaces of the district's wastewater treatment plant to remove moisture from sewage sludge and to produce gas by pyrolysis. The gas would be used in firing a boiler/turbine generator

and in a multiple hearth furnace for recalcining lime for reuse in the sewage treatment process. The electric power produced by the turbine generator would provide 8.5 megawatts for use in the plant. A preliminary estimate indicates the plant would cost approximately \$53 million (1982 costs) and would employ about 50 workers.

The cost of the district's feasibility study was \$619,170. Of this amount \$541,774 was provided under a grant from EPA and \$77,396 was provided by the district and the City of Concord.

Los Angeles County Sanitation District, Steam Plant. The Los Angeles County Sanitation District is investigating the feasibility of constructing a 1,000 ton per day solid waste processing and water wall combustion plant in the Long Beach harbor area. This plant would produce process steam for use by Kaiser Gypsum, Procter and Gamble and the U.S. Naval Shipyard, all located close to the plant. A preliminary estimate indicates the plant would cost approximately \$70 million (1982 cost) and would employ about 50 workers.

The cost of the district financed feasibility study is unknown.

City of San Diego, Steam Plant. The City of San Diego is studying the feasibility of constructing a 1,400 ton per day solid waste processing and water wall combustion plant to produce process steam for use by KELCO (a food products firm), San Diego Gas and Electric Company, and the U.S. Naval Base. The plant would be built on land adjacent to the naval base and would use over 2 miles of insulated pipeline to deliver steam to the users. A preliminary estimate indicates that the plant would cost approximately \$90 million (1982 costs) and would employ about 60 workers.

The city's feasibility study was financed by the board with \$200,000 appropriated for the Southern California Resource Recovery program.

Major Problems Need Resolution

All of the projects being studied would employ water wall combustion systems which are similar to systems that have been used successfully at Saugus, Massachusetts and at other locations in this country. However, there are major problems which must be resolved before these projects can move forward. Specifically, (1) ash disposal for such systems may require special procedures, including disposal of hazardous wastes in Class I disposal sites; (2) sophisticated and costly air pollution control technology for control of particulates, sulfur dioxide and NO_x emissions will be required, (3) the plants may meet California emissions requirements but some may not satisfy EPA air quality maintenance standards which limit the volume of pollutants in specified areas unless tradeoffs are arranged by reducing other emission sources, (4) completed EIRs are required prior to approval and construction of the projects, (5) considerable difficulty is anticipated to obtaining as many as nine separate permits from various control agencies, (6) potential users of energy produced by the plants are reluctant to guarantee a long-term energy market to amortize the cost of the facilities (only the Alameda and Contra Costa projects have assured markets), (7) long-term contracts are needed to assure a constant supply of waste for the projects (this is a serious problem for the Humboldt and Alameda projects), and (8) the bondholders who finance the projects

STATE SOLID WASTE MANAGEMENT BOARD—Continued

must have assurance that the projects will be completed in a timely manner and that they will operate as planned.

Program Lacks Detail

In prior Analyses, we have pointed out that the board's budget requests for its resource recovery program have been inadequately described and contained insufficient detail to determine what would be accomplished and what the specific costs would be. To remedy this, the board has been required in past years to supply the needed details before financing was provided by the Legislature.

The board's budget request for its resource recovery program is again lacking sufficient details for analysis. A budget of \$11,413,163 and 44 personnel-years is requested but the budget gives no information on the specific projects to be continued in the budget year, the new projects to be undertaken, or what the associated personnel and contract costs would be. As recommended earlier, approval of the board's request should be withheld until the needed information has been submitted.

Bay Area Solid Waste Management Program

We recommend that the Solid Waste Management Board provide the fiscal subcommittees with a status report by April 1, 1978, on the projects currently funded under the Bay Area Solid Waste Management program, indicating the disposition of each project.

The Legislature has, since 1975, made available \$1,725,000 of General Fund monies to the board for the Bay Area Solid Waste Management Program. Since starting the program, the board has (1) investigated current waste management practices in the Bay Area, (2) studied alternative resource recovery systems such as source separation, direct combustion, and composting, and (3) evaluated potential markets and institutional factors.

During hearings on the current year's budget, the board was directed by the Legislature to implement resource recovery in the Bay Area by (1) selecting three full-scale resource recovery and energy conversion projects for detailed feasibility studies which would lead to construction of these projects, (2) selecting three projects for conceptual studies leading to feasibility studies, and (3) performing support studies of waste sources and volumes, markets for recovered materials, energy and exhaust stack emissions. These support studies were to contribute to the preparation of the conceptual and feasibility studies.

Although these studies are underway, the board has proposed deletion of \$1,137,164 and 6.6 specialist positions from its budget for continuance of the Bay Area Solid Waste Management program. In taking this action the board indicates that the program is no longer needed but fails to provide adequate information relative to its plans for continuation and completion of the studies in the budget year and for further steps towards financing and implementation of the needed projects.

Because of the importance of this program to the Bay Area, the substantial investment of General Fund money in the studies, and the need for acceleration of the proposed work, the board should provide the Legisla-

ture with a status report on the program and its disposition in the budget year.

**Resources Agency
AIR RESOURCES BOARD**

Items 176-184 from the General
Fund and special funds

Budget p. 377

Requested 1978-79	\$35,963,006
Estimated 1977-78.....	27,010,619
Actual 1976-77	22,937,464
Requested increase \$8,952,387 (33.1 percent)	
Total recommended reduction	Pending

1978-79 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
176	Support, Stationary Source Pollution Control	General	\$4,502,348
177	Support, Vehicular Source Pollution Control	Motor Vehicle Account, State Transportation	15,404,174
178	Licensed Smog Stations	Automotive Repair	1,251,259
179	Air Pollution Research	Environmental Protection Program	1,519,333
180	Motor Vehicle Emission Inspection	Motor Vehicle Account, State Transportation	2,919,887
181	Miscellaneous Support	Air Pollution Control	775,620
182	Motor Vehicle Emission Inspection	Vehicle Inspection	4,752,385
183	Subventions to Air Pollution Control Districts	General	2,800,000
184	Subventions to Air Pollution Control Districts	Motor Vehicle Account, State Transportation	2,038,000
			\$35,963,006

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS:

- | | <i>Analysis
page</i> |
|--|--------------------------|
| 1. Program Budget. Recommend the Legislature direct the board to prepare a program budget for 1979-80. | 341 |
| 2. Stationary Source Emissions Control. Withhold recommendation on \$1,497,566 increase for 30 new stationary source emissions control related positions, pending submission of task force report on state and local responsibilities. | 342 |
| 3. Industrial Plant Siting. Recommend Legislature direct the ARB, the Office of Planning and Research and the Energy Commission to coordinate work on industrial plant siting. | 344 |
| 4. Mandatory Vehicle Inspection Program. Withhold recommendation on \$7,672,272 for mandatory vehicle inspection program pending information on site acquisition costs. | 345 |

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 who are appointed by the Governor and 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 emissions testing, new vehicle emissions certification and control and laboratory work are located at El Monte. The board has 517 authorized positions.

ANALYSIS AND RECOMMENDATIONS**Sources of Funding**

Total ARB expenditures for 1978-79 from all sources are estimated to be \$38,298,796 including \$35,963,006 from the state, \$1,605,307 in federal funds and \$730,483 in reimbursements.

The General Fund finances expenditures for stationary pollution control (that is, emissions not directly related to motor vehicles). This includes expenditures for general support of the ARB (Item 176 in the amount of \$4,502,348) and subventions to local air pollution control districts (Item 183 in the amount of \$2,800,000).

The Motor Vehicle Account, State Transportation Fund, finances the program for vehicular emissions control (Item 177 in the amount of \$15,404,174), subventions to air pollution control districts (Item 184 in the amount of \$2,038,000) and a loan for the mandatory vehicle emissions inspection program (Item 180 in the amount of \$2,919,887). The loan is made to the ARB. The money would be used in 1978-79 to support the ARB and the Bureau of Automotive Repair (BAR) staff for supervision of the inspection program. The Motor Vehicle Inspection Fund will receive the fees from vehicle emission inspections when inspections begin in early 1979. The fund will be used to make payments to the private contractor who is constructing and operating the inspection stations (Item 182 in the amount of \$4,752,385). Item 182 is new in the board's 1978-79 budget and accounts for over one-half of the \$8,952,387 increase over the estimated current year expenditures.

Money from the Automotive Repair Fund (Item 178 in the amount of \$1,251,259) is appropriated to the ARB for a contract with BAR for regulation of licensed smog stations. The California Environmental Protection Program Fund (Item 179 in the amount of \$1,519,333) partially supports the board's research program. The Air Pollution Control Fund (Item 181 in the amount of \$775,620), federal funds (\$1,605,307), and reimbursements (\$730,483) are distributed among the board's programs.

Significant Budget Increases

The board's appropriation request of \$35,963,006 for 1978-79 is an increase of \$8,952,387 or 33.1 percent over estimated state funded expenditures for 1977-78. The most significant components of this increase are:

(1) Augmentation for research contracts, development of standards for toxic and carcinogenic pollutants and better air quality modeling	\$541,343
(2) Increases in air quality planning and improved review of air quality impacts of wastewater treatment plants	\$282,703
(3) Additional staff to develop vehicle pollution control warranties and emission standards for currently unregulated vehicles.....	\$56,523
(4) Increase for initiation of mandatory vehicle inspection program in the South Coast Air Basin	\$4,752,385
(5) Additional staff and contract funds to develop controls for coal and geothermal power plants, to assist industries in locating in California, and to develop controls for toxic pollutants and organic solvents	\$580,908
(6) More air quality monitoring and better air quality data analysis.....	\$1,093,537
(7) More enforcement of stationary source emission control regulations	\$340,776
(8) Additional administrative support	\$124,598

Environmental Protection Program Funds Shifted

The board's request of \$1,519,333 for support of its research program from the Environmental Protection Program Fund is a substantial reduction from the amount expended from this source in the current year. This is because the budget would shift \$700,000 from this research activity to resource mapping projects in the Department of Forestry. The board now proposes an increase of \$700,000 from the General Fund to replace the shifted funds. The General Fund has not been used for contract research for several years. Because the General Fund is designated to support the stationary source emissions control program, and because a large portion of the board's research concerns stationary sources, General Fund support for a portion of research costs is reasonable.

Program Budget Needed

We recommend that the Legislature direct the board to prepare a program budget for 1979-80.

The board's programs change rapidly. Staff and other resources need to be shifted to meet program priorities. Over a period of years budgeted projects may be started, completed, or revised because other needs are more pressing. Because of such changes, it is important to have a budget format that defines objectives for each program, allocates adequate resources to each program, and records progress toward objectives. The ARB's budget does not now provide an adequate expenditure plan for each program or an adequate statement of the status of each program whether new or continued from the previous year. At best, the budget shows new programs and pieces of program changes plus staff increases. Major revisions in the work included in the base of the budget pursuant to prior year authorization of dollars and positions do not show in the budget.

There are numerous examples of the difficulties with the current budget format. Two examples are found in the board's vehicular and

AIR RESOURCES BOARD—Continued

stationary source emissions control programs.

Stationary Source Emissions Control. For 1978-79, the board is requesting 9 positions to develop control strategies for coal fired and geothermal power plants. The budget and supporting materials indicate that the board has no staff or funding for this purpose now. However, in 1976-77, 6 positions were added to develop emission control strategies and techniques. One of the purposes of these new positions was to develop control techniques for fossil fueled power plants. Ten more positions were added at the same time for an "energy group" to study emissions from energy related facilities and to evaluate techniques for controlling them. The board indicated that the 10 positions would be used to study controls for geothermal power plants and that a control strategy for fossil fueled power plants would be developed. In 1977-78, 3 more positions were added to develop regulations for the control of emissions from power plants. We believe that these 19 positions are still involved in these programs, but the budget is not designed to show what the positions are doing. The Legislature would be informed of the status of these previously funded positions and would have an opportunity to review them and their relation to requested new positions if a program budget were used.

Vehicular Source Emissions Control. The board received authorization for six new positions in 1975-76 for testing fuel additives. Most of these positions have been shifted to other projects because the workload expected in this area has not materialized. There has been no indication of this change in the budget.

In our 1976-77 Analysis, we pointed out the rapidly changing nature of the board's programs and the need for a program budget. The Legislature directed the board to report by November 1, 1976 on a plan to initiate a program budget for the 1977-78 fiscal year. The board responded by providing a brief summary of its reorganization which was designed to make the organization conform more closely to programs. However, the board did not initiate a program budget in 1977-78, and has not prepared one for 1978-79. We recommend that the Legislature again direct the board to prepare a program budget starting with the 1978-79 budget.

The ARB staff has recently indicated that a program budget would be too expensive to prepare. We disagree. A program budget does not need extensive accounting systems and a large budget staff and because it will give better knowledge of and control over the utilization of existing staff and funds, it should lead to savings.

Overlapping Responsibilities of ARB and Local Air Pollution Control Districts.

We withhold recommendation on 30 new positions and increased funding of \$1,497,566 for the board's stationary source emissions control program, the legal affairs and enforcement program, and expansion in air quality monitoring, pending submission of the task force report on state and local responsibilities for the work in these three programs.

Stationary source emissions control is by law primarily the responsibility of local air pollution control districts (APCDs). However, the board has oversight responsibility over district efforts as provided under state and

federal laws. The board can assume the regulation and enforcement powers of any district if, after a public hearing, it finds that the district's programs or regulations will not achieve state ambient air quality standards. In our Analysis for each of the last three years, we have pointed out the ARB's increasing involvement in stationary source emissions control. The percentage of the board's staff and funding devoted to such control has increased each year. The requested increases for 1978-79 continue this trend. Only 2 new positions are being proposed for vehicular emissions control while 30 are directly related to stationary source emissions control.

The board has become much more active in its oversight role as its stationary emissions control staff has increased. In many cases where the board has assumed responsibility for local district functions there has been a valid basis for the action, and some actions have been specified by the Legislature. The board has adopted model regulations for stationary source controls and required the districts to adopt the regulations, and it has established standards for previously unregulated pollutants that must be enforced by the districts. These and other board requirements have increased the workload of local APCDs. However, the board's subventions to local APCDs have remained nearly constant since the subventions were initiated in 1972. Chapter 1016, Statutes of 1972, which started the program, appropriated \$4,600,000 for the first subventions. For 1978-79, the proposed subventions total \$4,838,000, an increase of \$238,000.

Of equal significance, the intrusion of the ARB into local stationary source controls has confused state and local responsibilities for regulatory actions, for air quality monitoring and for monitoring individual emissions. It has also hindered a determination of the staffing level needed by the ARB and by the local agencies.

Because of the confused responsibilities, last year we recommended and the Legislature directed, that the board organize a task force of board and local representatives to delineate the responsibilities of the ARB and the APCDs and submit a factual report setting forth the areas of agreement and disagreement. It was hoped that the report would provide a factual and logical basis for the preparation of clarifying legislation, for improved budgeting and for determining the funding that should be provided to the board for stationary source control. Although the report was due on November 1, 1977, it has not yet been submitted. Without it, we are unable to evaluate major segments of the board's requests for increased staff and funding as discussed in more detail below. We therefore defer our recommendation pending submission of the task force report.

Stationary Source Control and Enforcement. The board is requesting an increase of \$580,908 and 19 positions in the Stationary Source Control Program. It is also requesting an increase of \$340,776 and 6 positions for the Legal Affairs and Enforcement Program. The sum of these requests is 25 positions and \$921,684. Both requests are directly related to stationary source emissions control. These positions plus others approved in past budgets will directly determine the extent to which the board can become active in stationary source controls.

Expansion in Air Monitoring Stations. In each of the last three years, the ARB has received additional funding for air quality monitoring. New

AIR RESOURCES BOARD—Continued

stations have been added in the Delta and the San Joaquin Valley. Positions have been added to coordinate with industry sponsored air monitoring in the Geysers geothermal areas, to assist local districts in monitoring, and to improve telemetry of data. The board now receives data from over 850 air quality instruments in 241 monitoring stations. About 200 of these stations are operated by local air pollution control districts as part of the local responsibility for stationary pollution sources. For 1978-79, the board's Technical Services Division is requesting an additional \$575,882 for 36 new state measuring instruments in 16 new stations plus 5 technicians to tend them. Both this expansion and the prior year expansions involve the division of responsibilities between the board and the local APCDs. Air quality monitoring was originally considered to be associated with stationary source controls and to be a local responsibility. The responsibility is not clear in the statutes. The task force was to examine this problem. Therefore, we defer recommendation on the expansion of air quality monitoring.

Charges to Motor Vehicle Account. Closely related to the issue of state/local responsibilities for stationary source pollution control is the continued arbitrary charging of 75 percent of the board's support costs to the Motor Vehicle Account and 25 percent to the General Fund.

Article XIX, 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 operation due to air and sound emissions." It is clear that the Motor Vehicle Account can be used for vehicle emissions control programs but using money from the account to fund stationary source control programs in place of General Fund money is not allowable. Consequently, the Legislature directed the board and the Department of Finance last year to review the use of Motor Vehicle Account funding, and to prepare the board's 1978-79 budget to reflect the findings made in the review. The budget reflects no change in the distribution of money between the two sources compared to last year.

The funding for several stationary source control program increases are illustrative of the present distribution of program costs. One new position costing \$25,753 is being requested to verify compliance of stationary sources with APCD permit conditions. In another instance, 3 positions costing \$82,067 are proposed to develop control measures for emissions due to painting of structures. Both are stationary source oriented and logically chargeable to the General Fund but they are arbitrarily charged 75 percent to the Motor Vehicle Account and 25 percent to the General Fund.

Industrial Plant Siting

We recommend that the Legislature direct the ARB, the Office of Planning and Research and the Energy Conservation and Development Commission to coordinate their work on industrial plant siting.

The ARB's funding request for additional air quality monitoring presents an additional problem. The monitoring instruments would be used to gather baseline data in areas selected by the ARB which have potential

for energy plant sitings or industrial development and where inadequate ambient air quality data presently exists to evaluate such sites. The areas range from prospective power plant sites to sites at Firebaugh and Kettleman City. We agree that additional baseline data is needed in some areas. However, the type of data needed for siting industries or power plants should be based on a comprehensive evaluation of the type of industrial facility that might be built at each location. Without such determination, it would be necessary to measure all pollutants in each possible location, which would require many more stations than can be financed, or run the risk of not securing the data appropriate to all possible industries at each site.

The Office of Planning and Research (OPR) has initiated work this year on an industrial siting process designed to give greater certainty of state approval to those industries seeking a location in California. OPR is working with the Association of Bay Area Governments on this pilot project which will be financed with \$52,082 of Public Works Employment Act (Title II) money in the next fiscal year.

The Energy Resources Conservation and Development Commission has responsibilities under Public Resources Code Section 25309 (e) and (1) to map potential sites for power plants. Volume 7 of the commission's 1977 Biennial Report discusses appropriate factors for selecting sites, but the commission has not made a selection. However, the commission secured 3 positions for planning energy facility siting and has used only one for this work. The commission has requested another position for next year which would provide 2 positions for the siting work.

Finally, the California Coastal Commission is currently completing work on a study of coastal areas where power plants should not be sited.

It is clear that all of the above state agencies have some interest in power plant siting and have work underway or proposed which relates to such siting. (In the case of OPR the work is limited to an industrial siting process.) All of this work should be coordinated and given focus, preferably by the Office of Planning and Research.

Mandatory Vehicle Inspection Program

We withhold recommendation on \$7,672,272 (total of Items 180 and 182) for the mandatory vehicle inspection program pending receipt of additional information on site acquisition costs.

The mandatory vehicle inspection program (MVIP) provides for periodic emission inspections of vehicles in the South Coast Air Basin. Vehicles failing to meet emission standards, or failing to have emission control equipment required by state and federal law would have to be repaired. The program was established by Chapter 1154, Statutes of 1973. Chapter 1282, Statutes of 1976, delayed the inspection on transfer of ownership to January 1, 1979, and the mandatory annual inspection of all vehicles until January 1, 1981. The mandatory annual inspection may not be initiated, however, without further legislative authorization.

On June 30, 1977, the Executive Officer of the Air Resources Board executed a contract with Hamilton Test Systems, Incorporated, for the construction and operation of inspection stations. The contract provides

AIR RESOURCES BOARD—Continued

for the construction of 14 fixed stations and 2 mobile stations plus the operation during the period from January 2, 1979 until December 31, 1983 of these above stations and one existing, state-owned station in Riverside.

Hamilton will receive a fee of approximately \$5.50 per vehicle inspected in 1979. The fee is adjustable according to the number of vehicles inspected, so that the contractor receives less per inspection as the number of cars inspected increases from a base figure of 1,728,140 vehicles. The fee also may be adjusted according to changes in land prices from the base price of \$2 per square foot.

According to the Bureau of Automotive Repair (BAR), the contractor is proceeding with the acquisition of land and preparation for construction of the stations, and still plans to open the stations as scheduled on January 1, 1979. However, land prices are higher than the contractor had anticipated, and the program is behind schedule because of the difficulty in obtaining sites. If land prices exceed \$2 per square foot, the contract allows the program to be changed to relocate stations, reduce their number, utilize more mobile inspections units, or be changed in other ways. These changes could substantially revise the program and thereby have important effects on the public. They could also result in renegotiation of the contractor's role and costs.

There are other unresolved problems in the program. Since 1976, the ARB has advocated random roadside emissions inspections by the California Highway Patrol in conjunction with the MVIP. The board has found that a substantial percentage of emissions systems on vehicles in use have been altered or disconnected which produces increased emissions. The board has stated in the past that random roadside inspections would greatly reduce such "tampering". The program would be similar to the Highway Patrol's random roadside program which was terminated in 1975, except that cars which fail the inspection would go to a MVIP station to be retested after repairs. However, neither the ARB nor the Highway Patrol budget requests contain any funding for the random roadside program.

In addition, the method by which motorists will pay for the inspections on change of ownership is uncertain. The board prefers that the cost of the vehicle inspections be spread across all vehicles in the South Coast Air Basin, rather than be supported only by vehicles actually inspected. This is because the cost per inspection will be about \$14, a price which could create adverse public reaction. If Highway Patrol random roadside inspections were included in the program, the cost would be about \$18 per inspection. About one-third of the inspected vehicles will also need repairs, which by law can cost as much as \$75. Motorists having cars reinspected after repairs will not have to pay a second inspection fee.

SB 156 would provide a mechanism for spreading the costs of the Mandatory Vehicle Inspection program across all vehicle owners in the South Coast Air Basin. It would require the Department of Motor Vehicles to impose a fee at the time of annual registration of each vehicle sufficient to support the MVIP and the CHP random roadside testing. The bill failed to move from the Senate in 1977, but it has now been amended to remove

a controversial provision which would have transferred administration of the program from the BAR to the ARB, while retaining the provision for the basinwide fee. According to the board, the fee under this bill would be about \$4. The random roadside program probably will not become operational until the issue of the fee is resolved.

Since 1974, the program has been supported by a series of loans from the Motor Vehicle Account. For 1978-79, the board has requested a loan of \$2,919,887 to support the ARB and BAR staff working on the program. In addition, the budget requests an appropriation from the Vehicle Inspection Fund of \$4,752,385. This money would pay the contractor for the inspections made after the program becomes operational, and create a reserve both to prevent cash-flow shortages in the fund and provide for contingencies. We defer recommendation on all these requests pending the receipt of additional information on land acquisition problems because these problems could substantially affect the program.

Zero-Base Budget for Subvention Program

Local air pollution control districts receive funds from the state to help pay their costs through the board's subvention program. The subvention amounts are based on the population served by each district. Per capita grants are larger for districts which cover most or all of a given air basin than for single county districts. For the current year, the total amount proposed to be subvened is \$4,838,000, of which \$2,800,00 is from the General Fund and \$2,038,000 from the Motor Vehicle Account.

Chapter 260, Statutes of 1977, required the Department of Finance to prepare trial 1978-79 budgets for three departments, divisions, bureaus, boards, commissions or programs in accordance with zero-base budgeting principles. The Department of Finance selected four programs, of which the Air Resources Board's subventions to local air pollution control districts was one.

One of the fundamental concepts of zero-base budgeting is the ranking of programs. The purpose of the ranking is to determine, for selected levels of funding, program priorities. In applying zero-base budgeting to the subventions program, the Air Resources Board identified only one program. This is because money is subvened in a lump sum on the basis of population in each district, rather than in increments for specific purposes. With only one program, no meaningful program ranking was made, and the result was a rather limited application of zero-base budgeting. We will discuss procedures and results for the zero-base budgeting experiment in more detail for all four programs in a separate report.

Resources Agency
COLORADO RIVER BOARD OF CALIFORNIA

Item 185 from the General
Fund

Budget p. 385

Requested 1978-79	\$150,312
Estimated 1977-78.....	146,566
Actual 1976-77	95,984
Requested increase \$3,746 (2.5 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 agencies with entitlements to Colorado River water. 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.

With the enactment of Chapter 485, Statutes of 1976, partial state funding of the Colorado River Board was established. According to this formula, the board is funded one-third by the state and two-thirds by the six water agencies listed above. The 1978-79 program continues at approximately the current year level with estimated total expenditures of \$450,936 and a General Fund request of \$150,312.

**Resources Agency
DEPARTMENT OF CONSERVATION**

Items 186-189 from the General
Fund and special funds

Budget p. 387

Requested 1978-79	\$8,854,164
Estimated 1977-78.....	8,051,325
Actual 1976-77	7,253,604
Requested increase \$802,839 (10.0 percent)	
Total recommended reduction	Pending

1978-79 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
186	Department of Conservation Primary Funding Source	General	\$7,943,796
187	State Share of California Institute of Technology Seismograph Network	State Highway Account, State Transportation	11,400
188	State Share of California Institute of Technology Seismograph Network	California Water	11,400
189	Division of Mines and Geology	Strong-Motion Instrumentation Program	887,568
			<hr/> \$8,854,164

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Regional Geologic Mapping. Withhold recommendation on regional geologic mapping program pending development of scheduled priorities. 351
2. Oil and Gas Fees. Recommend Legislature direct Department of Finance and Division of Oil and Gas to show a comparison of revenues and expenditures in Governor's Budget. 353
3. Well Abandonment Program. Recommend Division of Oil and Gas prepare priority listing with estimated costs for well abandonments to reflect actual need. 354
4. Soils Resource Planning. Recommend Legislature again direct department to plan a soils conservation program. 355

GENERAL PROGRAM STATEMENT

The Department of Conservation consists of two divisions—(1) Mines and Geology, and (2) Oil and Gas—plus Special Services for Resource Protection administered by the director's office. The department has a total of 258 employees in 1977-78.

The Division of Mines and Geology is the state's geologic agent. It also conducts a strong-motion instrumentation program to measure and evaluate the large-scale destructive motion of earthquakes. The state geologist is responsible for classification of certain urban and other lands according to mineral content. The division has 134 authorized positions. The State Mining and Geology Board, appointed by the Governor, provides policy

DEPARTMENT OF CONSERVATION—Continued

direction to the division.

The Division of Oil and Gas regulates the development, operation, maintenance and abandonment of oil, gas and geothermal wells. The division has 117 authorized positions.

The Special Services for Resource Protection activity is attached to the director's office. It consists of an open-space subvention program administered for the Resources Secretary, and a minor soil resource and planning program.

ANALYSIS AND RECOMMENDATIONS

The total budget request of \$8,854,164 in Items 186-189 is \$802,839 or 10.0 percent over estimated current year expenditures of \$8,051,325.

The department estimates it will spend \$9,686,214 from all sources for support programs in 1978-79 as follows:

1. Items 186 to 189	\$8,854,164
2. Federal funds	326,675
3. Reimbursements	505,375
Total	\$9,686,214

Budget Changes

The most significant increases are as follows:

1. \$178,921 to (a) accelerate installation of strong-motion instruments in buildings and major structures, and (b) increase maintenance staff in the Strong-Motion Instrumentation Program.
2. \$109,402 for land classification activities required by the Surface Mining and Reclamation Act of 1975.
3. \$86,374 to revise regional geologic maps of the Sacramento and Santa Rosa areas.
4. \$83,358 for additional field personnel to supervise geothermal development in the Geysers (Sonoma County) and Imperial Valley areas.
5. \$80,559 to digitize maps and augment soil resource planning activities initiated during the current year.
6. \$77,387 for operation and maintenance of a new automated well statistics system for processing oil and gas production data.

Federal funds totaling \$326,675 includes among other expenditures, \$161,324 from the U.S. Coast and Geodetic Survey to conduct a review of the state's low-temperature geothermal resources. Additional federal funds are anticipated during the budget year.

Reimbursements total \$505,375 for (1) geologic hazard investigations and services to other governmental agencies, and (2) revenues from the sale of publications.

The department's budget requests a total of 283 positions, a net gain of 25.

GEOLOGIC HAZARDS AND MINERAL RESOURCES CONSERVATION

The objective of the geologic hazards and mineral resources conservation program is (1) to identify and map geologic hazards and conduct geologic investigations and (2) to identify and assist in the conservation and development of mineral resources. The program is carried out by the Division of Mines and Geology.

Total expenditures in the budget year are estimated to be \$5,317,334 compared with \$4,559,740 in the current year.

Regional Geologic Mapping

We withhold recommendation on four positions for the Division of Mines and Geology to augment the regional geologic mapping program pending (1) development of a work program and schedule and (2) overall identification of priorities, personnel and program requirements of subsequent regional map revisions.

The Division of Mines and Geology has in past years published 27 regional geologic maps covering the entire state. The maps cover approximately 1,920 square miles each and have proven useful as tools in land use planning and the development of the state. The last map was published in 1966. Some of the maps are almost 20 years old and do not incorporate the current state of the art or recent advances in the geologic knowledge of California.

The division has started to update the maps and has requested four new positions to work on revising the regional maps for the Sacramento and Santa Rosa areas. The division indicates that both of these areas have been subject to rapid urban expansion. In addition, major facilities, including power plants and dams have been proposed for siting in these areas.

The division is not able to say whether (1) revisions of the two maps will be completed in the budget year, or (2) additional funding and an augmented staff level will be required in succeeding fiscal years. Similarly, the division has been unable to indicate whether it is initiating a comprehensive review and update of the regional geology map program. If a comprehensive updating is proposed, the division needs to (1) develop an order of priorities, (2) identify total personnel and funding requirements, and (3) provide a work program for completion of the project. Because of uncertainties in this mapping effort, we withhold recommendation.

Surface Mining and Reclamation Act

The Surface Mining and Reclamation Act (Chapter 1131, Statutes of 1975), requires the state geologist to classify, according to mineral content, areas identified by the Office of Planning and Research (OPR) as subject to urbanization or other irreversible land uses. The act also requires reclaiming mined lands to usable condition in accordance with adopted state policy and local ordinances.

Last year the division requested and the Legislature approved staffing increases to begin a program to (1) map and evaluate certain mineral resource lands, and (2) provide technical assistance to counties in developing mining ordinances and reviewing reclamation plans. Activity in the current year has been limited to a small pilot study to evaluate the sand and gravel resources of the Stanislaus River. In addition, requests for

DEPARTMENT OF CONSERVATION—Continued

technical assistance by counties have comprised only a small percentage of total staff workload.

Guidelines for classification of mineral lands were adopted by the Mining and Geology Board in 1977 to provide policy direction to the State Geologist in classifying areas as to mineral potential. The division has estimated that the classification project will require a total of 60 person-years of effort over a five-year period.

The budget as submitted proposes five new positions to classify lands in the Los Angeles Basin containing sand and gravel resources. The division indicates that existing staff will be assigned to work during the budget year on similar projects in the San Francisco Bay region and Central Valley.

The division received its first funding for this program on July 1, 1977, and has not had significant experience with the program. The division should evaluate the results of the Stanislaus River pilot study and determine more precisely the technical assistance needs of local government. We believe that more direction and management attention must be given this program and to the duties of the five new positions.

Strong-Motion Instrumentation Program

Chapter 1151, Statutes of 1971, established the strong-motion instrumentation program in the Division of Mines and Geology. Installation and maintenance of instruments is funded through fees on building permits amounting to 7 cents per \$1,000 of the estimated construction costs. Fees paid are deposited in the Strong-Motion Instrumentation Program Fund. Chapter 1243, Statutes of 1976, (1) transferred the powers and duties for siting strong-motion instruments from the Strong-Motion Instrumentation Advisory Board to the Seismic Safety Commission, and (2) requires the Division of Mines and Geology to develop a capability for processing data obtained from such instruments following earthquakes.

In the current year the division was administratively authorized to use funds budgeted for equipment purchases to finance three additional technicians to maintain the growing number of strong-motion instruments in operation. The budget proposes an increase of \$178,921 for three additional positions to (1) supervise and accelerate the rate of instrument installations, (2) provide adequate staff for servicing instruments, and (3) develop a data processing capability, and (4) prepare engineering analyses of structural problems. The U.S. Geological Survey has informed the department that it is unable to continue performing the work in (3) and (4) above as in the past. Consequently, the division must add staff to perform this work.

Mineral Deposit Inventory

As part of the administration's new program to emphasize development of alternative energy sources, the division is requesting six new positions to conduct a survey and to map low-temperature geothermal resource areas in California. Low-temperature geothermal wells, when developed, can be utilized for space heating, as an energy source, or for hothouse agriculture. The project will be financed by \$161,324 in federal funds from the Department of Energy.

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, supervising the drilling, operation, maintenance and abandonment of petroleum and geothermal wells. The division also supervises repressuring operations for the abatement of land subsidence in the Willington area.

Budget year expenditures are estimated at \$4,092,950 compared to \$3,919,186 in the current year. Fees charged operators of oil, gas and geothermal wells, plus funds received from reimbursements and the sale of publications offset the division's expenditures from the General Fund. Previously, these reimbursements were budgeted as revenue to special funds.

Oil and Gas Fees Probably Inadequate

We recommend that the Legislature direct the Department of Finance and the Division of Oil and Gas to show a comparison of revenues and expenditures in each Governor's Budget in order to assure that oil and gas fees are sufficient to cover costs.

Chapter 1049, Statutes of 1975, abolished both the Petroleum and Gas Fund and the Subsidence Abatement Fund and made the division a self-supported, General Fund agency. Fees charged oil and gas well operators are deposited as revenue in the General Fund and must be set at levels which, when combined with reimbursements and the sale of division publications, will offset expenditures.

The division's budget request of \$4,026,309 represents a 50.5 percent increase over actual expenditures of \$2,675,006 in fiscal 1976-77. Actual revenues from oil and gas industry assessments, and geothermal energy fees, were \$2,934,814 for the 1976-77 fiscal year. Projected revenues for these same sources will total \$3,442,054 during the budget year. This represents an increase in revenues of only 17.3 percent during the same period that support expenditures increased by more than 50 percent, as illustrated in Table 1.

Table 1
DIVISION OF OIL AND GAS
Support Expenditures and Revenues
1976-77 Through 1978-79 Fiscal Years

	1976-77	1977-78	1978-79	Total
Support Expenditures.....	\$2,675,006	\$3,852,576	\$4,026,309	\$10,553,891
Division Revenues.....	<u>2,950,495</u>	<u>2,362,642</u>	<u>3,457,054</u>	<u>-8,770,191</u>
Cumulative Revenue Gap.....				\$1,783,700

Chapter 112, Statutes of 1977, changes from March 15th to June 15th of each year the date when the division must estimate its revenue needs to finance expenditures in the fiscal year starting July 1. Chapter 112 also requires the division to include any adjustment from savings or increased expenditures in the current fiscal year.

The budget as submitted indicates division support expenditures will exceed anticipated revenues by \$568,255 in fiscal 1978-79. The division will also have additional expenditures for salary increases as proposed by the

DEPARTMENT OF CONSERVATION—Continued

Governor. This will further increase the revenue gap. Last year the division's budget request was augmented by \$189,767 during budget hearings to complete development of an automated well statistics system, but revenues were not adjusted to offset this increase. In addition, the division has had difficulty in spending the \$500,000 appropriated in the 1976 and 1977 Budget Acts for the well abandonment program and this reduced revenue needs.

We are unable to determine from the budget whether the division has had one or more carry-overs of revenues which would offset revenue needs for 1978-79. If additional revenues are needed, the division should establish fees for oil and gas operators that are adequate to support its actual expenditure needs. The division should review this revenue situation and provide a more complete explanation at the time of budget hearings. We also recommend that the Legislature direct the Department of Finance and the division to show in the budget a comparison of revenues and expenditures (perhaps modified in format from a statement of fund condition) which would clearly show that the revenues will be adequate to cover all expenditures. This will prevent need for a subsidy from the General Fund.

Regulation of Geothermal Operations

The Division of Oil and Gas has requested \$83,388 to support three additional positions which will supplement regulation of the expanding operations at the Geysers Geothermal Field (Sonoma County) and anticipated development of geothermal resources in Imperial County. The division estimates that 20 additional wells will be under production at the geysers by the end of fiscal 1978-79. According to testimony given before the Geothermal Task Force last year, geothermal projects now in the preliminary stages will also result in the drilling of 90 production and injection wells in Imperial County within the next three years. Construction of at least three additional electric power plants from such wells is scheduled to begin in the near future.

Well Abandonment Program

We recommend that the Division of Oil and Gas provide the Legislature, at the time of budget hearings, with (1) a list of wells, ranked according to the priority on which the division plans to complete abandonment actions in 1978-79, and (2) an estimate of the cost of such abandonments in order that the \$500,000 requested for 1978-79 can be adjusted to the amount actually needed.

In 1976-77 the division received \$500,000 to establish a state-funded well abandonment program for hazardous, potentially hazardous or deserted oil and gas wells. The division inventoried a total of 75 wells identified as deserted and requiring abandonment by the state. During the first year of operation, the division planned to abandon a total of 30 such wells at a cost of approximately \$371,000. A total of \$46,000 was spent and few abandonment actions were actually completed. The balance of the \$500,000 appropriation reverted at the end of the fiscal year.

Last year the Legislature approved another \$500,000 to accomplish

abandonment actions on a second list of 30 high priority, idle and hazardous wells. The division has indicated that only \$155,700 will actually be required to complete actions on these 30 wells.

Fiscal 1978-79 will begin the third year of operation for the Well Abandonment Program and another \$500,000 is requested. Chapter 112, Statutes of 1977, has expanded the statutory definition of "hazardous well" for purposes of authorizing state abandonment. This change will result in a greater number of idle or deserted wells being eligible for abandonment and this should be considered in the program.

In its first two years of operation the division has been unable to complete the number of abandonment actions budgeted. The department needs to improve management of the program. The division should provide the Legislature, at the time of budget hearings, with a list of wells on which the division intends to complete abandonment actions in the budget year and the estimated cost. With this information the budget can be adjusted to the amount needed.

SPECIAL SERVICES FOR RESOURCE PROTECTION

Special Services for Resource Protection was established in the director's office last year following the reorganization of the Department of Conservation. It includes: (1) administration of subventions to cities and counties for open-space lands, (2) a limited planning program to develop policy recommendations for preservation of the state's soil resources, and (3) the Resource Conservation Commission.

Budget year expenditures are estimated at \$275,930, an increase of \$59,298 over estimated current year expenditures of \$216,632. No funds are requested for support of the Resource Conservation Commission in fiscal 1978-79. Last session the Legislature limited support funds for the commission to 25 percent of the appropriation unless new appointments were made to the commission. The administration determined that it would make no more appointments, and the commission is presently in court in an effort to force the release of funds for the remainder of the current year.

Soils Resource Planning

We recommend that the Legislature direct the Department of Conservation to develop (1) a plan for a soils inventory and (2) program proposals for the department's role in soils resource conservation.

The budget requests \$122,646 for support of three positions plus temporary help to continue and to expand the soils resource planning effort initiated during the current year. Last year the Legislature authorized funding of a CEA-I and clerical position to conduct an inventory and develop policy proposals for a departmental role in soil resource conservation. The department now proposes a two-year effort terminating in public hearings and a report for legislative review.

The budget narrative indicates that the Department of Conservation has responsibility to provide for the general protection of the state's soil resource. This is incorrect. The Legislature authorized two positions for a limited planning effort to identify policy and resource protection needs, but this action did not constitute legislative approval for the department

DEPARTMENT OF CONSERVATION—Continued

to develop and manage a comprehensive soils program as the department now assumes. We recommend that the Legislature restate its directive to the department on this work by means of supplemental report language.

**Resources Agency
DEPARTMENT OF FORESTRY**

Items 190-194 from the General
Fund and special funds

Budget p. 399

Requested 1978-79	\$90,505,700
Estimated 1977-78.....	93,927,934
Actual 1976-77	78,123,965
Request decreases \$3,155,434 (3.6 percent)	
Total recommended reduction	186,555

1978-79 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
190	Department of Forestry, primary funding source	General	\$85,326,721
191	Emergency Fire Suppression	General	5,000,000
192	Department of Forestry	Professional Forester Registration	49,072
193	Soil Erosion Study	California Environmental Protection Program	115,537
194	Department of Forestry	Timber Tax	14,370
			<u>\$90,505,700</u>

SUMMARY OF MAJOR RECOMMENDATIONS

- | | <i>Analysis page</i> |
|---|----------------------|
| 1. Additional Fire Apparatus Engineers. Withhold recommendation on request for 38.3 fire apparatus engineers pending clarification of an increased state cost of \$308,877 due to a reduction in reimbursements. | 359 |
| 2. Billing Procedures. Recommend department be directed to include progress payments for all future fire protection contracts to allow more frequent billing for services performed. | 360 |
| 3. <i>Ventura Conservation Camp. Reduce Item 190 by \$186,555.</i> Recommend deletion of funds for support of new conservation camp at Ventura Youth Authority School. | 361 |
| 4. Timber Operator's License. Recommend department be directed to establish procedures for issuing timber operator's licenses to ensure persons engaged in timber operations are familiar with Forest Practice Act rules. | 362 |
| 5. Forest Practice Regulation. Recommend department submit 1979-80 budget work plan covering anticipated increases in inspections and stocking surveys. | 363 |

- 6. Reforestation. Withhold recommendation on \$254,242 364 from Item 190 for support of 10 new forest adviser positions pending additional information on the Governor's reforestation program.
- 7. Public Works Employment Act. Recommend department 366 report to the fiscal subcommittees at the time of budget hearings on the need for \$7,098,436 in federal funds for the support of additional fire suppression personnel in anticipation of a third consecutive year of drought.

GENERAL PROGRAM STATEMENT

The Department of Forestry fulfills the state's responsibility to provide fire protection services for approximately 33 million acres of privately-owned wildlands, and pursuant to contracts with local government, for 32 areas which are a local responsibility. The department also (1) regulates logging practices on private forestland, (2) provides advisory assistance to small landowners on forest management, (3) regulates controlled burning of brushlands, and (4) manages seven state forests.

The nine-member Board of Forestry provides policy guidance for administration of the department, including establishment of forest practice rules and classification of private wildlands as state responsibility for fire protection purposes. The members are appointed by the Governor.

ANALYSIS AND RECOMMENDATIONS

Funding Sources

The department estimates it will spend \$134,039,502 from all sources for support programs in 1978-79. This amount is financed from the following sources:

1. Items 190-194	\$90,505,700
2. Forest Resources Assessment and Program Act of 1977	267,000
3. Federal funds (excluding reimbursements)	1,428,055
4. Reimbursements	<u>41,838,747</u>
Total	\$134,039,502

The budget includes reimbursements, consisting of the following:

\$29,107,205	for local fire protection services performed by the Department of Forestry.
7,825,473	for Public Works Employment Act, Title II projects.
4,090,379	for supervision of California Conservation Corps members.

Budget Changes

The department's support request of \$90,505,700 in Items 190-194 is \$3,422,234 or 3.6 percent less than estimated expenditures of \$93,927,934 in the current year. The following factors reduce the budget year request:

1. Estimated Emergency Fund expenditures in the current year that do not appear in the budget year	\$6,000,000
2. Increased fire protection services provided by the U.S. Forest Service under contract	269,808
3. Additional drought-related fire prevention expenses	94,500

If the budget is placed on the same basis as the current year, there is

DEPARTMENT OF FORESTRY—Continued

an increase of \$2,962,074 or 3.4 percent in expenditures.

The budget contains several funding increases:

1. Worker's Compensation and disability-rehabilitation blanket	\$884,400
2. Additional staff for resource management	\$413,609
3. Staff for institution-based youth conservation camps at DeWitt Nelsen and Ventura Schools	411,814
4. Operating expenses for county contract fire protection services.....	287,260
5. General Fund support of seasonal fire apparatus engineers	793,959
6. Fuels management coordination	31,876

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. Field facilities operated under this program include 229 fire stations, 78 lookouts, 7 helitack units, 13 air attack bases, 29 conservation camps and 8 California Conservation Corps centers.

Contract Protection—Outside Counties

Existing law authorizes the board of supervisors of a county to assume the responsibility for fire protection services on state responsibility lands within the county and requires the state to pay the counties for the level of service the state would have provided. Five "contract counties" currently protect the lands located within their boundaries. The amount budgeted for payments to the counties in 1978-79, includes an additional \$287,260 for full reimbursements of operating expenses:

1. Kern	\$1,783,212
2. Los Angeles	2,650,191
3. Marin	524,000
4. Santa Barbara	936,079
5. Ventura	953,771
Total	\$6,947,253

These five contracts have been augmented with \$715,029 in the current year using Title II funds. This amount was allocated for increased fire protection services required by the drought. Based on the contingency of a third consecutive drought year and the severe fire hazard that will result, the department indicates that a similar augmentation of \$511,000 in Title II funds is available if needed for distribution to the five counties for the 1978 fire season. This amount is not reflected in the budget as submitted.

In addition to providing these allocations of funds to the counties to perform state responsibility fire protection services, the department also dispatches to the counties, at their request, air tankers, conservation corps 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 department's support appropriation.

Fire Protection—Local Government Contract

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 lands, but some lands are highly urbanized and developed. The program has grown rapidly in recent years because the department provides the services in some areas where population and corresponding development has significantly increased. The Department of Forestry now administers 32 contracts in 26 counties for local responsibility fire protection service.

Additional Fire Apparatus Engineers

We withhold recommendation on the request for \$793,959 to support 38.3 fire apparatus engineer positions pending clarification of an increased state cost of \$308,877 due to a reduction in reimbursements from local government for wintertime structural fire protection.

The budget requests \$739,959 for support of 38.3 fire apparatus engineer (FAE) positions which have previously been financed by reimbursements received from local government for structural fire protection provided by the department during the wintertime. Since 1958 the department has placed permanent FAE personnel on wintertime structural fire protection duties. Until last year these duties have been a responsibility of local government and therefore local governments have reimbursed the department for these positions. Instead of declaring the reimbursements as General Fund revenue and seeking appropriation authority to spend this additional money, the department has retained the reimbursements and used the money to hire 38.3 summertime seasonal FAEs.

Recently, the amount of reimbursements received pursuant to these winter contracts has declined. Reimbursements in 1978-79 will be only \$485,082 and will fund only 23.4 of the 38.3 summer positions. The remaining 14.9 positions which cost \$308,877 would have to be financed by the General Fund. In addition, starting in 1978-79 the department will treat the \$485,082 to be received from these wintertime contracts as revenue and deposit the money in the General Fund. The \$485,082 deposited in the General Fund and the \$308,877 total \$793,959 which is the amount that is added to the General Fund appropriation.

The reduction in reimbursements has also created a problem in the current year. In order to avoid reductions in summertime FAEs, the department plans to support permanent FAE positions from April 1, 1978 to June 30, 1978, with \$391,400 in Title II funding from the Federal Public Works Employment Act. This is not a proper use of Title II funding because the federal money must be used to fund existing state services and because the use of the federal money tends to commit the state to continuing General Fund costs.

It is unclear why the department is experiencing \$308,877 in reductions of reimbursement and some cancellations of winter contracts. Chapter 870, Statutes of 1976, requires the Department of Forestry to establish a three-year pilot program to provide wintertime local fire protection services in counties with a population of 100,000 or less. This legislation provides for the state to pay the basic salary of state fire suppression personnel

DEPARTMENT OF FORESTRY—Continued

who perform local structural fire protection during the nonfire (wintertime) season. Local governments previously paid these costs.

It appears that several counties have entered into the fire protection agreements pursuant to Chapter 870. However, Section 4143 of the Public Resources Code as contained in Chapter 870 requires that the agreements be written so that the department will not need additional funds to operate its programs. In other words the department must not hire additional personnel to provide the winter fire protection, but must utilize existing permanent staff that is already on the payroll. Chapter 870 could not operate as apparently was contemplated because it causes the department to lose reimbursements previously paid for the wintertime fire protection. Further, because the department was improperly using the reimbursements to add unbudgeted summertime temporary FAEs, the loss of the reimbursements increases the department's costs by \$308,877 next year.

The budget indicates that future contracting is uncertain and that further changes are anticipated which make it difficult for the department to finance the summertime FAE positions required to maintain Forestry's present level of fire protection service. The department has been unable to tell us the reasons for, and the significance of, the change in reimbursements and the extent that the changes are caused by, or are inconsistent with, Chapter 870. The department should report at the time of budget hearings on these matters.

Billing Procedures

We recommend that the department be directed to include progress payments in all future fire protection contracts to allow more frequent billing for services performed.

Standard cooperative agreements for the department to provide fire protection services to local government agencies (Schedule A contracts) specify that the Department of Forestry shall make four claims for the costs of services rendered. The first claim for the period (July 1 through December 31) shall be submitted no earlier than January 1; the second for the period (January 1 through March 31) shall be submitted no earlier than April 1; the third, for the period (April 1 through June 30) shall be submitted in advance for the estimated cost no earlier than April 1; a fourth and final claim is submitted after the end of the fiscal year for any remaining actual costs incurred during the fourth period.

According to Department of Forestry audits of Schedule A billings, this practice results in a substantial time lag between state expenditures and receipt of reimbursements from contracting agencies. During the lag in payment, the state can lose interest on the expended money which would be realized through investment of any temporary surplus monies. The audits estimate that this loss was approximately \$350,000 during fiscal 1975-76. Losses for fiscal 1976-77 or the current year are unknown.

A Department of Finance audit report dated October 1976, took notice of Forestry's billing practices and recommended that contracting agencies reimburse the state monthly. The Director of Forestry replied on April 12, 1977 and indicated that the department would change its contracts for the

1977-78 fiscal year to provide more timely reimbursements of state expenditures. No change was implemented.

Section 8755 of the State Administrative Manual (SAM) requires that state services shall be billed promptly in order to maximize interest earnings. SAM also requires that progress billings be made for services provided over an extended period of time. We recommend that the department be directed to include provisions in all future fire protection contracts for more frequent progress payments so that interest losses to the state are minimized.

Conservation Camps

The Department of Forestry operates 30 conservation camps in cooperation with state and county agencies as follows:

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

The inmates 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.

Ventura Conservation Camp

We recommend a reduction of \$186,555 from Item 190 to delete support funds for the new conservation camp at the Ventura Youth Authority School.

Last year the Department of the Youth Authority budget included funds to reimburse the Department of Forestry for its cost of supervising wards at two new Youth Authority camps which were scheduled to open in 1977-78 as part of the Youth Authority institutions. This year the administration has included \$411,814 in Forestry's budget for these costs.

Under Item 286 is a discussion of (1) the delayed opening of the camp program at the Ventura Youth Authority School, and (2) the continued decline in Youth Authority camp population levels. Because population levels in early 1977 were significantly lower than estimated in the budget, we recommended last year that Youth Authority and Forestry (1) close one of their youth conservation camps, (2) consolidate the housing of wards in the remaining camps, and (3) turn the vacated camp over to the California Conservation Corps. The Department of the Youth Authority opposed this recommendation and made a commitment to the Legislature to maintain budgeted population levels at all camps during the current year. On June 30, 1977 the camp populations were more than 10 percent below the budgeted levels. Since then the camp populations have continued to decline steadily.

Due to the continuing decline in population, the Department of the Youth Authority now indicates that opening of the new camp at Ventura School has been delayed indefinitely. We recommend that Forestry's Ventura Camp not be opened until the Department of the Youth Authority can demonstrate an ability to maintain ward populations in the existing camps at budgeted levels. Consequently, the Department of Forestry staff

DEPARTMENT OF FORESTRY—Continued

added last year is not needed and Item 190 should be reduced by \$186,555 to delete an amount budgeted for the staff in 1978-79 at Ventura.

RESOURCE MANAGEMENT

Activities in resource management include (1) administration of the Forest Practice Act, (2) management of 70,000 acres of state-owned forests, (3) operation of three forest nurseries, (4) emergency revegetation, (5) forest advisory services and (6) registration of professional foresters. Budget year expenditures are \$5,986,889 compared to \$5,259,810 in the current year.

The budget estimates revenues of \$4.5 million from timber sales on state forests and \$300,000 from nursery sales of seedling trees.

Timber Operator's License

We recommend that the Department of Forestry be directed to establish procedures for issuing timber operator's licenses to ensure that persons engaged in timber operations are familiar with Forest Practice Act rules.

Section 4571 of the Public Resource Code provides for the Department of Forestry to license individuals engaged in timber operations in accordance with procedures and filing fees established by the Board of Forestry. A timber operator's license can be obtained by submitting a simple one-page application to the department which contains the name, mailing address of the applicant, and type of license applied for. Unlike many other state licensed personnel, timber operators are not required to demonstrate any knowledge or proficiency regarding proper logging methods or Forest Practice Act rules.

The Z'berg-Nejedly Forest Practice Act (Chapter 880, Statutes of 1973) requires that timber harvesting plans be submitted to, and approved by the Department of Forestry. It also requires that timber harvest plans be prepared by registered professional foresters who are licensed in accordance with standards established by an examining committee and the Board of Forestry. The applicant must furnish evidence of having seven years experience in forestry work or a degree in forestry. The department indicates that applicant foresters must also demonstrate knowledge of the Forest Practice Act and rules. Many timber operators do not know the Forest Practice rules and leave the compliance to licensed field foresters. Consequently, when operations are conducted in the absence of a registered professional forester, there is the potential for rule violations and irreversible damage to the environment.

The Board of Forestry indicates that administration of timber operator's licensing procedures has been delegated to the Department of Forestry because the department has the responsibility to ensure that logging activities take place in accordance with board rules and regulations for administration of the Forest Practice Act. We recommend that the department develop procedures to ensure that timber operators possess at least a rudimentary understanding of State Forest Practice regulations as a requirement for securing a timber operator's license.

Forest Practice Regulation

We recommend that the Department of Forestry submit a work plan with the 1979-80 budget covering the anticipated increases in inspections and stocking surveys required by the Forest Practice Act.

The primary commitment of the Forest Practice Act is the "maximum sustained production of high-quality timber products . . . while giving consideration to values relating to recreation, watershed, wildlife, range and forage, fisheries and aesthetic enjoyment."

To this end the Forest Practice Act requires minimum tree stocking to ensure that a cover of commercial tree species is maintained after timber operations have been completed and to prevent erosion.

Under the Forest Practice Act, the department must provide for inspection of logging operations (1) prior to commencement, (2) when operations are well underway, (3) following completion of timber harvesting activities, (4) following submittal of stocking reports by the timber owner, and (5) as necessary to enforce the act. The department may also authorize emergency and exempt timber operations which require field inspections even though no timber harvest plan is required.

In the current year the department estimates it will spend approximately \$2.4 million to support 56 forester personnel-years, plus part-time help of 17 clerical personnel to administer the Forest Practice Act.

For the last three years, the department has processed an average of approximately 2,100 timber harvest plans per year. The plans represent harvesting activities on about 2 million acres of private forestland, or an average of 320 acres per timber harvest plan. A total of 6,260 plans have been approved during the last three years. However, 3,800 of these plans (61 percent) still require completion reports and inspections, and 5,825 plans (84 percent) still require stocking reports from the timber owners and regeneration surveys by the department. This long-term workload is due to the length of time provided by the Forest Practice Act for operators to complete harvesting activities and meet replanting or regeneration requirements. Once a timber harvest plan is approved, an operator has up to eight years to complete the harvest and meet statutory Board of Forestry stocking standards. Consequently, the total number of active plans is cumulative and provides a more appropriate measurement of workload than the department's data on the number of plans approved per year, or the number of ongoing operations.

The department needs to determine how it will allocate its forest practice staff for (1) timber harvest review, (2) preharvest inspections, (3) inspections of ongoing, exempt and emergency operations, and (4) review and field verification of stocking reports submitted for all the active timber harvest plans. The department should develop procedures to establish priorities for the inspection workload and submit a work plan for anticipated increases in stocking surveys required by the Forest Practice Act over the next several years.

DEPARTMENT OF FORESTRY—Continued

Reforestation

We withhold recommendation on \$254,242 for 10 new forest adviser positions pending additional information on the Governor's reforestation program.

Forest Advisory Program. The forest advisory program provides technical assistance to small landowners in the management of private forestland. It is a passive program, with the individual landowner initiating the contact and requesting assistance. Services provided by the program include advice on (1) timber stand establishment, (2) preparation of forest management plans, (3) selection of trees to be harvested, (4) estimation of timber volumes, (5) proper cutting methods, (6) sale of timber, (7) forest cultural practices (thinning and pruning), and (8) primary processing of forest products. The program is currently budgeted at \$302,110 per year, including \$71,600 in federal funds, which support 11.2 personnel-years plus clerical and administrative staff.

The department has requested \$159,187 from the General Fund to augment the Forest Advisory Program by 7 forester positions as the first part of an effort to increase reforestation of underproductive land in California. The department estimates that the 7 additional foresters will provide for (1) 2,000 more assistance contacts with small landowners per year, (2) an increase of 50 million board feet of timber harvested and (3) at least 50,000 additional acres seeded and planted per year. One of the 7 foresters will be used to coordinate the department's activities leading to utilization of wood as an energy resource. These are ambitious goals. The administration has not stated how the department will convert the Forest Advisory Program from a passive to an aggressive program.

Urban Forestry. The budget also includes a request for \$95,000 to support 3 foresters to develop a new urban component for the Forest Advisory Program. One forester will be assigned to the metropolitan San Francisco area and one to the Los Angeles area to assist in local urban forestry pilot projects, such as (1) street tree planting and (2) tree planting in underdeveloped urban parks. In addition, a third forester position will be assigned to the department's headquarters in Sacramento to coordinate these pilot projects and undertake a detailed study of the potential for reforesting urban areas in California. The department indicates that this study will allow for development of a "cohesive and well planned strategy for promoting urban forestry". This proposal for urban forestry appears to be a new departmental function that should be contained in the Governor's reforestation legislation rather than in the budget.

Reforestation Program. The Governor's budget contains about \$71 million in a reserve to reforest more than 300,000 acres of damaged public and private forestlands. The Secretary for Resources has indicated that this program will require an estimated average investment of \$150 per acre, which is equal to approximately \$45 million.

The department estimates that 30,000 owners of small forestlands (between 10 and 5,000 acres) control 43 percent of the 8 million acres of private commercial timberland in the state. According to departmental

statistics, this ownership includes:

1. 716,000 acres of commercial timberland that contain less than 10 percent of the trees which could be grown on the land area;
2. 807,000 acres that are poorly stocked with less than 35 percent of the area productively used; and
3. Approximately 1 million acres in serious need of management efforts such as thinning, removal of competing vegetation and removal of diseased trees.

The budget narrative indicates that the Forest Advisory Program is the principal means state government has to stimulate good management of private forestland, particularly the 3.4 million acres in small ownerships. One of the major proposals under consideration in the administration's reforestation package is to expand the existing Service Forestry Program, as proposed in the budget, and provide direct state financial assistance to landowners similar to two existing federal programs: (1) the Forest Incentives Program (FIP), and (2) Agricultural Conservation program (ACP). These federal programs are administered by the Federal Agricultural Stabilization and Conservation Service, the U.S. Forest Service, and the Department of Forestry. In 1976, approximately \$389,000 was available from these sources for reforestation and timber stand improvement in California. These programs provide 50 to 75 percent grants with the balance being contributed by the landowner.

At present there is no comparable state assistance program. However, as noted the budget includes \$254,242 for 10 forester positions (7 service foresters and 3 urban foresters) which would approximately double the existing staff of the Forest Advisory Service program. In addition, the budget requests one additional forester I position to expand the Genetic Tree Improvement Program at the Davis Nursery.

As of late January, no specific information concerning the details the reforestation program were available. We believe that the request for the 3 urban foresters should be part of the total reforestation package. The function of the 11.2 existing service foresters and the 7 new service foresters, although part of an existing program, should be reviewed when considering the new reforestation program. In addition, the conversion of forest land to other uses such as grazing, water development and subdivisions under present law and departmental operation should also be reviewed. Finally, before initiating a new program to rehabilitate lands through direct financial assistance to private landowners, the department should be certain that it is meeting statutory obligations under the Forest Practice Act to the maximum in order to prevent future problems from misuse of private forestland.

Soil Erosion Study

Item 193 appropriates \$115,537 from the Environmental Protection Program Fund for support of a continuing study on the effects of timber operations on soil erosion. This long-term study currently represents the only ongoing systematic review of the effectiveness of the present standards and regulations of the Forest Practice Act.

An interim study report issued in April 1977, recommended that the

DEPARTMENT OF FORESTRY—Continued

department (1) evaluate the effectiveness of the inspection program under the Forest Practice Act, and (2) establish guidelines for field personnel to use in the enforcement of rules and regulations. Staff observations made during the conduct of the study indicated that there is wide latitude in the interpretation of the existing rules by inspectors because of the lack of department guidelines and inadequate training of inspectors. Checking by this office indicates that the department has not yet responded to either recommendations (1) or (2) above. Because timber operators and owners often work with different forest practice inspectors, this lack of uniformity among Forestry's field offices and individual inspectors in the interpretation of the rules can lead to inefficiency within the department and confusion in the timber industry. If the soil erosion study is to be a meaningful expenditure of funds, the department should act on the recommended improvements.

Public Works Employment Act of 1976

We recommend that the department report to the fiscal subcommittees at the time of budget hearings on the need for \$7,098,436 in federal funds during the current and budget year for support of an additional 427 personnel-years for the 1978 fire season in anticipation of a third consecutive year of drought.

The budget for 1978-79 includes \$7,825,473 in federal funds from the Public Works Employment Act (Title II) for the following purposes:

Youth Forest Protection Project.....	\$4,087,413
Forestry Employment Program	134,188
Wood Utilization Project	14,149
1978 Fire Season Drought Augmentation	3,589,723
Total Title II funding	\$7,825,473

The \$4,087,413 proposed for the Youth Forest Protection project continues a program initiated last year for maintenance work on the statewide fuel break system.

The Forestry Employment program is spending \$805,127 of Title II funds in the current year to hire approximately 250 persons previously employed by, or transferred from the California Conservation Corps. The program is designed to prevent the layoff of persons who no longer meet the employment qualifications of the Corps. According to the department, these individuals will be assigned to jobs in fire protection, fire prevention, resource management, and maintenance of Forestry equipment and facilities. The duration of the Forestry Employment program is from January 3, 1978, to July 31, 1978. Consequently, \$134,188 is proposed for expenditure to continue support of the project through July of the 1978-79 fiscal year.

The Wood Utilization project is being initiated in the current year with \$14,149 in Title II funds to support a forester I position. The position will develop data concerning the feasibility of harvesting and delivering wood residues to a location where it could be utilized to generate steam or electricity. The budget proposed another \$14,149 from this source to continue the project in 1978-79.

We have not received detailed information concerning the proposed drought augmentation for the 1978 fire season which totals \$7,098,446. The budget indicates that \$3,508,723 for support of 219 personnel-years is available for expenditure up to June 30, 1978. Another \$3,589,723 for continuation of this augmentation is available for expenditure during July through November 1978, to support 208 personnel-years.

Last year the department received a drought augmentation totaling \$7,152,430 in Title II funds for the entire 1977 fire season. The federal funds were used for (1) earlier than normal hiring of seasonal firefighters and fire prevention aides, (2) activation of air attack operations 30 to 45 days earlier than normal, and (3) hiring of additional firefighters, heavy truck drivers and fire prevention aides to supplement the department's fire suppression capability. The funds were also used to lengthen the employment of seasonal firefighters and fire prevention aides and to extend the availability of air attack operations through October.

These actions increased the department's fire fighting capability and was a major benefit during the severe fires that occurred last summer. However, recent rains and heavy snowfall in the Sierra Nevadas will mitigate the fire hazard from the two previous years of drought. If recent precipitation levels continue through the Spring of 1978, the need to maintain an above normal fire fighting capability is questionable. A return to an average fire suppression capability should be adequate. The department should review the precipitation and fire hazards and be prepared to advise the fiscal subcommittees during budget hearings whether an augmented level of manpower and funding will be necessary for the 1978 fire season.

**Resources Agency
STATE LANDS DIVISION**

Item 195 from the General
Fund

Budget p. 404

Requested 1978-79	\$5,122,321
Estimated 1977-78.....	4,898,209
Actual 1976-77	4,217,627
Requested increase \$224,112 (4.6 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | |
|--|-----|
| 1. Marine Tanker Terminal Safety. Withhold recommendation on request for \$30,258 to establish marine tanker safety position until Resources Agency tanker task force reports. | 369 |
| 2. State Lands Reforestation. Withhold recommendation on request for \$371,500 from federal PWEA Title II funds until State Lands Division, Department of Finance and Resources Agency report at budget hearings on suitability of pilot project proposal. | 370 |

*Analysis
page*

STATE LANDS DIVISION—Continued**GENERAL PROGRAM STATEMENT**

The State Lands Division 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 statutory lands which the state has received from the federal government. These lands total over four million acres and include the beds of navigable waterways, tide and submerged lands, swamp and overflow lands and vacant school lands. The commission also administers tidelands trusts granted by the Legislature.

The land management program involves the following major activities by the division:

1. Leasing of land for the extraction of oil, gas, geothermal and mineral resources.
2. Economic control over the oil and gas development of the Long Beach tidelands.
3. Ownership determination of tide and submerged lands.
4. Land management operations including appraisals, leases, and maintaining records concerning state lands.

The division is headquartered in Sacramento, with an office in Long Beach. It has approximately 240 employees.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes \$5,122,321 in this item and total expenditures of \$7,627,826 from all sources for support of the State Lands Division in 1978-79. This is a decrease of \$625,709 from estimated current year expenditures of \$8,253,535. The decrease results primarily from the absence of funding in the 1978-79 budget for two special projects that were funded in the current year with \$1,287,500. These two projects are:

1. \$500,000 from the Harbors and Watercraft Revolving Fund to remove hazards in rivers, lakes and streams.
2. \$787,500 from Federal Public Works Employment Act (Title II) money to remove obstructions in southern California tide and submerged lands.

If the budget is placed on the same basis as the current year, it shows an increase of \$661,791 or 9.5 percent. The increase is made up of:

1. \$219,752 for 8 added positions (5 positions reimbursed).
2. \$128,672 increase in a federally funded reforestation program.
3. \$104,771 for merit salary adjustments and position reclassification.
4. \$208,596 for increases in operating expenses.

The requested expenditures of \$7,627,826 are financed as shown in Table 1.

Table 1
State Lands Division
Source of Funding, 1978-79

\$5,122,321	General Fund, (Item 195)
1,971,525	Reimbursement from Long Beach Tidelands oil revenues
371,500	Federal Public Works Employment Act (Title II) for reforestation of state lands.
103,884	Other federal reimbursements
58,596	Miscellaneous reimbursements
<u>\$7,627,826</u>	Total expenditures

LAND MANAGEMENT

The expenditures for the elements of the land management program are shown in Table 2.

Table 2
Land Management Program Expenditures
1978-79

Extractive Development	
State leases	\$1,580,070
Long Beach operations	1,971,525
Other land operations	4,076,231
Administration (expenditures distributed to other elements)	<u>(1,194,059)</u>
Total	\$7,627,826

The extractive development (state leases) element of the land management program includes leasing and development of state-owned oil, gas, geothermal and mineral resources. The budget includes \$60,514 for two new associate mineral resources engineer positions for leasing and developing geothermal resources. One position will be assigned to the geysers area for field and production measurement control and liaison with local government. The other position will be assigned to the Long Beach office to assist with leasing, preparation of environmental impact reports and some field control in southern California and east of the Sierras.

The Long Beach operations unit reviews the economics of Long Beach oil and gas development and production to maximize state revenue. The Long Beach operations are funded as a reimbursement from Long Beach revenue.

The other land operations element includes ownership determination, nonextractive leasing and the general management of state lands.

Tanker Terminal Safety

We withhold recommendation on the request for \$30,258 to establish a marine terminal safety coordinator position until the Interagency Tanker Task Force of the Resources Agency makes its preliminary report to the Legislature.

The State Lands Division requests \$30,258 for an associate engineer position to implement a new safety program at 24 tanker terminals located on state leased lands. The position would be responsible for periodic fire and safety inspections on tankers and at the terminal and connecting facilities. The division is now preparing regulations on the safe operation of marine oil transfer facilities. Later this year, the regulations will be submitted to the State Lands Commission for its consideration and adoption.

STATE LANDS DIVISION—Continued

Last fall, the Resources Secretary established an Interagency Tanker Task Force to coordinate information and recommend state action on the problem of tanker safety. The task force is scheduled to make a preliminary report to the Legislature early in 1978.

The shipping of Alaskan oil to California has resulted in increased tanker traffic and possible incidents, collisions, oil spills and loss of life. There are many state and local agencies along the coast which have some responsibilities pertaining to tanker operations. The federal government has a major role.

We recognize the need for increased safety surveillance of marine tanker operations and therefore the division's request may be reasonable. However, the proposal addresses only part of the problem. There are many tanker terminals that are not located on state leases which should also be checked for safety and to prevent oil spills. Legislation may be needed to establish a comprehensive terminal inspection program for all tanker terminals and perhaps LNG terminals. We withhold recommendation until we have had an opportunity to review the report of the task force.

Watershed and Forest Rehabilitation of State Lands

We withhold a recommendation on the request of \$371,500 from federal funds in Item 195(c) for reforestation of vacant state school lands until the State Lands Division, the Department of Finance and the Resources Agency report to the Legislature at budget hearings on the suitability of this budget proposal as a pilot project should the Legislature approve the \$71 million program in the Governor's Budget for reforestation of public and private land.

The budget includes \$128,672 in 1977-78 and \$371,500 in 1978-79 from federal PWEA (Title II) funds for reforestation of state school lands. These lands are at scattered locations in northern California. The division indicates that there are about 2,000 acres of formerly forested school lands which are suitable for reforestation and an additional 3,000 acres which may possibly be suitable for forestation. The Employment Development Department approved the project for federal funding with the stipulation that part of the work be performed by the California Conservation Corps (CCC) with supervision provided by the Department of Forestry and the State Lands Commission.

The budgeted proposal includes trial plantings on 90 acres in the current year at three sites in Mendocino, Tehama and Shasta counties. In the budget year, about 1,000 acres would be rehabilitated.

The work includes clearing and burning brush, site preparation and the planting of commercial forest trees. The proposal includes a payment to the CCC of \$34 per day for each corps member plus camp and transportation costs equal to 25 percent of labor costs. It has been CCC policy to provide the services of corps members to state agencies free of charge. However, this proposal would provide a payment to CCC presumably because federal funds are involved.

This reforestation proposal appears to be worthwhile. It also appears to be an excellent pilot project to gain experience and evaluate problems which will occur if the Legislature should approve the approximately \$71 million the Governor's Budget has reserved for a reforestation program on public and private lands. A massive, unplanned state reforestation program could result in high costs, waste and disappointing long-term benefit if it is begun hurriedly, without experience, and without careful planning and attention to some of the problems involved. From this modest reforestation proposal of the State Lands Division, the state may be able to learn much about (1) the supply, selection and suitability of various trees and other plantings, (2) the seasonal nature of the work, (3) costs of reforestation, (4) the suitability of this type of project for federal funding, (5) problems of land access, (6) capabilities of the CCC and private industry to do the work, and (7) the necessary followup work to ensure survival of the trees.

The division, Department of Finance and Resources Agency should report at budget hearings on the suitability of the division's reforestation proposal as a pilot project for the state's \$50 million reforestation program.

Also, at budget hearings, the division and Department of Finance should propose necessary corrections to the Governor's Budget to add three positions required by the State Lands Division to administer the project, rather than showing all of the expenditure of \$371,500 in the budget year under professional and consulting services.

Possible Increased Commission Oil and Gas Revenues

The Governor's Budget estimates total state revenues from State Lands Commission sources to be \$91,850,780 in 1977-78 and \$76,626,000 in 1978-79. Most of the revenue is derived from the sale of oil at Long Beach, where production is declining.

The federal government controls petroleum prices under federal laws and pursuant to regulations issued by the Department of Energy. Since the state's oil revenues in the Governor's Budget were estimated, the department has issued new regulations effective January 1, 1978 which, in effect, would raise the price the state receives for its lower tier (value) oil from \$4.35 to \$5.07 per barrel. However, as of mid-January, the oil companies at the Long Beach operations had not increased the (posted) price for crude in line with the new federal regulations. It is not known whether the companies will pay the increased amount.

The Department of Energy has scheduled hearings in March on the effect of the latest regulations. Some oil companies and the State of Alaska have complained that the new pricing regulations will reduce the entitlement credit and ultimately their returns for Alaskan and imported oil.

If the present federal regulations remain in effect and the companies pay the increased price, tidelands oil revenues would increase about \$20 million per year over the budget estimates.

Geothermal Revenue

A recent court decision involving ownership of geothermal resources has been decided in favor of state ownership. However, the case has been appealed. Geothermal revenue of about \$280,000 per month is being held

STATE LANDS DIVISION—Continued

in a suspense account pending final outcome of the litigation. As of September 30, 1977, \$6.8 million was held in the account.

Resources Agency
SEISMIC SAFETY COMMISSION

Item 196 from the General
Fund

Budget p. 409

Requested 1978-79	\$250,413
Estimated 1977-78.....	229,116
Actual 1976-77	192,432
Requested increase \$21,297 (9.3 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Federal Grant Program. Recommend deletion of federal grant (\$50,851) funds. 373

GENERAL PROGRAM STATEMENT

Chapter 1413, Statutes of 1974, created the Seismic Safety Commission effective January 1, 1975, with termination scheduled for February 1977. Chapter 112, Statutes of 1976, extended the termination date to January 1, 1981.

The commission, consisting of 15 members, was established to provide a consistent policy framework and a means for coordinating earthquake related programs of government 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. The commission also advises the Division of Mines and Geology in regard to the installation and maintenance of strong motion instruments throughout the state.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes \$250,413 for support of the Seismic Safety Commission in 1978-79. This is an increase of \$21,297 or 9.3 percent over 1977-78 and is related to inflationary costs only. In addition to the General Fund amount, the Governor's Budget indicates federal fund expenditures of \$50,851.

Federal Grant Program-Impact of Earthquake Prediction.

We recommend deletion of \$50,851 indicated as federal funds.

The budget includes \$50,851 of federal funds which would provide two personnel-years (\$39,210) and operating expenses (\$11,641) to study the "social" impact of earthquake prediction. Although this proposal is under consideration by the commission, the final project program has not been approved, and a federal application has not been filed. In view of this, we recommend deletion of the federal funds. If the commission decides to apply for a federal grant, the final project program and justification should be presented to the Legislature at that time.

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

Items 197-205 from the General
Fund and special funds

Budget p. 411

Requested 1978-79	\$35,373,300
Estimated 1977-78.....	34,296,233
Actual 1976-77	30,156,780
Requested increase \$1,077,067 (3.1 percent)	
Total recommended reduction	\$1,800,000

1978-79 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
197	Nongame species and environmental protection programs.	General	\$2,255,889
198	For allocation by the Department of Finance—loan to Fish and Game Preservation Fund	General	(2,000,000)
199	Nongame species and environmental protection programs.	Environmental Protection Program	1,368,311
200	Primary funding source.	Fish and Game Preservation	30,731,726
201	Crab research and management.	Fish and Game Preservation	303,333
202	Marine Research Committee.	Fish and Game Preservation	195,000
203	Duck Stamp Account—migrating water-fowl projects.	Fish and Game Preservation	202,750
204	Training Account—employee education and training.	Fish and Game Preservation	268,891
205	Native Species Conservation and Enhancement Account.	Fish and Game Preservation	29,400
			<u>\$35,373,300</u>

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

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	<i>Analysis page</i>
1. <i>Unbudgeted Savings. Reduce Item 200 by \$1.3 million.</i> Recommend deletion of funds to reflect increased savings in current year expenditures.	378
2. <i>Conservation Aides. Reduce Item 197 by \$500,000.</i> Recommend deletion of General Fund support for 50 permanent conservation aides.	380
3. <i>Joint Study.</i> Recommend the Departments of Finance and Fish and Game expand scope of proposed study to include identification of game work proposed for General Fund support.	381
4. <i>Budget Bill Language.</i> Recommend that Departments of Finance and Fish and Game propose revised language needed for Item 197 in order to authorize expenditure of General Fund money for game programs.	382
5. <i>Cost Accumulation System.</i> Recommend that department convert the cost accumulation system to a cost accounting system.	383

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 which is composed of five members appointed by the Governor. The commission provides policy guidance to the department in its activities, including the taking of fish and game species, under a 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.

ANALYSIS AND RECOMMENDATIONS

The department estimates it will spend \$47,307,562 for support programs in 1977-78. The amount is financed from the following sources:

1. Fish and Game Preservation Fund.....	\$31,749,100
2. General Fund (Item 197)	2,255,889
3. California Environmental Protection Program Fund (Item 199)	1,368,311
4. Federal funds	8,035,088
5. Reimbursements	3,899,174
Total	\$47,307,562

An explanation of the programs and funding follows:

1. *Fish and Game Preservation Fund.* Most of the department's activities are financed through the Fish and Game Preservation Fund. This special fund receives revenues from the sale of hunting and fishing licenses and stamps, and from court fines and commercial fish taxes.

2. *Duck Stamp Account.* Chapter 1582, Statutes of 1970, created this account and requires any person who hunts ducks and geese to purchase a \$5 duck stamp each year.
3. *Training Account.* This account was established by Chapter 1333, Statutes of 1971, which levies a penalty assessment of \$5 for every \$20 of 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. The revenue is to be used for crab research. Chapter 652, Statutes of 1977, established a ceiling of \$500,000 on this additional privilege tax.
5. *Native Species Conservation and Enhancement Account.* Chapter 898, Statutes of 1974, established this account to receive donations for the support of nongame species conservation and enhancement programs.
6. *General Fund.* This fund finances, in part, game, non-game and plant protection activities.
7. *California Environmental Protection Program Fund.* Revenue in this fund is derived from the sale of personalized automobile license plates. Appropriation to the department from the fund are used for programs relating to environmental protection and nongame species work.
8. *Federal funds.* The state-federal 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, \$3,228,181.
 - b. Federal Aid in Fish Restoration Act (Public Law 81-681), known as the Dingell-Johnson Act. Excise tax on sport fishing equipment, \$1,337,280.
 - c. Commercial Fisheries Research and Development Act (Public Law 88-309), known as the Bartlett Act. Federal General Fund, \$231,463.
 - d. Anadromous Fisheries Act (Public Law 89-304). Federal General Fund, \$604,250.
 - e. Federal Endangered Species Act (Public Law 93-205). Federal General Fund, \$549,887.

Position Changes

The budget proposes to establish 129 new positions throughout the department and to delete 35.1 others for a net increase of 93.9 positions. Most of the new positions are financed through (1) the General Fund, (2) federal monies from Title II, Public Works Employment Act, (3) reimbursements from other agencies, and (4) cooperative state-federal programs. The largest increase is the 50 permanent new conservation aide positions which will execute somewhat routine and non-technical activities. Approximately \$500,000 in General Fund money is requested for

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

these positions. The department requests 12.7 additional positions for a survey of sport fish catches by party boats in southern California. The department also requests 6.5 new positions to begin implementation of deer herd management plans required by Chapter 5, Statutes of 1977. The use of an outside consultant to evaluate the effectiveness of Environmental Services in the current year instead of state employees has permitted a reduction of 9 personnel-years of staff which was authorized for the evaluation.

Major Expenditure Changes

Major expenditure changes from the Fish and Game Preservation Fund (Items 200-205) and the General Fund are for the following purposes:

1. \$534,236 increase in operating expenses and equipment costs.
2. \$340,492 decline in reimbursements.
3. \$150,000 to support development of nine deer herd management plans.
4. \$89,000 to augment the market crab research program.
5. \$500,000 for 50 fish and wildlife conservation aides.

General Fund Changes

The total support request for the Department of Fish and Game is \$35,373,300. This amount is \$1,077,067 or 3.1 percent over estimated current year expenditures of \$34,296,233. Although the department's support request from the General Fund declines from current year expenditure estimates by approximately \$968,394, its dependence on the General Fund would actually increase in 1978-79. This is true for two reasons. First, Item 198 includes an additional \$2 million in the form of a loan from the General Fund for allocation by the Department of Finance to the Fish and Game Preservation Fund for working capital purposes, that is, to keep the fund solvent during periods when expenditures exceed receipts.

Second, in the current year the department received a one-time, special allocation of \$1.5 million from the General Fund that artificially raises the 1977-78 base. This allocation was provided to offset a decline in revenue to the Fish and Game Preservation Fund because of loss of license revenue due to the drought. As illustrated in Table 1, this drought augmentation was distributed throughout each of the department's six major program elements:

Table 1
DEPARTMENT OF FISH AND GAME
1977-78 General Fund Expenditures

<i>Program</i>	<i>Drought Allocation</i>	<i>1977-78 Total</i>
Enforcement	\$546,000	\$1,115,520
Wildlife Management	222,000	994,008
Inland Fisheries	399,000	575,471
Anadromous Fisheries	118,500	118,500
Marine Resources	163,500	285,426
Environmental Services	51,000	135,358
	<u>\$1,500,000</u>	<u>\$3,224,283</u>

To appreciate the trend in General Fund support, the budget year request of \$2,255,889 should be compared with the \$3,224,283 appropriated last year less the \$1,500,000 for drought purposes. This leaves \$1,724,283, the amount of continuing support expenditure from the General Fund. On this basis, the \$2,255,889 in Item 197 represents an increase of \$531,606, or 30.8 percent. Most of the actual increase of \$531,606 would be used to finance 300 personnel-months of new conservation aide positions (50 positions for 6 months with the other 6 months financed from federal Title II money) which the department proposes to distribute throughout its six major (game and nongame) program elements next year.

In prior years the Legislature has approved certain continuing General Fund expenditures by the department as a matter of policy. These include \$75,000 for a new program of native plant protection, \$1,540,785 appropriated last year for nongame work on rare and endangered species and for environmental protection work, and \$63,498 for related cost-of-living salary increases. This gives a total of \$1,679,283, which is the legislatively approved base figure of General Fund money for the department. The budget for 1978-79 would extend the base to \$2,255,889 by including approximately \$500,000 for one-half the cost of 50 permanent conservation aide positions which are performing both game and nongame work. The department is proposing to extend the prior year expenditure authorizations because it is continuing to use the General Fund to make up deficiencies in its own revenues. This budgeting technique produces difficulties in attempting to relate programs to funding sources on a logical and consistent basis.

Status of Fish and Game Preservation Fund

In prior years, we have commented on the deteriorating fiscal condition of the Fish and Game Preservation Fund. The deterioration is continuing. On July 1, 1977, the Fund had an accumulated surplus of \$6,584,863 which was achieved by stringent departmental economies and the appropriation of \$1,572,274 of General Fund money to the department. The budget estimates a surplus of \$4,026,379 available for expenditure at the beginning of the 1978-79 budget year. This surplus is a result of continuing departmental economies, budgeted savings of \$1,031,081, and an increase of General Fund money to \$3,224,283. The fund surplus at the end of the budget year is estimated to be \$736,294.

In previous years the department has needed an operating surplus of \$3 million to meet its cash-flow needs. Item 198 substitutes a \$2 million loan from the General Fund for this purpose and to keep the fund solvent. As in previous years, the budget as submitted does not include money for the Governor's proposed 1978-79 salary increase. Last year the allocation for employee compensation cost \$1,374,446. The budgeted salary increase for next year approximates last year's amount and may be higher. Based on last year's amount there would be a \$665,152 deficit in the Fish and Game Preservation Fund on June 30, 1979. The department is proposing legislation in the current year that would increase revenues by approximately \$600,000 but this will have little effect in the budget year. Therefore, the

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

department may be unable to repay all of the \$2 million loan from the General Fund by the end of next year.

Revenue Gap

The causes of the problems confronting the Fish and Game Preservation Fund are the same as in past years. For the fifth consecutive year the department's budget provides for expenditures in excess of revenues to the Fish and Game Preservation Fund. The 1978-79 budget estimates revenue at \$28,459,015 and total support expenditures of \$35,373,300 which would produce a gap of \$6,914,285. If salary increase costs of \$1,374,446 are added to the budgeted expenditures, the budget year revenue gap would increase to \$8,288,731. However, this figure includes \$1,679,283 of General Fund money for nongame and environmental protection which the Legislature has determined should be financed from the General Fund. Subtracting this amount leaves a net revenue gap of \$6,609,448. This net revenue gap is financed in 1978-79 by other appropriations and use of the year-end surplus in the Fish and Game Preservation Fund as follows:

\$576,606	Item 197, General Fund (the amount requested in excess of the General Fund base approved in prior years)
1,368,311	Item 199, Environmental Protection Program Fund
4,026,379	Prior year surplus in Fish and Game Preservation Fund
<u>\$5,971,296</u>	

The net revenue gap of \$6,609,448 exceeds the \$5,971,296 available to cover it. Therefore, additional funds in the amount of \$638,152 are needed above those shown in the Governor's Budget.

Unbudgeted Savings

We recommend an unallocated reduction of \$1.3 million from Item 200 to properly reflect increased savings in the department's expenditures from the Fish and Game Preservation Fund.

The budget indicates there will be current year savings in the Fish and Game Preservation Fund of \$1,031,081. This amount consists of (1) \$864,000 appropriated to feed waterfowl during the drought which was not used and (2) \$167,081 in support funds for 8.5 positions budgeted to evaluate the preparation of Environmental Impact Reports and the department's environmental review procedures. (The money for the evaluation appears to have been budgeted twice which accounts for the \$167,081 savings.) These savings are included in the year-end surplus as estimated by the department.

If the pattern of year-end savings which has prevailed in the past five years continues through the current year, further savings of \$1,300,000 will be available in the Fish and Game Preservation Fund for carryover into the budget year. The Department of Fish and Game states that these savings can be used to finance the expected salary increases and therefore the department does not expect the deficit which we have derived in the previous paragraphs. It appears that the department's expectations are reasonable on the basis of the calculations shown below. However, the

department's approach is not an example of accurate and straightforward budgeting.

Table 2 compares actual year-end savings for the last five fiscal years with the estimated year-end savings taken from the current year column in the Governor's Budget. The table shows a pattern of underestimated savings in four of the five years. Table 3 shows the actual savings as a percent of total expenditures for each of the five years. Actual savings in the five years surveyed ranged from 3.4 percent to 12 percent of total expenditures.

Although not shown in the budget, the Department of Fish and Game and the Department of Finance estimate that the pattern will recur in 1978-79 and that savings of approximately \$1.3 million will be realized in the current year. If this additional savings is realized, the carryover balance in the Fish and Game Preservation Fund on June 30, 1978 would be increased by \$1.3 million and the total savings for fiscal year 1977-78 would be \$2,331,081.

Based on (1) the historical data, (2) continuation of the department's self-imposed expenditure restrictions, and (3) the estimates of the Department of Fish and Game and the Department of Finance, we believe that the department's budget request is overstated by \$1.3 million and that the appropriation from the Fish and Game Preservation Fund in Item 200 can be reduced accordingly.

Table 2
Year-End Savings, Fish and Game Preservation Fund
Actual Savings Compared to Total Expenditures

	1972-73	1973-74	1974-75	1975-76	1976-77	Totals
Actual savings re- verted.....	\$669,446	\$1,097,611	\$2,817,503	\$1,792,991	\$1,338,203	\$7,715,754
Total expenditures	19,659,736	22,392,073	23,389,861	26,552,815	27,677,493	119,671,978
Amount reverted as percent of ex- penditures.....	3.4%	4.9%	12%	6.8%	4.8%	6.5%

Table 3
Year-End Savings, Fish and Game Preservation Fund
Estimated Savings as shown in the Current Year Column Compared to Actual Savings One Year Later

	1972-73	1973-74	1974-75	1975-76	1976-77	Totals
Estimated savings in cur- rent year column	\$160,800	\$519,450	\$2,227,569	\$594,779	\$467,135	\$3,969,733
Actual savings realized one year later	669,446	1,097,611	2,817,503	1,792,991	1,338,203	7,715,754
Additional amount saved	508,646	578,161	589,934	1,198,212	871,068	3,796,021
Additional savings as a percent of estimated savings	+316.3%	+111.3%	+26.5%	201.5%	186.5%	95.6%

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

Fish and Wildlife Conservation Aides

We recommend that Item 197 be reduced by \$500,000 to delete General Fund support for 50 new permanent fish and wildlife conservation aide positions.

Last year the department received \$1,060,350 in Public Works Employment Act (Title II) funds for 70 temporary investigator assistants. These positions have been used to assist game wardens in carrying out their existing duties. The budget indicates that investigator assistants have been assigned such diverse duties as:

1. Investigating stream or lake alterations and issuing recommendations for protection of fish and wildlife;
2. Monitoring and investigating pollution incidents;
3. Investigating wildlife crop damage and issuing deprecation permits;
4. Interviewing witnesses and suspected violators;
5. Assisting wardens in serving warrants;
6. Transporting seized, injured or diseased live and dead fish and wildlife;
7. Inspecting import facilities and pet shops for prohibited species;
8. Assisting wardens on patrol, post lands; and
9. Rescuing sick, injured or diseased wildlife.

The existing program is temporary and is scheduled to terminate on June 30, 1978. The department now indicates that there is a similar need for assistance in fish and wildlife management programs. Accordingly, the budget includes \$500,000 in Item 198 and \$500,000 in Title II funds to pay 50 permanent conservation aide positions distributed through the department's 6 major program elements including both game and nongame work as shown below:

<i>Program</i>	<i>Positions</i>	<i>General Fund</i>	<i>Title II funds</i>
Wildlife protection	15	\$150,000	\$150,000
Wildlife management.....	11	110,000	110,000
Inland fisheries	11	110,000	110,000
Anadromous fisheries.....	7	70,000	70,000
Marine resources	6	60,000	60,000
Totals	50	\$500,000	\$500,000

In addition to continuing the investigator assistant duties outlined above the conservation aides will also:

1. Provide assistance in the collection, review and analysis of biological data.
2. Monitor commercial fish landings.
3. Make preliminary recommendations regarding a wide variety of technical fisheries and wildlife activities.
4. Assist fish hatchery operations and management.

The Title II funds will be used to support the 50 conservation aide positions for a period of 6 months. General Fund monies will be used to continue the 50 positions when Title II funding is exhausted. At the end

of the budget year the department proposes to continue General Fund support for the 50 positions on a permanent basis. Therefore the budget proposes to use Title II money to establish permanent positions which would be continued indefinitely and to establish approximately 47 positions which would work on game activities even though financed by the General Fund.

The department's position is that portions of the work that has been traditionally classified as game—that is, trout, big game, warmwater game fish, anadromous fisheries and marine fisheries—are in fact nongame or environmentally oriented and should be supported by the General Fund. This position is taken even though a nongame program was added to the budget several years ago for both wildlife and inland fisheries in order to show expenditure of the General Fund money which the Legislature provided for nongame work.

The change in 1978-79, if approved, will erode any significant distinction between game and nongame work in the department and provide a precedent for the department to expand all programs at the expense of the General Fund. In view of the precedent setting characteristics of the 50 conservation aides, we recommend that the \$500,000 of General Fund money to finance the positions for 6 months be removed from the budget and that the positions be approved only to the extent that they can be financed with Title II money. We have no difficulties with financing the 50 conservation aides with Title II money, but substantially more justification than has been supplied to date is needed in order to recommend their approval for continued financing with state funds.

Identification of Game and Nongame Work

We recommend that the Legislature direct the Departments of Finance and Fish and Game to expand their proposed study of criteria for identifying nongame work that will be financed by the General Fund to include the game work which the budget proposes to finance from the General Fund and that the study be conducted in cooperation with organizations such as the Nongame Advisory Committee.

Until action is taken on the 1978-79 budget the policy issue on game programs will not be resolved. Approval of the 50 new conservation aide positions would serve as a precedent to make the department a split-funded agency for all of its work. Most split-funded departments present continuing budgeting and accounting problems if their work, including new or revised activities, is to be accurately charged to the correct revenue source. The problem arises because a split-funded department secures money from (1) special interests who expect to be served by the expenditure of their money, and (2) from General Fund revenues which should be expended to represent the interests of the public as a whole rather than any particular special interests. Whenever there is no clear understanding of the work to be charged to each funding source, there will be continuing pressures by special interests to overcharge the General Fund.

The budget narrative indicates that the administration will be developing criteria to identify nongame programs with the intent of funding agreed upon programs from the General Fund. However, the criteria

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

apparently will cover only *nongame* programs whereas the budget also proposes to spend General Fund money on *game* programs. Therefore, the proposed criteria would not be broad enough to cover the funding as proposed in the budget. If the Legislature approves General Fund financing for *game* programs, it should direct that the study to identify criteria also include *game* activities.

There is a natural inclination on the part of sportsmen to retain control of the department by continuing its status as a special fund agency, financed from sportsmen's fees. As a consequence, it is likely that work on nongame species will receive a lower priority than work on game species. Because the department receives substantial support from the General Fund for nongame work, we believe the Fish and Game Commission should be restructured to reflect more nearly the general public interest. Historically, the commission has been composed entirely of persons who have a strong orientation toward hunting and fishing. According to the department's statistics, hunting and fishing interests represent only 12 percent of California's population, yet they currently have 80 percent of the representation on the commission (including two members whose terms have expired).

In addition, the department may need to be reorganized to assure that nongame work is not overwhelmed by the larger amount of game work and to better reflect the general public interest rather than the narrower special consumptive interests of license buyers and the commercial fishing industry. For example, if there is a sufficient general interest in the trout, warmwater sports fishing, big game and other programs to warrant support from the General Fund, as the department claims, these interests need to be identified and protected. This may require reorganization to identify and separate the broader and narrower interests.

Because the Department of Fish and Game is primarily a special fund agency, we believe that the department should be directed to consult with appropriate nongame wildlife organizations, such as the Nongame Advisory Committee, when identifying nongame activities. The Nongame Advisory Committee is a departmental committee appointed by the director to provide nongame advice to the department.

Revised Budget Bill Language

We recommend that the Legislature direct the Departments of Fish and Game and Finance to propose revised language needed for Item 197 which will authorize expenditure of General Fund money for game programs as proposed in the Governor's Budget.

As discussed under the two preceding recommendations, the Department of Fish and Game now claims that there is a nongame segment of work in many of the programs which have traditionally been considered to be game programs. Most, if not all, of this work apparently would be done by the 50 conservation aides.

The concept of nongame and environmental work which was specified and authorized to be financed from the initial General Fund appropriation for nongame purposes two years ago, was for the fisheries and wildlife

work related to rare and endangered species. This work is now shown under program elements IId (nongame program) and IIIc (nongame, Rare and Endangered Program) in the Governor's Budget. If the Legislature decides to recognize and fund nongame work within game programs (which we do not recommend), the problems of semantics and work definition will have to be resolved in time for appropriate amendments to be written into Item 197. We believe that the Legislature should ask the Departments of Finance and Fish and Game to prepare such language.

Cost Accumulation System

We recommend that the Department of Fish and Game be directed to convert the present cost accumulation system to a program cost accounting system.

Pursuant to Section 13204 of the Fish and Game Code, the department prepares a Cost Accumulation Report. The report is similar to a cost accounting document but it is used only for information purposes rather than for expenditure control. Table 4 in the second column shows the nongame and environmental expenditures as extracted from the department's 1976-77 Annual Cost Accumulation Report. Table 4 also shows the same expenditure data in the third column as extracted from the Governor's Budget. These latter figures are based on information from the traditional line-item accounting system. The total expenditure of \$2,490,289 for nongame work as derived from the Cost Accumulation Report is approximately \$244,690 less than the amount shown in the Governor's Budget as having been expended from the nongame and environmental appropriations from the General Fund and the Environmental Protection Program (EPP) Fund for that year.

Table 4
Department of Fish and Game
Comparison of Actual Nongame and Environmental Expenditures,¹ 1976-77
Extracted from Cost Accumulation Report and Governor's Budget

<i>Program</i>	<i>Cost Accumulation</i>	
	<i>Report</i>	<i>Governor's Budget</i>
Wildlife Protection.....	\$556,610	\$823,563
Wildlife Management	759,625	797,600
Inland Fisheries	232,109	217,950
Anadromous Fisheries.....	52,520	43,200
Marine Resources.....	246,613	123,993
Environmental Services	642,813	728,674
Totals.....	<u>\$2,490,289</u>	<u>\$2,734,980</u>

¹ Actual Expenditures of appropriations from the General Fund and Environmental Protection Program Fund.

The Budget Bill language limits expenditure of the General Fund and Environmental Protection Program (EPP) Fund appropriations to support of (1) nongame species management and protection programs, and (2) environmental protection. However, as shown in Table 4, the Governor's Budget indicates greater expenditures of monies from these sources than the amounts contained in the functional accounts for nongame and environmental protection activities in the Annual Cost Accumulation Re-

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

ports. This suggests first, that General Fund and EPP Fund monies are being spent for programs not authorized in the appropriation and being charged improperly to these appropriations; or second, that more money is being appropriated for the nongame and environmental programs than is actually needed; or third, that one or both of the accounting systems is in error. Either way, the evidence indicates that the existing accounting systems are inadequate to control the expenditure of General Fund and EPP Fund money.

The reasons for the differences between columns 2 and 3 are not clear, but some differences can be identified. For example, the 1976-77 Cost Accumulation Report was prepared on the basis that work on any wildlife species not taken by sportsmen and not taken commercially, plus all work related to environmental protection was distributed to all of the department's major program elements whether game or nongame. More specifically, the two areas of expenditure are allocated to nongame activities such as threatened, rare or endangered species, marine mammals, exotic or nonnative wild animals which are prohibited entry by law without a special permit, and nonappropriative use of game species, as well as to game activities. This may be logical, but only if the two work areas are truly departmentwide costs.

On the other hand, the data presented in the Governor's Budget is the basis for determining the amount of the appropriation and is the document to which the limiting language or nongame and environmental work in the Budget Act applies. The budget is constructed so that only nongame wildlife work, nongame inland fisheries work, and part of the environmental services program is eligible to receive the General Fund and EPP Fund money. Thus, the two columns of expenditure figures in Table 4 are determined on different bases and the correct figure is unknown.

As previously discussed, the department is now attempting to redefine as nongame many of its activities and programs that have traditionally been classified as game in order to increase financial support from the General Fund and the EPP Fund. In this situation the department sometimes uses the unofficial Cost Accumulation Report to justify changes in classification of General Fund money to nongame or environmental purposes and to justify more General Fund money. However, the department budgets and accounts for the money under the line-item accounting system which is not adequate to control the expenditures justified under the cost accumulation system.

The department is now proposing to go one step beyond the budgeting and accounting actions discussed above, and expend General Fund and EPP Fund money for *game* purposes which further complicates the problem. The traditional line-item accounting system of the department is already unable to account for the department's expenditures and the proposed, sophisticated split-funding of both game and nongame programs would further increase the difficulty, perhaps to the point of a breakdown in fiscal controls.

The operation of the Cost Accumulation System already involves doing

much of the work that is needed to place the department on an adequate cost accounting system rather than the line-item system. Furthermore, the Cost Accumulation System currently duplicates the line-item accounting system. Such duplication and the extra costs needed to support two inadequate systems are unwarranted. The Cost Accumulation System should be converted to an official cost accounting system in order to generate expenditure data adequate to control a split-funded department.

NATIVE PLANT PROTECTION PROGRAM

Chapter 1181, Statutes of 1977, effective January 1, 1978 provides for a native plant protection program within the department and authorizes the Fish and Game Commission to designate rare and endangered plants. In the current year, departmental activities are financed with \$75,000 from the General Fund. The budget proposes another \$75,000 from this source to continue the program in fiscal 1978-79.

MARKET CRAB INVESTIGATIONS

Chapter 416, Statutes of 1974, established an additional privilege tax on landings of market crab in California to fund a special study on the decline of this invertebrate species. Additional revenues from this tax were originally estimated to approximate \$50,000. The department indicates that crab landings, especially in the North Coast, have exceeded earlier predictions and have resulted in an unanticipated increase in revenue. Chapter 652, Statutes of 1977, establishes a revenue ceiling of \$500,000 which can be collected through the additional privilege tax. The department indicates that the \$500,000 revenue ceiling was reached prior to the effective date of Chapter 652. The department requests \$303,333 in Item 201, an increase of \$128,044 from the current year. The department proposes a \$89,000 augmentation to finance (1) the addition of 3.4 personnel-years of temporary help, and (2) \$66,100 in consultant and professional services.

DUCK STAMP PROJECTS

The department requests \$202,750 in Item 203 from the Duck Stamp Account for developing migratory waterfowl breeding habitat in California and Canada. The department proposes two projects in Canada (\$175,000) and three California projects (\$27,750) for fiscal 1978-79.

Department of Fish and Game
WILDLIFE CONSERVATION BOARD

Item 206 from the Wildlife
 Restoration Fund

Budget p. 430

Requested 1978-79	\$279,713
Estimated 1977-78.....	271,843
Actual 1976-77	201,519
Requested increase \$7,870 (2.9 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Wildlife Conservation Board was created by the Legislature in 1947. It is composed of (1) the Director of the Department of Fish and Game (2) the President of the Fish and Game Commission, and (3) the Director of the Department of Finance. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board. The board has a staff of eight.

The board's primary responsibilities include acquiring property for the purpose of protecting and preserving wildlife while providing fishing, hunting and recreational access.

As authorized by Section 19632 of the Business and Professions Code, the board's program is supported by a continuing appropriation of \$750,000 from horserace license revenues to the Wildlife Restoration Fund. The board also administers funds from:

1. The Recreation and Fish and Wildlife Enhancement Bond Fund (1970).
2. The State Beach, Park, Recreational and Historical Facilities Bond Act of 1974.
3. The Nejedly-Hart State, Urban, and Coastal Park Bond Act of 1976.
4. Budget Bill appropriations to the Department of Fish and Game from the Environmental Protection Program Fund for acquisition of ecological reserves.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item requests \$279,713 from the Wildlife Restoration Fund for support of the board staff. The \$7,870 increase over current year expenditures reflects higher costs for personal services, operating expenses and equipment. The requested amount would continue the existing level of service.

Resources Agency

DEPARTMENT OF NAVIGATION AND OCEAN DEVELOPMENT

Items 207-213 from the General Fund and the Harbors and Watercraft Revolving Fund

Budget p. 435

Requested 1978-79	\$14,532,929
Estimated 1977-78.....	15,823,452
Actual 1976-77	14,706,405
Requested decrease \$1,290,523 (8.2 percent)	
Total recommended reduction	\$200,000

1978-79 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
207	Support of beach erosion control program	General	\$269,593	389
208	Support of boating programs	Harbors and Watercraft Revolving	2,045,336	388
209	Subventions for beach erosion control projects	General	895,000	390
210	Loans to local agencies for planning and harbor development	Harbors and Watercraft Revolving	7,463,000	392
211	Grants to local agencies for launching facilities	Harbors and Watercraft Revolving	1,760,000	392
212	Subventions to counties for boating safety and law enforcement	Harbors and Watercraft Revolving	2,000,000	393
213	For emergency repairs and payment of deficiencies in appropriation	Harbors and Watercraft Revolving	100,000	—
	Total		\$14,532,929	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Wave Gaging Stations. Withhold recommendation on \$50,000 for new stations and recommend that the department report on the program at budget hearings. 389
2. Whites Point and El Segundo Beach Erosion Projects. Recommend withholding approval until environmental impact reports are submitted. 390
3. *Long Beach Downtown Marina. Reduce Item 210 (f) by \$200,000.* Recommend deletion of funds for this project because the city has decided to proceed with a previously budgeted project. 392
4. Sierra Point Marina. Recommend Budget Bill control language requiring Brisbane to obtain BCDC permit before loan funds are made available to the city. 392

DEPARTMENT OF NAVIGATION AND OCEAN DEVELOPMENT—Continued

GENERAL PROGRAM STATEMENT

The Department of Navigation and Ocean Development (DNOD), as the state's boating agency, has three major functions. First, it assists in the development of boating facilities. It makes loans to local government for the development of small craft harbors and grants for boat launching facilities. It also plans, designs and constructs boating facilities for the state park system and state water project reservoirs.

Second, the department promotes boating safety. It makes grants to qualifying local agencies for boating safety and law enforcement, provides training for enforcement officers and coordinates educational programs of boating organization.

Third, the department administers the licensing of yacht and ship brokers to protect the public from fraudulent acts.

In addition to its functions as a boating agency, the department is authorized to make studies concerning beach erosion and has a coordinating role with the U.S. Corps of Engineers and local agencies in the construction of beach erosion control projects.

The Navigation and Ocean Development Commission of seven members serves in a largely advisory capacity to the department.

The department has approximately 65 employees.

ANALYSIS AND RECOMMENDATIONS

The department requests total support and local assistance expenditures of \$14,532,929 for the budget year, a decrease of \$1,290,523 or 8.2 percent from current year expenditures of \$15,823,452.

The decrease is in local assistance. The support request is practically level with the current year as shown in Table 1.

Table 1
Summary of Support and Local Assistance Expenditures

	<i>Estimated 1977-78</i>	<i>Proposed 1978-79</i>	<i>Change from 1977-78</i>
Support.....	\$2,266,452	\$2,314,929	\$48,477
Local assistance	13,557,000	12,218,000	(1,339,000)
Total Expenditures	\$15,823,452	\$14,532,929	(\$1,290,523)

The department's support request maintains the existing level of service and no additional positions are proposed for 1978-79.

The amounts requested for local assistance vary from year-to-year depending on the number and size of boating and beach erosion projects that may be ready for budgeting.

Table 2
Major Sources of Funding in 1978-79

Transfer from Motor Vehicle Fuel Account (boaters' gasoline taxes)	\$6,600,000
Revenue from boat registration fees	1,934,300
Boater use fees.....	244,297
Interest on loans to local agencies	770,006
Interest from Surplus Money Investment Fund	2,100,000
General Fund (for beach erosion control)	1,164,593
Federal funds (for boating safety program)	284,000

Table 2 shows major sources of department funding exclusive of loan principal repayments.

Except for money from the General Fund, these moneys are deposited in the Harbors and Watercraft Revolving Fund.

Fund Surplus

On June 30, 1977, the accumulated surplus in the Harbors and Watercraft Revolving Fund was \$6,943,164. The surplus is estimated to be \$67,267 at the end of the budget year. However, past experience indicates the department's expenditure estimates have been substantially overstated. Many local agency loan projects have proceeded slowly or have been stalled due to various environmental and technical problems.

Surplus Money Investment Fund. This fund serves as an investment account for surplus monies from various state operating funds, including the Harbors and Watercraft Revolving Fund. In order to earn interest on its idle funds, the department deposits in the Surplus Money Investment Fund both unencumbered balances and encumbered funds assigned to local agency loan and grant contracts which have not been disbursed. On November 30, 1977, the department had \$31,052,000 on deposit in the Surplus Money Investment Fund. The department has budgeted revenue of \$2,100,000 in interest from that fund for 1978-79.

BEACH EROSION CONTROL (ITEMS 207 AND 209)

The objective of the Beach Erosion Control Program is to mitigate coastal erosion and develop shoreline protection measures to preserve and enhance the state's beaches and shoreline. The program involves cooperative efforts with federal, state and local agencies. Major beach erosion projects are constructed by the U.S. Corps of Engineers. For the first time in several years the budget includes funding (Item 209) in local assistance for projects to be constructed by the Corps and local agencies.

Department Support (Item 207)

The department's support request of \$269,593 from the General Fund in Item 207 is an increase of \$6,647 or 2.5 percent over current year expenditures of \$262,946. The amount finances three positions plus \$152,000 in professional and consulting services for several studies pertaining to sediment management and transport, wave gaging and offshore sand sources.

Wave Gaging Stations

We withhold recommendation on \$50,000 for installation of wave gaging stations and recommend that the department report at budget hearings on total program cost, funding sources, state obligation for maintenance and benefits to be derived.

In 1977-78, the department budgeted \$25,000 from the General Fund and \$25,000 from the Harbors and Watercraft Revolving Fund to install five wave gaging stations at different locations along the coast. The gages are used to obtain near-shore information on the height, period, direction

DEPARTMENT OF NAVIGATION AND OCEAN DEVELOPMENT—Continued

and frequency of waves. The department indicates the information is helpful in determining sediment transport, the design of remedial shore protection works and the design and improvement of harbor entrances. In 1978-79 the department requests \$50,000 from the General Fund to install five more stations. The department's justification statement prepared last fall indicates 28 stations will cover the entire coast. Last year we questioned the ability of the department to select sites for the gages and the need for the information.

The U.S. Army Corps of Engineers has now become interested in the system and last fall contracted to pay the department \$154,750 to install and monitor wave gaging stations at Mission and Monterey Bays. The contract runs for 500 days with options to extend and augment the contract based on the results achieved. The department indicates that as much as \$700,000 may become available from the Corps. The federal funds do not appear in the Governor's Budget.

In view of the Corps' contract and the questions we raised last year, it still is not clear what the purpose is of the \$50,000 requested in the department's budget. Furthermore, in early February the department indicated that more than 28 stations will probably be needed to cover the entire coast and that the department may have to pay the operation and maintenance costs of the stations.

The department should report at budget hearings on the total program cost for the installation of gages, data gathering and equipment maintenance, the funding sources and the benefits to be derived from the proposed expenditures. If the Legislature then wishes to approve the \$50,000 request, we recommend that \$25,000 of the amount should be financed from the Harbors and Watercraft Revolving Fund according to the funding precedent established in the current year budget.

Resources Agency Beach Erosion Control Study

In prior years we have criticized the department for an ineffective beach erosion control program and have questioned some existing assignments of responsibilities for the program among departments in the Resources Agency. Last year the Resources Agency indicated it would assign a coordinating group to study the state's role in beach erosion control. The Supplemental Report of the Conference Committee on the Budget Bill recommended that the Legislative Analyst monitor the study.

The coordinating group representing departments in the Resources Agency has met several times. By transmittal letter dated January 23, 1978, the Resources Agency Secretary has forwarded to the Legislative Analyst a report, "Ideal Shoreline Erosion Control Program for California." The letter indicates that the report is an initial proposal and that funding levels and organizational responsibilities have not been considered in detail. The coordinating group will continue to meet.

Local Assistance Projects (Item 209)

We recommend that approval of \$165,000 for a beach erosion control project at Whites Point and \$400,000 for a project at El Segundo, Los Angeles County, be withheld by the Legislature because final environ-

mental impact reports have not been submitted by the department.

Item 209 requests \$895,000 from the General Fund for three beach erosion control projects as follows:

1. \$330,000 for the state's share of local costs for sand replenishment project of the U.S. Army Corps of Engineers at Orange County beaches from Anaheim Bay Harbor to Newport Bay. The project consists of placing 1½ million cubic yards of protective sand on the beach. This is the third major periodic nourishment of the beach.

Source of construction funds:

U.S. Corps of Engineers	\$2,680,000
Orange County	330,000
Department of Navigation and Ocean Development	330,000
Department of Parks and Recreation (Item 459(b))	<u>660,000</u>
Total	\$4,000,000

2. \$165,000 to pay one-half the cost for a county shore protection project at Whites Point Beach, Los Angeles County. Project construction by Los Angeles County Department of Public Works.

3. \$400,000 for one-half the cost of constructing a protective beach and two submerged rock reefs at El Segundo. Project construction by Los Angeles County Department of Public Works.

Section 21105 of the Public Resources Code requires the responsible state agency to include the environmental impact report as a part of the regular project report used in the review and budgetary process. The report must be available to the Legislature. Until the reports are submitted for the Whites Point and El Segundo projects, we are unable to recommend approval.

Table 3
1978-79 SMALL CRAFT HARBOR LOANS

<i>Project</i>	<i>Number of berths</i>	<i>Description</i>	<i>Project status</i>	<i>Amount</i>
1. Benicia Marina, Solano County ..	309	Construction	Continuing	\$1,450,000
2. Brisbane Sierra Point Marina, San Mateo County	600	Construction plans and specifications	New	200,000
3. Channel Islands Harbor, Ventura County	—	Construction	New	600,000
4. Emeryville Marina, Alameda County	100	Construction	Continuing	625,000
5. Humboldt Bay Harbor Marina....	214	Construction	Continuing	1,188,000
6. Long Beach Downtown Marina	1,660	Construction plans and specifications	New	200,000
7. Oakland Embarcadero Marina....	18	Construction	Continuing	750,000
8. Oyster Point Marina, San Mateo County	317	Construction	Continuing	850,000
9. Richmond Marina	500	Construction	Continuing	1,500,000
10. Planning loans—statewide.....				<u>100,000</u>
Total proposed loans				\$7,463,000

DEPARTMENT OF NAVIGATION AND OCEAN DEVELOPMENT—Continued

LOANS FOR MARINA AND HARBOR DEVELOPMENT (Item 210)

Item 210 requests \$7,463,000 for marina and harbor development loans to local agencies as shown in Table 3. The loans provide for repayment terms of 30 years at 4.5 percent interest. The request for Benicia, Emeryville, Humboldt Bay, Oakland, Oyster Point and Richmond are continuations of projects begun in previous years. Brisbane, Channel Islands and Long Beach are new projects.

Long Beach Downtown Marina

We recommend deletion of \$200,000 for the Long Beach Downtown Marina (Item 210(f)) because the city has decided to proceed with an alternate project for which state funds are already appropriated.

The department requests \$200,000 as an initial appropriation for the Long Beach Downtown Marina, a large project located in San Pedro Bay between the downtown area of Long Beach and Island Grissom, a tidelands oil drilling island. The total project cost is estimated to be \$21,900,000 financed by a combination of state loans and city revenue bonds.

This appropriation is not needed because the City of Long Beach has decided to proceed with a smaller project in the same vicinity at Shoreline Aquatic Park. The Budget Act of 1976 included an initial DNOD loan of \$1,300,000 for the marina at Shoreline Aquatic Park. Those funds have not been expended and are available to the department if needed in 1978-79.

Also, the Budget Act of 1977 included \$200,000 for a proposed Queensway Bay Marina project near the Queen Mary berthing site. The department indicates the city of Long Beach has deferred that project also and the \$200,000 in the 1977 appropriation will revert.

Sierra Point Marina

We recommend that limiting language be added to Item 210 so that \$200,000 being appropriated for the City of Brisbane to prepare plans and specifications for the Sierra Point Marina not be made available until the city obtains a project permit from the San Francisco Bay Conservation and Development Commission.

The department requests \$200,000 for a loan to the City of Brisbane to develop plans and specifications for a Sierra Point Marina on San Francisco Bay. The project includes 600 berths and a breakwater. Total cost is estimated to be \$6,948,000 financed by DNOD loans.

The staff of the San Francisco Bay Conservation and Development Commission (BCDC) has expressed concern about the lack of a waterfront plan for Brisbane. The waterfront plan is necessary for BCDC to evaluate specific development projects such as this marina. Consequently, the funds should not be made available to the city by DNOD until BCDC can issue a permit which is compatible with an approved waterfront plan.

LAUNCHING FACILITY GRANTS (ITEM 211)

The department requests \$1,760,000 in Item 211 for nine launching facility grants to government agencies as shown in Table 4. Six projects involve new facilities. In addition to the launching ramps, the develop-

ments generally include restrooms, parking areas and landscaping. Three projects involve expansion and improvements to existing facilities.

The request includes \$100,000 for floating restrooms at unspecified locations and \$100,000 for emergency repairs and extensions to existing launching ramps.

Table 4
1978-79 LAUNCHING FACILITY GRANTS

<i>Project</i>	<i>County</i>	<i>Launching lanes</i>	<i>Project status</i>	<i>Grant amount</i>
1. East Park Reservoir	Colusa	2	New	\$135,000
2. Edison Lake	Fresno	1	New	125,000
3. Emeryville Marina	Alameda	2	New	175,000
4. Pittsburg Marina	Contra Costa	Existing	Extension and development	150,000
5. Redbud Park, Clear Lake	Lake	Existing	Expansion and development	240,000
6. Rio Vista, Sandy Beach	Solano	2	New	210,000
7. Salton City	Imperial	3	New	250,000
8. Shelter Cove	Humboldt	Existing	Expansion and development	125,000
9. Tisdale Weir	Sutter	2	New	150,000
10. Floating restrooms	—	—	—	100,000
11. Ramp repairs and extensions	—	—	—	100,000
Total		12		\$1,760,000

GRANTS FOR BOATING LAW ENFORCEMENT (ITEM 212)

The department administers state and federal aid programs which provide funds to qualifying local agencies involved in boating safety and law enforcement. Item 212 requests \$2 million for grants to 35 counties. The program is designed to assist those counties where nonresident boats are used extensively.

Resources Agency
CALIFORNIA COASTAL COMMISSION

Items 214-216 from the General Fund

Budget p. 444

Requested 1978-79	\$6,002,887
Estimated 1977-78	5,956,824
Actual 1976-77 (six months)	2,616,939
Requested increase \$46,063 (0.8 percent)	
Total recommended reduction	None

1978-79 FUNDING BY ITEM AND SOURCE

<i>Item</i>	<i>Description</i>	<i>Fund</i>	<i>Amount</i>	<i>Analysis page</i>
214	State Operations	General	\$5,246,462	394
215	Assistance to Local Planning Agencies	General	356,425	397
216	Legislative Mandates	General	400,000	397
			<u>\$6,002,887</u>	

CALIFORNIA COASTAL COMMISSION—Continued**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS***Analysis
page*

- | | |
|---|-----|
| 1. Legislative Mandates. Recommend Item 216 be amended to provide for state funding of local mandated coastal planning only if federal funds are unavailable. | 398 |
|---|-----|

GENERAL PROGRAM STATEMENT

The California Coastal Commission implements the coastal management program as provided in the California Coastal Act of 1976. The act created a 15-member, part-time state commission and, for an interim period ending no later than June 30, 1979, six regional commissions.

The commission regulates development in the coastal zone. It also assists local government in preparing local coastal programs (LCP) which will implement the policies of the California Coastal Act at the local level. After the commission certifies the LCPs, regulation of most coastal development will be delegated to local government.

The commission also carries on special studies to resolve problems arising from regulation of developments and planning issues.

As provided in the Liquefied Natural Gas (LNG) Terminal Act of 1977, the commission is studying possible onshore and offshore sites for LNG terminals.

Commission headquarters are in San Francisco. Regional commission offices are located in Eureka, Santa Rosa, Santa Cruz, Santa Barbara, Long Beach and San Diego. There are about 220 employees serving as staff to the commissions.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes total expenditures of \$9,550,595 from all sources for support of the California Coastal Commission in 1978-79. This is a decrease of \$1,267,891 or 11.7 percent from estimated current year expenditures of \$10,818,486. The decrease results primarily from two factors which total \$1,281,125:

1. Because the Coastal Commission is now supported by the General Fund, the 1978-79 cost for Attorney General services to the commission appears in the Department of Justice budget. The commission's 1977-78 budget includes \$612,750 for these services.
2. There will be a reduction of \$668,375 in reimbursements from the Public Utilities Commission covering the designation of onshore LNG terminal sites. Most of the work will be completed in the current year.

If the budget is placed on the same basis as the current year, it is essentially level, showing only a slight increase of \$13,234.

The requested expenditures of \$9,550,595 are financed as shown in Table 1.

Table 1
California Coastal Commission
Source of Funding 1978-79

\$6,002,887	General Fund (Items 214, 215, 216)
650,887	General Fund (Chapter 855, Statutes of 1977, Offshore LNG terminal sites)
2,690,000	Federal coastal zone management funds
142,580	Federal coastal energy impact planning funds
64,241	Reimbursements
<u>\$9,550,595</u>	Total expenditures

New Positions

Although the budget requests 156 new positions, 141 of those positions were approved for one year in the current year budget for regional commission offices. In the 1978-79 budget the positions are limited to one additional year pending determination of workload after the regional commissions terminate on June 30, 1979. Other requests include 7 positions to continue study of LNG sites and 4 positions to implement the Federal Coastal Energy Impact Program.

COASTAL MANAGEMENT PROGRAM IMPLEMENTATION

The major program of the California Coastal Commission (CCC) is implementing the provisions of the California Coastal Act of 1976. Total funding of \$8,456,645 from all sources is budgeted for this program. Under the act, the CCC assists local agencies in bringing local general plans into conformity with the Coastal Act and regulates development in the coastal zone during the time that local planning work is being done. In addition, the CCC is responsible for:

1. Reviewing and certifying the master plan of four major ports.
2. Reviewing and certifying development plans of major public works and state university and college campuses located in the coastal zone.
3. Reviewing and making recommendations on the siting of power plants in the coastal zone.

1978-79 Another Critical Year

The major workload of the CCC in 1978-79 will be assisting local government in preparing local coastal programs (LCP) and regulating development in the coastal zone via the permit process. Under the Coastal Act, commission regulation of coastal zone development is primarily an interim workload. After local governments have prepared and the commission certified the LCPs, most development controls will revert to local government and the state's role will be largely appellate.

The Coastal Act requires the LCPs to be submitted to the commission by January 1, 1980, and certified by January 1, 1981. Given the time constraints of the Coastal Act, it is essential that both planning and permit functions be adequately funded and accomplished on time.

The commission's LCP work consists of assisting local government in (1) identifying areas where existing local plans, regulations and ordinances are not in conformity with Coastal Act policies and (2) developing planning work programs for preparation of appropriate local coastal programs.

CALIFORNIA COASTAL COMMISSION—Continued

The process is time consuming, especially if a local agency is reluctant to cooperate. The process also requires considerable persistence and diplomacy on the part of both state and local personnel if the job is to be done properly and on time.

At the same time that local coastal programs are being prepared, the state and regional commissions and their staffs have a very heavy workload to process large numbers of permit applications for development. In contrast to the LCP deadline of January 1, 1981, the processing of permits has short-term deadlines. Consequently, there are unrelenting pressures to concentrate on permit actions and defer local planning matters, which must be resisted.

In the present format of the commission's budget we are unable to determine the comparative effort proposed for permits or for LCP work because the two functions are budgeted within one program element as follows:

<i>Program Element</i>	<i>Personnel years</i>	<i>Amount budgeted</i>
Local coastal programs and interim development controls	153	\$6,401,205

In past years, the state and regional commissions have developed routine procedures to process permits and have budgeted the necessary staff time to get the work done on time. LCP work is not conducive to routine procedures and progress on it is difficult to measure.

The commission does not yet have a full year's experience on which estimates of the amount of staff time needed for permits and LCPs could be based. Based on the time reports for the period July 1 through September 1977, the commission estimates about 55 percent of staff time was allocated to the permit process and about 18 percent to LCP work. The commission indicates the percentages are rough estimates and probably should not be extended to a full year basis.

The commission staff has prepared, and updates every two weeks, a status summary which shows how the 54 cities and 15 counties required to prepare LCPs are progressing. The summary shows that as of January 18, 1978, the state commission had approved work programs and budget requests totaling \$446,000 for seven local agencies. No LCPs had been completed and submitted to the commission. It is clear that the commission and local agencies have much to do if they are to meet schedules.

Last year we were uncertain as to the adequacy of the Governor's original budget proposal for the Coastal Commission. Later in the legislative session it became evident that the commission needed additional funding to implement the California Coastal Act of 1976. The commission prepared supplementary workload material and we recommended additional funding, which the Legislature and Governor provided.

This year, although we doubt that the LCP plans will be submitted and certified by the 1981 deadline, it appears that the commission has added as much staff as it can reasonably absorb and still maintain quality and a professional level of competence in dealing with local government.

Regional Commissions Terminate June 30, 1979

Factors other than funding are related to timely preparation of LCPs. By statute, the regional commissions terminate June 30, 1979. The full effect of their termination is unknown. However, the permit process will have to be revised and the state will lose the talents of regional commissioners in negotiating with local officials to resolve some of the complicated issues that probably will arise in the LCP process. The state procedures that will be used starting July 1, 1979, to regulate development and to certify plans are unknown at this time. Those procedures will have to be developed in the budget year by the state commission, its staff and others in the executive branch.

Federal Law Suit

In September 1977, the American Petroleum Institute, Western Oil and Gas Association, several oil companies and other plaintiffs filed a suit in U.S. District Court to prevent federal agencies from honoring the California Coastal Management program and granting the state federal coastal planning money. In general, the plaintiffs contend that implementation of the California program will result in delays in production of oil and gas from the outer continental shelf.

The court has issued a temporary restraining order preventing federal agencies from implementing the California program but has permitted the Department of Commerce to allocate federal monies for the current fiscal years.

As a result of the court action to date, the federal funds will be available to the Coastal Commission in the current year. However, as of late January, the availability of \$2,690,000 in federal funds included in the Governor's Budget for 1978-79 was not certain. The case is set for trial in February 1978.

DETERMINATION OF LIQUEFIED NATURAL GAS (LNG) TERMINAL SITES

Chapter 855, Statutes of 1977, requires the CCC to study potential onshore and offshore sites for LNG terminals and provides General Fund money for the studies. The budget indicates that \$1,272,551 in the current year and \$693,950 in 1978-79 will be expended for the studies. The work is being done by some added staff plus private consultants under contract.

The CCC must rank the onshore sites in order of desirability and make recommendations by May 31, 1978 to the Public Utilities Commission (PUC), which will issue a permit for construction and operation of the facility. In the offshore study, the CCC must indicate the most appropriate sites and types of terminal facilities and report its findings by September 1978.

LOCAL ASSISTANCE (ITEM 215) AND LEGISLATIVE MANDATE (ITEM 216)

Local Assistance

The budget provides \$2,411,250 for local assistance in 1977-78 and \$2,101,425 in 1978-79. The latter amount consists of the following:

Federal funds.....	\$1,345,000
Item 215, General Fund	356,425

CALIFORNIA COASTAL COMMISSION—Continued

Item 216, Legislative mandates.....	400,000
Total.....	\$2,101,425

The California 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 from Section 306 management grants in 1978-79. One-half (\$1,345,000) is budgeted to local agencies. The budget also includes local assistance of \$356,425 from the General Fund to provide local matching funds required for the federal grants.

Legislative Mandates

We recommend that Budget Bill control language be added to Item 216 as follows: "Provided, further, that none of the funds appropriated in this item may be approved for disbursement to any local entity unless it has first made good faith efforts to apply for and use federal funds available for coastal planning."

The Coastal Act of 1976 provides that direct local planning and administration costs shall be reimbursed by the state in the annual state budget process. The act also requires the CCC to review and analyze all claims and submit its recommendations to the State Controller. The Controller must consider the CCC recommendations and review local claims to determine whether the claimed costs are directly attributable to the Coastal Act.

Both the Budget Act of 1977 and the proposed Budget Bill of 1978-79 have two appropriations from which the local claims can be paid. The first is the local assistance appropriation to the CCC (Item 215 in the 1978-79 Budget Bill) which provides a total of \$1,701,425 in state and federal funds to assist local agencies in financing their local planning costs. The second is the legislative mandate appropriation to the Controller (Item 216 in the 1978-79 Budget Bill) which provides \$400,000 from the General Fund to pay mandated local costs. It now appears that mandated costs for the same work could be paid from either item or perhaps even paid twice.

The CCC has established procedures for local agencies to follow in requesting federal funding from the CCC for costs incurred in developing the local coastal program (LCP). This is a commission responsibility. In general, the local agency must submit a work program to be followed in preparation of the LCP with progress payments made as work is accomplished. An equivalent procedure has not been established for the mandated costs.

Consequently, there is confusion in paying local claims. The Controller has received 40 claims totaling \$1,770,000 for reimbursement of mandated costs under the Coastal Act of 1976. The CCC has reviewed the claims, found insufficient documentation and in some cases duplication of claims already filed with the CCC. The CCC has returned the claims to the Controller without recommendation and the Controller has sought advice of counsel.

The process of funding local costs needs to be clarified. First, the Coastal

Act clearly states that half of the federal funds available shall be used to prepare local plans. Second, the Governor's Budget for both the current and budget years contains such federal funds for local planning. Therefore, the General Fund money in local mandate Item 216 should be available to fund local planning claims only if federal funds are not available or the costs have not been paid through Item 215. Appropriate language should be added to Item 216 which requires local agencies to apply to the Coastal Commission for federal funding before submitting a mandated cost claim under Item 216.

Resources Agency
DEPARTMENT OF PARKS AND RECREATION

Items 217-223 from the General
Fund and special funds.

Budget p. 449

Requested 1978-79	\$83,557,830
Estimated 1977-78.....	96,010,989
Actual 1976-77	56,145,140
Requested decrease \$12,453,159 (13.0 percent)	
Total recommended reduction	\$379,425

1978-79 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
217	Department Support	General	\$54,719,089
218	Department Support	Parks and Recreation Re- volving Account, General Fund	296,011
219	Department Support	Collier Park Preservation	1,842,860
220	Department Support	Off-Highway Vehicle	844,790
221	Boating Safety Support	Harbors and Watercraft Re- volving	240,080
222	Local Assistance Grants for Urban Parks	General	25,000,000
223	Local Assistance Grants for Off-Highway Vehicle Parks	Off-Highway Vehicle	615,000
			\$83,557,830

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- | | |
|---|-----|
| 1. State Park System Plan. Recommend department be directed to submit a State Park System Plan to the Legislature biennially commencing on September 1, 1979. | 402 |
| 2. Hostels. Recommend department be directed to limit initial hostel facilities to three units having total costs of approximately \$800,000. | 405 |
| 3. Condemnation Authority for Trails. Recommend department be encouraged to request authority to use condemnation for high priority trail acquisition projects. | 406 |

DEPARTMENT OF PARKS AND RECREATION—Continued

4. *Operations Division. Reduce Item 217 by \$244,786 and Item 220 by \$165,568. Recommend deletion of 23.4 person-years for surveillance of new acquisitions and operation of new park units.* 415
5. *Operations Division. Augment Item 217 by \$30,929. Recommend addition of one state park ranger position and a four-wheel drive vehicle to provide for resource preservation and enforcement at Little River, Trinidad and Dry Lagoon State Beaches.* 415
6. *Concessions Services. Recommend approval be withheld and the department be directed to provide information on the proposed projects.* 415

GENERAL PROGRAM STATEMENT

The primary responsibility of the Department of Parks and Recreation is to plan and implement broadly based park, recreation, cultural and natural resource preservation programs throughout California.

In its role as manager of the state park system, the department is responsible for acquiring, preserving, developing, interpreting and assuring the appropriate use of the outstanding natural, cultural, and recreational resources of the state within the framework of environmental protection goals and objectives. New state park system projects are undertaken with the advise of the California State Park and Recreation Commission.

The department is also responsible for administering federal and state grants to cities, counties and special districts to provide parks and open-space throughout the state, giving emphasis to heavily populated urban areas.

The state park system consist of over 250 units containing approximately one million acres with park visitations of over 60 million anticipated in the budget year. The system's units are grouped into several different classifications: state parks, state wilderness areas, state reserves, state historic parks, state recreation areas, state beaches, state underwater parks and preserves, and state off-highway vehicle areas.

The department is also responsible for operation of the California Exposition and State Fair in Sacramento. The Cal-Expo budget is separate from the department's budget and can be found under Items 224 and 225.

ANALYSIS AND RECOMMENDATIONS

The department's total proposed expenditures in the budget year from all sources for all support and local assistance programs is \$113,211,256. This represents a net decrease of \$54,120,431 or 32 percent from the amount estimated for the current year. This decrease is primarily due to a \$58.6 million reduction in state financial assistance to local recreational agencies resulting from: (1) peaking of 1974 Park Bond Act local grants in the current year and (2) budgeted expenditure of a \$15.2 million carryover into the current year from the prior year appropriation of \$25 million for grants pursuant to the California Urban Open-Space and Recreation Local Grants Program. This projected decrease in the budget year is misleading because a portion of the budgeted expenditures in the current year for the

grants program will probably be carried over into the budget year.

The department's estimated total expenditures differ from the total appropriation request of \$83,557,830 because the department estimates it will receive \$29,653,426 in transfers from various appropriations for capital outlay and reimbursements from the 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 1976-77</i>	<i>Estimated 1977-78</i>	<i>Proposed 1978-79</i>	<i>Increase over 1977-78</i>	<i>Percent Increase</i>
Statewide parks planning	\$529,472	\$793,300	\$875,763	\$82,463	10%
Development of state park system	4,428,980	6,642,883	7,009,662	366,779	5%
Operation of the state park system	45,211,983	51,917,101	55,352,864	3,435,763	7%
Resources preservation....	1,111,685	2,112,505	2,468,983	356,478	17%
Assistance to local recrea- tional agencies	27,203,883	105,865,898	47,503,984	(-)58,361,914	(-)55%
Administration (distribut- ed)	(6,477,782)	(7,259,298)	(7,222,647)	(-)36,651	(-)1%
	\$78,486,003	\$167,331,687	\$113,211,256	\$(-)54,120,411	(-)32%
Capital outlay transfers and reimbursements			(-)29,653,426		
Request for appropria- tions in Budget Bill ..			\$83,557,830		

Consolidation of Funding

In prior Analyses we have pointed out that the Department of Parks and Recreation receives funding from a large number of sources and that these sources, having differing purposes and restrictions, greatly complicate the department's program budgeting and accounting controls. The large number of funding sources also results in the accumulation of idle balances within the various funds and accounts which are sometimes not available for higher priority uses.

As a first step in reducing funding complexities, the Budget Act of 1977 eliminated the Hearst San Simeon State Historic Monument Special Account in the General Fund and made a direct appropriation from the General Fund for support, maintenance and restoration of this unit. Use of the San Francisco Maritime State Historic Park Special Account in the General Fund was discontinued following the transfer of this unit to the National Park Service in July 1977.

The Supplemental Report of the Committee on Conference requested our office to prepare a report with recommendations for consolidation of the remaining funding sources to the Legislature. A study has been completed in cooperation with the Department of Finance, Department of Parks and Recreation and the State Controller. A report entitled *Analysis of Funding Sources, Department of Parks and Recreation* will be made

DEPARTMENT OF PARKS AND RECREATION—Continued

available to the Legislature in February 1978. The report contains three recommendations:

First, enactment of legislation eliminating the following accounts in the General Fund: (1) Coastal Access Fees account, (2) San Francisco Maritime State Historic Park account, (3) Hostels Facilities Use Fee account, (4) Park and Recreation Revolving account, and (5) Resources Protection account.

Second, enactment of legislation to eliminate (1) the Collier Park Preservation Fund, (2) the State Park Highway Account in the Bagley Conservation Fund, and (3) the State Beach Overnight Parking Fund.

Third, enactment of legislation creating a State Park and Recreation Fund and transferring all appropriations made to the department from the Bagley Conservation Fund and all balances in the Hostels Facilities Use Fee Account, Park and Recreation Account and Collier Preservation Fund to the new fund.

STATEWIDE PARKS AND RECREATION PLANNING

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

The estimated expenditures for this program are \$875,763 (38.5 person-years), an increase of \$82,463 (10 percent) over the current year. This increase primarily results from 2.5 new positions proposed for department participation in development of local coastal plans pursuant to the California Coastal Act of 1976. Funding for these positions would be through reimbursement from the California Coastal Commission.

State Park System Plan

We recommend that the Department of Parks and Recreation be directed to submit an updated State Park System Plan to the Legislature biennially commencing on September 1, 1979.

The master plan for the state park system was last revised in 1968. Although this plan represented an effort to provide a comprehensive process for acquisition, development, and operation of the state park system, it was soon obsolete and has not served as a decision making tool for the department during the last 10 years.

Because the conditions faced by the department have been changing rapidly and have become increasingly more complex, and because the department is without plans that are either current or adequate, we have recommended in prior Analyses that the Legislature direct the department to develop planning policies and methodology which would result in effective action plans. As a result, the Legislature in the Budget Act of 1976 and again in the Budget Act of 1977, directed the department to develop policies and methodology for an ongoing state park system planning program and to report its progress in December 1976 and in December 1977. To assist the department in this effort, the Legislature funded several new planning positions for the current year.

Progress Reports. In response to the Legislature's request the department has established the Statewide Parks and Recreation Planning program and has submitted the required progress reports. According to the department's December 1977, progress report, its planning process has been divided into five phases: (1) statewide research and policy formulation, (2) programming, (3) property acquisition, (4) resource evaluation and classification and (5) facility development. A final phase for operations (including concessions) is missing from the planning process and needs to be incorporated.

Statewide Recreation Needs Analysis. As a first step in developing the state park system plan, the department has contracted with Stanford Research Institute (SRI) to perform a statewide recreation needs analysis which is to be completed by March 31, 1979. The purpose of this analysis is to develop: (1) comprehensive and detailed information on present recreation participation in the state, (2) projections of future recreation participation, (3) projections of recreation deficiencies, and (4) recommendations for an ongoing, computerized, analysis system which can be updated and operated by the department.

Funding for the analysis in the amount of \$1.9 million has been allocated by the department from appropriations totaling \$50 million made in the Budget Acts of 1976 and 1977 for the California Urban Open-Space and Recreation Local Grants Program (Chapter 174, Statutes of 1976). Of this amount, \$739,230 has been earmarked for the initial contract with SRI. The department did not specifically designate funds for this analysis in its prior budget requests for the grant program. However, Chapter 174 requires the department to conduct a statewide recreational needs analysis and the department is using a portion of the grant monies to finance the needs analysis.

Need for Effective Management. After a delay in getting started, the department is now making progress in developing a state park system plan. However, this is a complex undertaking which requires substantial improvements in the department's basic management skills, organizational structure and planning capabilities. In order to increase its planning skills, the department should establish clear guidelines and a system for appraising its plans to see that they are relevant and will assist in decision making.

Completion of Plans. In order to assure that the department's efforts will lead to completion of state park system plan and periodic updating of the plan, the department should be directed to submit a state park system plan to the Legislature on a biennial basis commencing on September 1, 1979. Initially, these plans should provide short-term goals, objectives, and detailed plans for a three-year period. Long-term plans for five to ten-year periods should not be undertaken until the department demonstrates the capability to deal with short-term action plans. The plans should specifically include estimates of costs and revenue impacts of program changes as well as outlining proposed capital outlay programs.

DEPARTMENT OF PARKS AND RECREATION—Continued

DEVELOPMENT OF THE STATE PARK SYSTEM

Development of the state park system is the joint responsibility of the Acquisition Division, the Design and Construction Division and the Resources Preservation and Interpretation Division. The department's estimated expenditures for this program total \$7,009,662, an increase of \$366,779 (5 percent) over the current year. This increase primarily results from 16.5 new positions proposed for design of minor capital outlay projects, trails and interpretive exhibits, and for restoration of historic railroad rolling stock and artifacts.

Public Works Employment Act (Title II)

The department has applied for \$2,620,414 in federal funds under Title II of the Public Works Employment Act. The funds requested will be used primarily for: (1) archeological and historical research and related archival studies in Old Sacramento State Historic Park, (2) storm damage clean-up at Big Basin, Henry Cowell Redwoods, and Forest of Nisene Marks State Parks, and (3) restoration and cataloging of historic railroad equipment and artifacts for display in the California State Railroad Museum. The following shows the planned distribution of Title II funds between the current year and the budget year:

<i>Title II Project</i>	<i>Fund Year</i>		<i>Total</i>
	<i>1977-78</i>	<i>1978-79</i>	
Old Sacramento archeological investigations.....	\$304,200	\$280,810	\$585,000
Storm damage clean-up.....	501,534	523,380	1,024,914
Railroad museum restoration.....	438,450	572,050	1,010,500
	<u>\$1,244,184</u>	<u>\$1,376,230</u>	<u>\$2,620,414</u>

Preliminary Design Teams

During the current year the Director of Parks and Recreation, requested the State Architect to provide design specialists to work on a special team with architects and engineers from the department. This special team was assigned the task of investigating methods and alternative designs to effect energy savings in some of the department's new facilities and in some existing facilities. Emphasis was given to use of solar hot water systems and innovative ways to dispose of sewage. As an additional task, the team was requested to develop preliminary designs for a major day-use area and campground at Salt Point State Park.

Preliminary indications are that the team's efforts have been productive. For example, a new system for biological ingestion of sewage at Angel Island State Park is being implemented and solar hot water systems are being designed for San Onofre State Beach and other units. More importantly, the special team has demonstrated that such an approach can result in more consideration of design alternatives, provide for increased attention to project costs, and bring about an early selection of the most feasible conceptual designs. There is uncertainty in both organizations as to whether the design teams will be continued. We believe that they should be continued.

Construction of Hostels

We recommend that the Legislature direct the Department of Parks and Recreation to limit construction of initial hostel facilities to three units having total costs of approximately \$800,000.

Chapter 1440, Statutes of 1976, appropriated \$1.9 million to the Department from the Bagley Conservation Fund for the development of hostel facilities on or near the coast. The act also required the department to submit a detailed plan for hostels to the Joint Legislative Budget Committee prior to expending funds for such facilities. Approval by the committee was not required.

The department has furnished us an advance copy of the required plan. The plan has been prepared with the assistance of a citizens advisory committee representing a wide range of potential users. It proposes the development of two pilot groups of hostels, one group serving the greater San Francisco coastal area and the other group serving the Los Angeles to San Diego coastal area. These pilot projects are envisioned as being part of a chain of future hostels stretching along the coast from the Oregon border to Mexico.

The San Francisco group of pilot hostels would be located at the following sites in the Counties of Marin, San Mateo and Santa Cruz:

- Mount Tamalpais State Park (Steep Ravine)
- Point Montara Light Station
- Pigeon Point Light Station
- Natural Bridges State Beach

The southern group of hostels would be located at the following sites in the Counties of Los Angeles, Orange and San Diego:

- San Pedro (City Park)
- Irvine Coast (Moro Canyon)
- San Clemente State Beach
- South Carlsbad State Beach
- Old Town San Diego State Historic Park

The proposed hostels range in size from 40 to 100 beds in each. Construction costs are estimated in the range of \$50,000 to \$350,000. Total costs for the nine hostels is estimated to be approximately \$1.9 million which is the amount appropriated.

Need to Limit Projects. Although the department's plan indicates that hostels are successful elsewhere in this country and in Europe and that hostels would be popular with bicycle tour groups in California, we believe that a cautious approach to construction of these new facilities should be taken until the state has an understanding of the problems associated with operation of hostels in the state park system. The department proposes contracting with American Youth Hostels, Inc., a nonprofit corporation, for operation of the hostels but the plan is lacking essential details on how such an arrangement would work.

In order to gain needed operational experience before making extensive expenditures on this new form of state recreation, we recommend that development be limited to a short chain of three hostels with total costs of approximately \$800,000. The best candidate sites for this initial

DEPARTMENT OF PARKS AND RECREATION—Continued

group of hostels appear to be Point Montara Light Station, Pigeon Point Light Station and Natural Bridges State Beach. The light stations have buildings which can be readily converted to hostels, provided that the sites can be transferred from the U.S. Coast Guard to the state. The hostel facility at Natural Bridges State Beach would be constructed on property recently acquired for addition to this unit.

Use of Condemnation for Trails Projects

We recommend that the Legislature encourage the department to request authority to use condemnation for specific, high priority acquisitions needed for trails projects.

The department is currently acquiring properties for a number of trails projects financed by legislation as shown in Table 2. Some of this legislation authorizes the use of condemnation to acquire property while other legislation precludes its use.

Table 2
Condemnation Authority for Trails Projects
Department of Parks and Recreation

Project	Appropriation	Use of Condemnation		
		Doesn't		
		Precludes	Specify	Authorizes
Marin County Bikeway—Chapter 1020/75	\$600,000	X		
American River Bikeway—Chapter 320/76(p)	650,000		X	
Crystal Springs Bikeway—Chapter 744/75	1,200,000			X
Atascadero and Maria Ygnacio Creek Bikeways—Chapter 1019/75	354,000	X		
El Capitan Bikeway—				
Chapter 1109/77	880,000	X		
Ventura Oceanfront Bikeway—Chapter 1019/75	390,000	X		
Santa Monica Mountains—Chapter 1014/75	1,000,000	X		
Santa Cruz Trails System—Chapter 1529/74	500,000			X

Some Projects Stalled. Lack of condemnation authority for some of the trails projects has become a critical problem for the department in securing individual properties for development of trails. Unwilling sellers along the trail routes have stalled some of the projects. Consequently, the department has requested the Real Estate Services Division in the Department of General Services to determine the willingness of all owners to sell before the acquisition of any parcels is started. In some cases, projects are being completed only because of joint-venture agreements with local agencies wherein the state acquires property from the willing sellers and the county acquires property from unwilling sellers through condemnation. However, not all counties are willing or funded to work with the state on this basis.

The Legislature has refused to provide blanket condemnation authority for the trails program, but it has been willing to provide specific limited authority for individual projects. In order to provide for completion of important trails projects, we recommend that the Legislature encourage the department to request legislation granting it condemnation authority for specific, high-priority acquisitions. In making such a request the department should expect to establish justification for each use of the condemnation powers.

Acquisition Backlog

In our 1977-78 Analysis (Item 400), we pointed out three problem areas in the department's acquisition program that deserved attention by the Legislature: (1) inability of the department to handle an increasing backlog of authorized acquisitions, (2) increasing complexities and deficiencies in the acquisition process (e.g., project selection, appraisals, implied dedication, coastal regulation, negotiation, and condemnation), and (3) problems of coordination between the Department of Parks and Recreation, Real Estate Services Division of the Department of General Services and the Attorney General's office.

In addition, the Analysis contained a list of 130 uncompleted acquisition projects amounting to approximately \$114 million. This backlog was significant because the demonstrated capability of the Real Estate Services Division was only \$30 million of acquisitions each year. Therefore, three to four years would have been required to reduce this backlog substantially even if no new acquisitions were added by the Legislature.

New Positions Funded. The Legislature augmented the department's 1977-78 support budget by \$231,000 for 10 additional positions and authorized the Real Estate Services Division administratively to create the positions needed to speed the completion of appraisal reports and acquisition settlements. The objective was to achieve an annual acquisition rate of \$75 million.

Subsequent to last year's budget hearings the Legislature added projects totaling \$108 million to the backlog. Of this amount, projects totaling \$50 million were included in the 1977 Budget Act and projects amounting to \$58 million were approved in special bills. These appropriations increased the backlog to approximately \$194 million as of October 31, 1977.

Last year the Legislature urged the department to form a task force made up of staff from the department and the Real Estate Services Division to facilitate overall program coordination and output. Both organizations have recently taken steps to bring about improvements in coordination and communications and are currently in the process of moving some key people to a single location.

Acquisitions Still Moving Slowly. In the first six months of this fiscal year, the number of acquisition settlements coming to the Public Works Board for approval has totaled \$5.6 million. During the same period, the number of new projects coming to the board for approval to start negotiations has totaled \$17.7 million. This indicates that the volume of acquisitions in the current year will fall substantially short of the \$75 million goal set last year by the department and the Real Estate Services Division.

Real Estate Services hopes to complete \$52.8 million in acquisitions during the current fiscal year despite the slow start. This is \$22 million less than the original goal of \$75 million, and even this lower goal may not be met.

The department has not requested additional positions to accelerate the acquisition program next year and we are not recommending any augmentation at this time. It appears that improved procedures and increased

DEPARTMENT OF PARKS AND RECREATION—Continued

efficiency in acquisition activities offer the best opportunity for greater productivity at this time.

Current Backlog. Table 3 shows the most current information relative to the department's acquisition backlog (149 projects totaling \$185 million). Many of these acquisitions are partially completed as shown by the remaining balance of appropriations and the acreage acquired or remaining to be acquired.

Table 3
Department of Parks and Recreation

ACQUISITIONS NOT COMPLETED
APPROPRIATIONS AND EXPENDITURES AS OF JANUARY 20, 1978

Funding provided by the State Beach, Park, Recreational and Historical Facilities Funds of 1964 and 1974, the State, Urban and Coastal Park Bond Fund of 1976; the Bagley Conservation Fund; the State Park Contingent Fund; the Off-Highway Vehicle Fund; the General Fund; the Park and Recreation Revolving Account; the Collier Park Preservation Fund and Hostel Facilities and Use Fees Account

Project (Appropriations)	Amount Available	Balance	Acres Acquired To Date	Acres To Be Acquired
American River Bikeway Project 320/76, 386(P)	\$650,000	\$365,483	3.84	45.10
Andrew Molera SP (Ch. 1109/77, Item Sec. 3(c) ..	2,750,000	2,750,000	—	2,649.90
Ano Nuevo SR 219/77, 402(B)	670,000	670,000	0	48.00
Ano Nuevo SR 219/77, 443(A)	1,518,500	1,518,500	0	550.00
Antelope Valley Calif. 1521/74, W	975,000	192,496	1,671.46	72.31
Anza-Borrego Desert SP 350/76, 411.2C(O)	1,200,000	1,200,000	0	11,098.86
Anza-Borrego Desert SP 1484/74, 410.7B(W)	1,100,000	252,261	1,744.40	713.60
Anza-Borrego Desert SP 350/76, 411.2C(C)	377,500	31,204	626.44	40.00
Anza-Borrego Desert SP 320/76, 386(M)	6,000	6,000	0	70.00
Atascadero SB 350/76, 411.2C(P)	900,000	900,000	0	20.00
Batiquitos Lagoon 1109/77, 443.2B(U)	1,000,000	1,000,000	0	39.34
Bear Harbor Ranch Project 1521/74, (F)	250,000	120,275	33.26	93.89
Benbow Lake SRA 320/76, 387(A)	50,000	50,000	0	90.74
Bidwell Mansion SHP 219/77, 400(A)	29,000	29,000	0	0.28
Big Basin Redwoods SP 350/76, 411.2C(D)	1,250,000	1,250,000	0	1,520.00
Big Basin Redwoods SP 1484/74, 410.7B(CC)	250,000	250,000	0	173.00
Big Basin Redwoods SP 219/77, 403(A)	137,500	137,500	0	90.00

Items 217-223

RESOURCES / 409

Bodie SHP				
1484/74, 410.7B (AA)	75,000	75,000	0	226.30
Border Field SP				
1484/74, 410.7B (O) 927/75.....	6,000,000	6,000,000	0	440.00
Bothe-Napa Valley SP				
176/75, 368 (B)	15,678	8,905	0	5.33
Bothe-Napa Valley SP				
1484/74, 410.7B (X)	779,000	45,683	470.24	9.53
Burton Creek Project				
1064/73, Sec. 9.3 (A).....	10,000,000	7,672,288	1,785.13	119.70
Candlestick Point SRA				
129/73, 350 (GG)	10,000,000	4,577,074	66.20	28.80
Carmel River SB				
1484/74, 410.7B (II)	1,987,000	5,858	35.60	1.14
Carpinteria SB				
1109/77, 443.2B (a)	887,000	887,000	0	7.00
Castle Rock SP				
176/75, 367 (D)	18,000	18,000	0	56.50
Castle Rock SP				
350/76, 411.2C (M)	762,923	543,083	400.00	330.00
Castle Rock SP				
1423/72	160,000	160,000	0	187.00
Castle Rock SP				
320/76, 387 (B)	30,000	30,000	0	291.66
Castle Rock SP				
219/77, 403 (B)	57,750	57,750	0	76.00
China Camp Project				
320/76, 386 (I)	2,500,000	10,687	1,512.00	127.16
Clear Lake SP				
219/77, 400 (B)	300,000	300,000	0	61.00
Colonel Allensworth SHP				
1484/74, 410.7B-FF.....	300,000	12,482	159.00	14.52
Columbia SHP				
1484/74, 410.7B-GG	430,000	377,096	.25	7.15
Consumnes River Project				
1484/74, 410.7B-T	2,500,000	2,500,000	0	3,450.00
Cuyamaca Rancho SP				
1484/74, 410.7B-R	1,800,000	286,603	2,003.38	21.33
Dana Point Palisades Project				
1109/77, 443.2B (b)	4,000,000	4,000,000	0	50.00
Delta Channel Island Project				
1484/74, 410.7B-U.....	500,000	500,000	0	1,000.00
Delta Meadows Project				
320/76, 403.1 (J)	970,000	970,000	0	428.86
Doheny SB				
1521/74, (R)	750,000	750,000	0	3.00
El Capitan SB				
1484/74, 410.7B-K.....	2,500,000	2,500,000	0	296.76
El Capitan SB				
1109/77, 443.2 BC.....	880,000	880,000	0	—
El Matador Beach Project				
502/76	1,300,000	1,300,000	0	17.14
1440/76	1,000,000	1,000,000		
El Pescador Beach Project				
1440/76	500,000	500,000	0	9.17
Empire Mine SHP				
219/77, 402i	45,000	45,000	0	.50
Empire Mine				
219/77, 402i	32,450	32,450	0	6.42
Folsom Lake SRA				
219/77, 400 (C)	165,000	165,000	0	4.51

DEPARTMENT OF PARKS AND RECREATION—Continued

Folsom Lake SRA 176/75, 369 (D)	493,000	376,400	192.70	28.11
Forest Nisene Marks SP 219/77, 403 (E)	150,000	150,000	0	117.20
Forest Nisene Marks SP 219/77, 400 (E)	800,000	800,000	0	17.29
Forest Nisene Marks SP 350/76, 411.2CE	150,000	150,000	0	—
Fort Ross SHP 1521/74, (L)	750,000	750,000	—	395.00
129/73, 350 (EE)	750,000	30,647	239.12	
Fort Ross SHP Ch 1109/77, 443.2B (p)	900,000	900,000	0	235.00
Gaviota SP Ch. 1109/77, 443.2B (e)	3,150,000	3,150,000	0	66.00
Haskell's Beach Ch 1109/77, Sec. 3(d)	500,000	500,000	0	53.00
Hendy Woods SP 983/73, Sec. 1 (D)	300,000	296,000	8.33	20.00
Henry Cowell Redwoods SP 1529/74, Sec. 2 (A)	35,000	35,000	0	17.84
Henry W Coe SP 219/77, 400 (D)	30,000	30,000	0	115.86
Hollister Hills SVRA 542/74, Sec. 2 (A)	1,400,000	274,199	3,089.00	2.25
Humboldt Redwoods SP 375/74, 382(A)	357,000	357,000	0	524.00
Garrapata Beach Ch 1109/77	5,360,000	3,360,000	0	3,110.00
Greenwood Creek Ch 1109/77, Sec 3(b)	375,000	375,000	0	80.00
Humboldt Redwoods SP 156/72, 318.1A	490,000	388,350	366.00	567.77
Humboldt Redwoods SP 176/75, 367 (A)	300,000	300,000	3.06	243.96
Humboldt Redwoods SP 375/74, 382.1A	135,000	135,000	0	159.00
Hungry Valley Project 219/77, 403.5 (A)	7,500,000	7,500,000	0	10,420.00
Indian Grinding Rock SHP 176/75, 387N (A)	250,000	174,030	3.98	127.22
Irvine Coast Project 219/77, 443 (R)	15,000,000	15,000,000	0	—
375/74, 410.2	7,600,000	7,600,000	0	—
Jack London SHP 320/76, 386 (E)	325,000	21,406	35.60	15.00
Jug Handle Crk (Pygmy Forest) P 1109/77, 443.2B (g)	900,000	900,000	0	34.00
Julia Pfeiffer Burns SP 1484/74, 410.7B (I)	125,000	125,000	0	120.00
La Piedra Beach Project 1440/76	1,200,000	1,200,000	0	10.92
La Piedra Ch 1109/77, Sec 3(e)	500,000	500,000	0	10.92
La Purisima Mission SHP 219/77, 402 (E)	80,000	80,000	0	215.00
Lake Earl/Lake Talawa Project 1109/77, 443.2B (h)	6,000,000	6,000,000	0	7,200.00

Items 217-223

Las Tunas SB				
1521/74, Sec 1 (FF)	250,000	200,871	78	20
1521/74, Sec 1 (U)				
Leo Carrillo				
Ch 1109/77, 443.2B(s) (1)	500,000	500,000	0	3.50
Leo Carrillo SB				
1484/74, 410.7B (L), 983/73	1,930,000	639,343	8.51	17.52
Leo Carrillo SB				
350/76, 411.2C (N)	2,500,000	2,500,000	0	460.00
Leo Carrillo SB				
1521/74, CC	1,062,000	179,009	2.65	.62
Lighthouse Field Project				
219/77, 443 (G)	4,600,000	4,600,000	0	37.60
Little River SB (Trinidad Bay)				
219/77, 443 (K)	1,030,000	1,030,000	0	143.00
Mackerricher SP				
Ch 1109/77, 443.2B (j)	1,000,000	1,000,000	0	1,100.00
Malibu Bluffs Project				
Ch 1109/77, 443.2B (k)	5,500,000	5,550,000	0	104.00
Malibu Creek SP				
1521/74, (T)	7,000,000	2,436,820	1,128.41	40.00
Malibu Creek SP				
219/77, 443 (N)	4,200,000	4,200,000	0	492.10
Malibu Creek SP				
129/73, 379 (C), 1174/73	5,700,000	680,180	2,604.52	119.53
Malibu Lagoon SB				
1484/74, 410.7B (M)	3,150,000	2,327,760	24.00	9.70
Malokoff Diggins SHP				
219/77, 402 (F)	69,000	69,000	0	149.00
Manresa SB				
Ch 1109/77, 443.2B (L)	1,000,000	1,000,000	0	43.00
Marina Beach Project				
350/76, 411.2C (L)	2,000,000	500,925	87.86	37.21
Marshall Gold Discovery SHP				
350/76, 411.2C (I)	427,800	290,449	20.00	50.00
Manchester SB				
462/76, Sec 2 (A)	1,352,000	1,352,000	0	430.00
McArthur-Burney Falls				
Memorial				
320/76, 386 (H)	300,000	171,752	92.90	110.80
Mendocino Headlands SP				
1521/74, (H)	550,000	170,180	196.72	108.62
McNee Ranch				
Ch 1109/77, 443.2B (I)	1,000,000	1,000,000	0	541.00
Monterey SHP (Old Whaling				
Station)				
320/76, 386 (J)	564,000	564,000	0	—
Morro Bay SP				
Ch 1109/77, 443.2B (M)	3,000,000	3,000,000	0	900.00
Morro Bay SP				
1514/74, 410.3H (A)	1,000,000	486,702	488.00	98.90
Mount Diablo SP				
219/77, 443 (H)	2,250,000	2,250,000	0	1,748.64
Mount Diablo				
219/77, 402 (I)	80,000	80,000	0	60.00
Mount Diablo SP				
129/73, 350 (VV), 1484/74,				
410.7B (S)	4,000,000	491,542	2,262.57	1,167.00
Ocotillo Wells SVRA				
741/75	2,100,000	1,156,993	3,454.00	9,069.00

DEPARTMENT OF PARKS AND RECREATION—Continued

Old Sacramento SHP				
219/77, 402(H)	72,000	72,000	0	4.17
Old Town San Diego SHP				
1484/74, 410.7B HH	350,000	350,000	0	1.83
129/73, 350K	297,000	19,749	0.72	0
Pescadero SB				
1484/74, 410.7B(C)	700,000	410,897	36.47	157.68
Petaluma Adobe SHP				
350/76, 411.2C(J)	80,000	71,572	5.81	7.91
Pismo Dunes SVRA				
1440/76	4,000,000	4,000,000	0	2,101.00
Pacifica Beach				
853/75	250,000	250,000	0	55.67
Portola SP				
219/77, 403(C)	350,000	350,000	0	190.50
Rancho Olompali Project				
219/77, 403(D)	350,000	350,000	0	700.00
Red Rock Canyon SRA				
129/73, 350(L)	350,000	0	2,075.62	400.00
1521/74, (V)	450,000	390,053	—	—
Recreational Trails				
East Bay Corridor	1,000,000	1,000,000	0	—
Lake Tahoe Corridor	500,000	500,000	0	—
Monterey Peninsula	200,000	200,000	0	—
Pacific Ocean Corridor	1,000,000	1,000,000	0	—
945/77				
Sac. River Boating Trail Project				
350/76, 411.2C(G)	75,000	75,000	0	0
Salt Point SP				
1440/76	3,000,000	3,000,000	0	0
Salt Point SP				
1521/74, S	1,100,000	177,512	192.00	33.00
San Luis Island Project				
1484/74, 410.7BJJ	1,500,000	1,500,000	0	8,534.00
Santa Cruz Co. Trails Project				
1529/74	150,000	140,886	0	36.50
Santa Cruz Co. Trails Project				
1529/74	285,000	73,880	53.00	20.60
Santa Monica Mtns Project				
1014/75	1,000,000	975,111	0	375.00 acres
Santa Susana Mtns Project				
219/77, 443	2,500,000	2,499,369	0	480.00 acres
So Monterey Bay Dunes Project				
1109/77, 443.2B(A)	6,000,000	5,999,975	0	95.00 acres
Sonoma Coast SB				
129/73, 350(AA)	3,925,000	1,445,107	642.00	250.00 acres
Sonoma SHP				
320/76, 386(M)	27,500	20,934	0	1.60 acres
South Carlsbad SB				
1484/74, 410.7BZ	3,070,000	772,352	16.5 ac.	14.20
Standish-Hickey SRA				
176/75, 367B	200,000	200,000	0	105.00
Sonoma Coast SB				
Ch 1109/77	1,500,000	1,499,975	0	1,659.00 acres
Stanford Home Project				
129/73, 379A	951,000	928,813	0	.80 acre
Stone Lake Project				
462/76, Sec 2(C)	1,400,000	1,338,115	0	1,261.70 acres

Tomales Bay SP				
1521/74, M	2,000,000	1,219,589	39.00	401.00 acres
Topanga SP				
1484/74, 410.7BP	3,900,000	3,841,618	0	1,580.00 acres
219/77, 443 (P)	3,000,000	3,000,000		
Sunset SB				
Ch 1109/77	200,000	199,975	0	13.00 acres
Torrey Pines SR				
1109/77, 443.2B (O)	1,775,000	1,774,975	0	370.00
Torrey Pines SR				
219/77, 401 (C)	80,000	80,000	0	1.10 acres
Truckee River Outlet Project				
320/76, 386K	350,000	318,201	0	6.70 acres
Usal Ranch Project				
1521/74, G	500,000	500,000	0	1,895.00 acres
1139/73	473,000	452,325		
Ventura/Santa Barbara Co. Trails Projects				
1019/75	50,000	41,831	0	.42
Ward Creek				
375/74, 382 (C)	500,000	500,000	0	173.00
Wilder Ranch SP				
129/73, 350NN	6,000,000	687,408	3,150.80	427.60
	350,000	350,000		
Westport Union Landing				
Ch 1109/77	2,500,000	2,499,775	0	983.20
Willowbrook Project				
219/77, 443 (Q)	3,000,000	2,993,220	0	99.00 acres
Woodland Opera House Project				
219/77, 435.5 (A)	Title transfer		0	.26 acres
Yolanda Ranch Project				
219/77, 400 (C)	600,000	599,950	0	90.00 acres
Totals	\$240,963,601	\$185,115,767 *	31,031.83	88,063.22 *

* Acquisition backlog as of January 20, 1978.

STATE PARK SYSTEM OPERATIONS

Management and operation of the state park system is the responsibility of the Operations Division. The major elements of this program are: (1) park unit services, (2) public information, and (3) concession services.

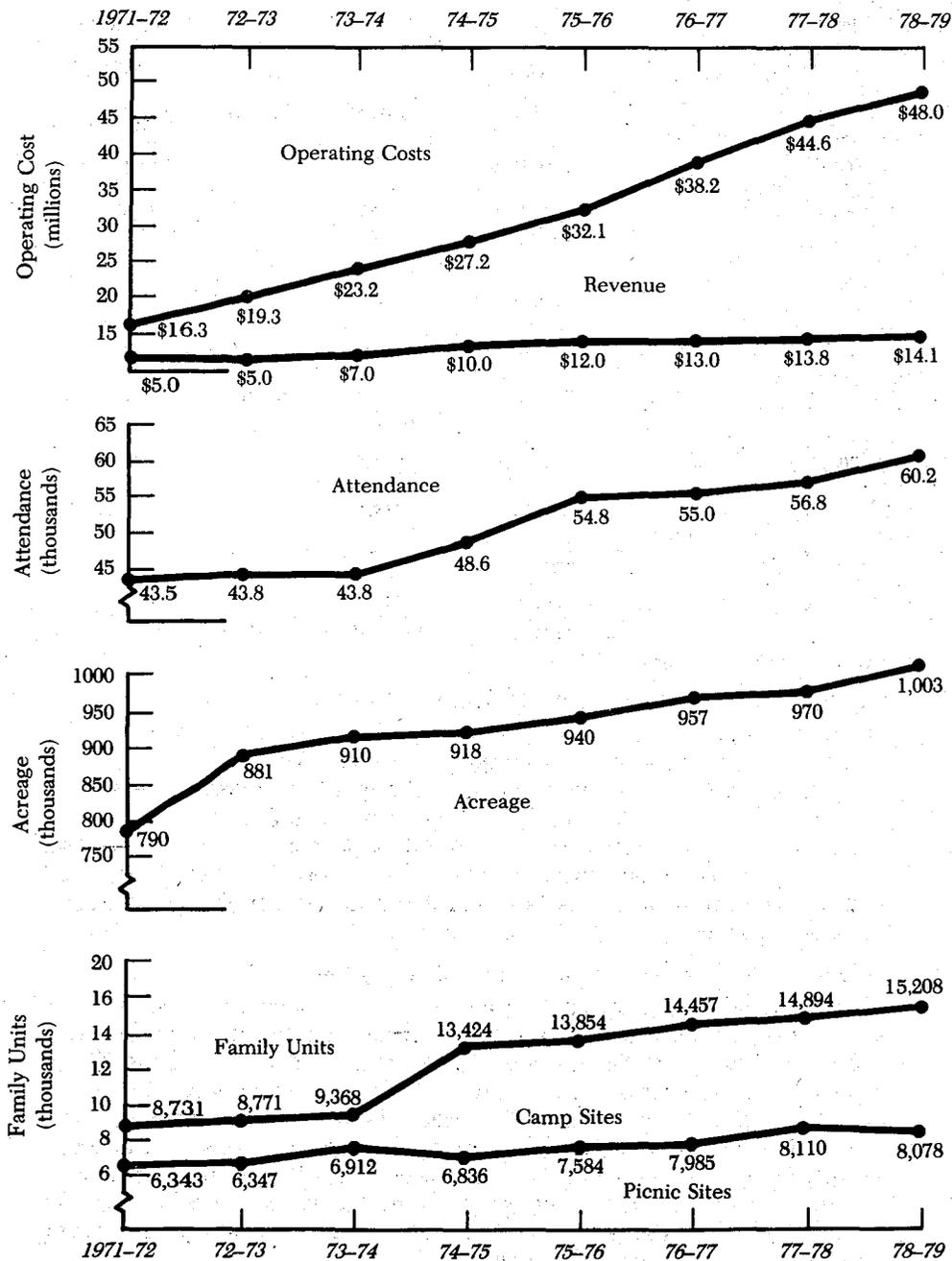
The estimated expenditures for this program are \$55,352,864 (2,259.2 personnel-years), an increase of \$3,435,763 (7 percent) over the current year. This increase is primarily the result of 110 new positions proposed for operation of new park facilities, patrol and maintenance of new acquisitions, and increased workload at existing park units.

Park System Cost, Revenue, Attendance and Family Units

Chart I provides a graphic comparison of park operations costs, revenues, visitor attendance, and number of individual family units services (picnic and camping) for the state park system. The increasing divergence between operating cost and the revenue curve is indicative of (1) 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 facilities and amenities, (4) environmental considerations such as complex sewage facilities, (5) higher personnel training and area management costs, (6) additional acquisitions requiring surveillance and (7) limited revenue increases.

Chart 1

Operating Costs, Revenues, Visitor Attendance, Acreage and Family Units for the State Park System (Including Hearst San Simeon)



Operations Staff Reductions

We recommend a reduction of \$244,786 (17.4 personnel-years) in Item 217 and \$165,568 (6.0 personnel-years) in Item 220 for surveillance of new acquisitions and operation of new park units.

Approximately 85 percent of the department's support budget, excluding assistance to public and private agencies is for the Operations Division, which is responsible for the operation and maintenance of the park system. Our analysis of the division's request indicates that the recommended reductions shown in Table 4 should be made in the amount of \$410,354.

**Table 4
Recommended Reductions in Operations Staff
Department of Parks and Recreation**

<i>Description & Reasons for Reduction</i>	<i>Recommended Reduction</i>		<i>Item</i>
	<i>Personnel-years</i>	<i>Dollars</i>	
1. Ocotillo Wells State Vehicle Recreation Area (acquisition) Acquisition of most of the property for this unit has been delayed by condemnation.	6.0	\$165,568	220
2. Candlestick Park..... More time is needed to complete this acquisition and make it safe for public use.	5.0	76,692	217
3. Old Sacramento, Big Four Building Staffing of this project is not needed until construction of the adjacent Railroad Museum is completed.	9.0	87,058	217
4. Cuyamaca Rancho State Park, Lucky 5 Ranch addition There is no appropriation for this acquisition and staffing is not needed.	3.4	81,036	217
	<u>23.4</u>	<u>\$410,354</u>	

Operations Augmentation

We recommend an increase of \$30,929 in Item 217 to provide one state park ranger and a four-wheel drive vehicle for resource preservation and enforcement at Little River, Trinidad and Dry Lagoon State Beaches.

The natural resources and aesthetic values of Little River, Trinidad and Dry Lagoon State Beaches are being badly damaged by illegally operated off-highway vehicles and other incompatible uses. There is insufficient staff assigned to these units to patrol several miles of coast and upland trails.

In order to provide for resource preservation and enforcement at these units, we recommend augmentation of Item 217 in the amount of \$30,929. This will fund a state park ranger position, a four-wheel drive vehicle, and operating expenses.

Concessions Services

We recommend that approval for the department's proposed concessions contracts be withheld and that the Legislature direct the department to provide adequate information on the proposed projects.

Pursuant to the requirements for legislative review contained in Section 8.1 of the Budget Act, the department has, for the first time, included the following concessions proposals in its budget:

Concession Bid Proposals:

1. Huntington State Beach—six beach stands.
2. Hearst San Simeon State Historic Monument—snack bar and gift shop.
3. Big Basin Redwoods State Park—gift shop, grocery and snack bar.
4. Will Rogers and Topanga Canyon State Parks—horse rental.
5. Old Town San Diego State Historic Park—Congress Hall—interpretive artisan workshops.
6. Old Town San Diego State Historic Park—Light-Freeman and Wrightington Buildings—pottery, souvenir and interpretive sales.

Negotiated Concession Proposals:

1. Old Town San Diego State Historic Park—Franklin Building and Colorado House—restaurant, gift shop and ice cream parlor.
2. Monterey State Historic Park—Gutierrez Adobe—Mexican restaurant.
3. Old Town San Diego State Historic Park—La Casa Blanca—Mexican restaurant.

The department has not provided information sufficient to permit review of the proposed concessions projects. We recommend that approval be withheld until sufficient information is obtained as to: (1) the reasons for these concessions, (2) the purposes of the park system served, (3) preliminary designs and costs of capital outlay improvements whether made by the state or the concessionaires, (4) the services and goods to be provided to park system users by the concessions, (5) the gross sales of the concessions, and (6) the rental payments to the state. In particular, the department should indicate whether the new concessions at Old Town San Diego will convert this historic site into a commercial operation.

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 estimated expenditures for this program total \$47,503,984, a decrease of \$58,361,914 (55 percent) under the current year.

This decrease is due primarily to the department's practice of showing that all appropriations for grant programs in the current year and carry-over surpluses from appropriations made in prior years will be fully expended in the current year. In reality, there will probably be a substantial carryover of expenditures from current year and prior year appropriations into the budget year under the various state funded grant programs.

In addition, local grants administered by the department from the Federal Land and Water Conservation Fund are anticipated to increase from approximately \$25 million (293 projects) in the current year to approximately \$31 million (398 projects) in the budget year. Federal Land and Water Conservation Fund grants are not included in the Budget Bill.

Table 5 shows the estimated grant amounts by source for the current year and the budget year.

Table 5
Parks and Recreation Grants by Source of Funding
Estimated Expenditures

<i>Fund Source</i>	<i>Estimated 1977-78</i>	<i>Proposed 1978-79</i>
General Fund	\$40,053,416	\$24,886,044
State Beach, Park, Recreational, and Historical Facilities Fund of 1974	13,811,111	3,371,858
State, Urban, and Coastal Park Fund of 1976	48,146,113	18,051,398
Land and Water Conservation Fund ^a	25,000,000	31,000,000
Total all programs	\$127,010,640	\$77,309,300

^a Grant program not shown in budget.

MANAGEMENT AND ADMINISTRATION

Departmental administration is the responsibility of the director, his staff, the Management Office and the Administrative Services Division.

The estimated expenditures for this program are \$7,222,647 (248.7 personnel-years), a decrease of \$36,651 (1 percent) under the current year. Included within the department's estimated expenditures is \$698,748 (50 personnel-years) for the state park ranger and inservices training programs conducted at Asilomar State Conference Grounds.

Program Budgeting and Accounting System

In 1969 the department perceived the need to eliminate its outdated budgeting and accounting methods and embarked upon the development of the Program Management System. However, after starting to implement some of the elements of the system, the project lost momentum and was eventually abandoned leaving no elements in operation.

Faced with the growing complexity and steadily increasing costs of its programs and individual park projects, the department's management has again become aware of shortcomings in its ability to identify program weaknesses and budget over-runs. For the most part, program cost information is difficult to obtain without expending unreasonable amounts of staff time.

One of the department's basic information deficiencies is its lack of cost data by project and park units. It is possible that two parks having similar facilities are rendering services at significantly different costs. There is also a need to report cost information for various categories of services provided by the department. This deficiency is evident in the presentation of the department's facility development program. We encourage the department to resume development of the Program Budgeting and Accounting System.

Department of Parks and Recreation
CALIFORNIA EXPOSITION AND STATE FAIR

Items 224-225 from the General
Fund

Budget p. 486

Requested 1978-79	\$7,412,315
Estimated 1977-78.....	6,652,800
Actual 1976-77	6,007,462
Requested increase \$759,515 (11.4 percent)	
Total recommended increase	\$150,000 ^a

^a Add new Item 225.1 to the Budget Bill in estimated amount of \$150,000.

1978-79 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
224	Support	General	\$3,266,918
225	Appropriation of Revenues	General	4,145,397
			\$7,412,315

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Cal Expo Plan. Recommend adding new Item 225.1 to authorize and fund preparation of a plan for future of Cal-Expo in the estimated amount of \$150,000.* 420

GENERAL PROGRAM STATEMENT

The California Exposition and State Fair (Cal-Expo) began operations at 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 new 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 and a period of revised emphasis began. The exposition concept was abandoned and the more traditional state fair approach was once again adopt-

ed. Agriculture, farm youth participation and displays of farm animals were encouraged. The results have been only modestly successful in part because many of the structures at Cal-Expo were designed for an exposition rather than agricultural displays.

Another problem was that three contracts for private investment and operation of facilities at Cal-Expo were inappropriate or poorly conceived. Accordingly the Legislature appropriated (1) \$2,200,000 for purchase of the minirail system from the private firm that had built it and was operating it; (2) \$2,640,000 to purchase the food and beverage contract from Ancorp; and (3) \$2,375,000 to buy out the carnival operating agreement from Greater Atlas. The total expenditure was \$7,215,000 which served to give the state full control over its facilities. These three appropriations bring the state's total capital investment at Cal-Expo to \$31.7 million, exclusive of land costs.

ANALYSIS AND RECOMMENDATIONS

The budget anticipates that total expenditures for Cal-Expo will increase by \$759,515 to \$7,412,315 in 1978-79. Revenues earned from operations at Cal-Expo are estimated to increase by \$481,109 to \$4,145,397. General Fund support will increase by \$353,639 to \$3,266,918. The remainder of the funding is \$265,000 which amount is transferred each year from the Fair and Exposition Fund pursuant to Business and Professions Code Section 19622 (a).

Cal-Expo revenues increased \$381,100 during the fair last fall compared to the prior year. The projected revenue increase of \$481,000 for next fiscal year (the 1978 Fall Fair) assumes that Cal-Expo will receive substantially more revenue from carnival operations as a result of the purchase of the carnival agreement. Cal-Expo currently expects to sell most of the carnival equipment now at the site and to contract with operators of privately owned carnival rides.

The General Fund increase for 1978-79 will be used to improve management, to provide for continuing a higher level of maintenance, to cover higher costs in general and for new fair programs.

Public Works Employment Act Funds

Cal-Expo has received generous allocations of federal funds under both Title I (construction) and Title II (operations and maintenance). In 1977-78 a total of \$394,559 will be used for maintenance and grounds services, security and exhibit work. Part of this work will be continued in the budget year with the addition of \$150,967 to renovate the carnival area and remove junk from it, and \$26,500 for a California Indian Days project.

In addition the following construction allocations have been received:

Horse arena (livestock barn)	\$1,650,390
Horticulture and Propagation Unit	124,642
Race Track Infield Development	353,452
Utility Systems Renovation.....	240,023
Lagoon Excavation.....	242,627
Total	\$2,611,134

The covered horse arena (or livestock barn as it is sometimes called)

CALIFORNIA EXPOSITION AND STATE FAIR—Continued

was intended to be a major new facility at Cal-Expo, the first since completion of initial construction in 1968. The location, type and multiple purpose features of the facility were hastily determined. The low construction bid was \$2,935,000 for which only \$1,499,000 in federal funds was available. The project has not moved and may be abandoned. Similar problems occurred with several of the other smaller projects listed above.

State Capitol Outlay Funds

Last year Cal-Expo received \$209,120 for improvements to the stable area roadways and drainage construction. In addition \$54,000 was made available to prepare working drawings for eating facilities in the Fair Activities Complex and \$92,000 was provided for working drawings to finish the interior of the Exposition Center buildings even though the proposed use of the Exposition Center buildings is not presently determined. The sum of \$1,000,000 is proposed in the budget for 1978-79 to construct the facilities being designed. However, working drawings are behind schedule and there is currently no justification material available for the construction request.

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 broad 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 recommended improved operating methods, better management and some new facilities. Emphasis was placed primarily on buy out of the remaining private contracts and secondarily on funds for deferred maintenance and new facilities. The new facilities that were recommended were incompletely studied because funding was not available to undertake a detailed study of the plant features and their relative costs.

Continuing Need for Cal-Expo Plan

We recommend the addition of Item 225.1 to authorize and fund preparation of a plan for the future of Cal Expo in the estimated amount of \$150,000.

During the time that preliminary work was underway on the horse arena and on working drawings for the Fair Activities Complex and Exposition Center, the County of Sacramento allocated \$4 million of federal revenue sharing money for construction of a new baseball pavillion at Cal Expo. Even though the Legislature had placed great stress in the past on cooperation between Cal-Expo and the City and County of Sacramento on joint-use facilities at Cal-Expo, Cal Expo was unable to respond positively to the proposal of the county. Parking, siting and other problems arose. Eventually, the county shifted its attention to another site.

Events of the past year have clearly shown that Cal-Expo continues to be plagued by poor planning, lack of clear concept as to purpose and

inability to respond to local events. The work of the special review committee in 1975 is no longer relevant to current needs because its major impact has been on events which have been consummated in the past two years.

The future of Cal Expo needs to be approached in a wider context than the responsibilities of its parent department, the Department of Parks and Recreation. In addition, adequate funding for study of design and structural concepts and a clear directive from the Legislature are needed. Such an endeavor would require direct authorization by the Legislature.

We recommend that the Legislature authorize a further planning effort which would review the interests of the state, local governments, and the Departments of Parks and Recreation in relationship to the existing conditions at Cal-Expo and prepare a comprehensive, flexible, realistic plan for the future of Cal-Expo. Necessary authorization can be provided by adding a new Item 225.1 to the Budget Bill in the estimated amount of \$150,000.

Resources Agency

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

Items 226-227 from the General Fund

Budget p. 489

Requested 1978-79	\$731,919
Estimated 1977-78.....	689,156
Actual 1976-77	560,200
Requested increase \$42,763 (6.2 percent)	
Total recommended reduction	Pending

1978-79 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
226	Support	General	\$722,119
227	Legislative Mandates	General	9,800
			<hr/>
			\$731,919

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Suisun Marsh. Withhold recommendation pending clarification of source of funding.

422

GENERAL PROGRAM STATEMENT

The San Francisco Bay Conservation and Development Commission (BCDC) was created by Chapter 713, Statutes of 1965. The commission consists of 27 members representing bay citizens and all levels of government. It is charged with the objectives of maintaining the Bay Plan based on current information and projections. The commission also has regulatory authority over the following areas:

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION
 —Continued

1. All filling and dredging activities in the San Francisco Bay, including San Pablo and Suisun Bays, specified sloughs, creeks and tributaries;
2. Changes in use of salt ponds and other "managed wetlands" adjacent to the bay; and
3. Substantial changes in land use within a 100-foot strip inland from the bay.

Chapter 1155, Statutes of 1977, enacted the Suisun Marsh Preservation Act of 1977, and implemented a marsh protection plan through a process similar to the Coastal Act of 1976. BCDC is required to (1) supervise preparation of a local protection plan by Solano County, and (2) regulate major land use projects within an 89,000 acre primary management area.

ANALYSIS AND RECOMMENDATIONS

The budget requests \$731,919 from the General Fund, an increase of \$42,763 over current year expenditure estimates of \$689,156. Part of this increase is due to an additional \$21,025 which is requested for a contract with the California Coastal Commission for accounting and professional services. The budget also requests \$9,800 from the General Fund to reimburse affected local agencies for direct planning and administrative costs imposed by the Suisun Marsh Preservation Act of 1977. The balance of the BCDC budget request continues an existing level of service. Revenue from permit fees is estimated to be \$25,000 in the budget year. Previously this revenue was budgeted as a reimbursement.

Legislative Mandates

We withhold recommendation on the commission's budget request of \$9,800 for legislative mandates pending clarification by BCDC and the Department of Finance of the source of funds to reimburse local governments for costs imposed by the Suisun Marsh Preservation Act of 1977.

The Suisun Marsh Preservation Act of 1977 (Chapter 1155, Statutes of 1977), requires preparation and submission of a local protection program to BCDC by Solano County and other local agencies having jurisdiction over the Suisun Marsh. Solano County must submit its adopted local protection program no later than January 1, 1979, unless an extension to January 1, 1980, is authorized by BCDC.

During legislative hearings on Chapter 1155 (AB 1717), BCDC indicated that mandated local planning and administrative costs requiring reimbursement under Section 2231(a) of the Revenue and Taxation Code would total \$55,000 during the two-year period when local protection programs are being prepared. Chapter 1155 provides that 20 percent of expected federal funds of \$100,000 per year received by California under the Federal Coastal Zone Management Act of 1972 be used to finance the development and implementation of the Suisun Marsh local protection program.

BCDC indicates that its budget for consultant and professional services includes \$50,000 in federal funds from the Coastal Zone Management Act of 1972 for this purpose. However, the Governor's proposed Budget also requests \$9,800 from the General Fund for disbursement by the State

Controller to reimburse local agencies for mandated costs. Therefore, duplicate funding has occurred. The commission and Department of Finance need to clarify whether federal funds budgeted by BCDC for reimbursement to local agencies during 1978-79 (1) can be utilized for such purposes and (2) if so, whether these funds are adequate. Because these federal monies would support local costs (also proposed for state funding in the budget year) we withhold recommendation on this request pending clarification.

Resources Agency
DEPARTMENT OF WATER RESOURCES

Item 228 from the General
Fund

Budget p. 492

Requested 1978-79	\$21,818,600
Estimated 1977-78.....	22,740,995
Actual 1976-77	20,024,976
Requested decrease \$922,395 (4.1 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Planning. Recommend department update negotiations with federal agencies on SB 346 water supplies and present them at the budget hearings. 426
2. Water Uncertainties. Withhold further recommendations on budget of the Department of Water Resources until budget hearings. 429

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 \$21,818,600 from the General Fund for support of the department. This is a decrease of \$922,395 from the comparable amount of General Fund support in the current year.

The total expenditures for all DWR programs for the budget year is \$299,220,890, a decrease of \$5,024,401 from the current year amount of \$304,245,291. The total General Fund request is for \$30,213,700. Of the total General Fund request, \$5,700,000 is for subventions for flood control and

DEPARTMENT OF WATER RESOURCES—Continued

levees which are contained in Items 229 and 230. Another \$2,695,100 is for capital outlay and is contained in Items 463 and 464.

The department's General Fund support budget for 1977-78 was augmented by two drought-related items: \$401,842 for drought mitigation and \$1,000,000 (Chapter 1235, Statutes of 1977) for repairs to prevent erosion and flooding which would otherwise result from watershed damage caused by wildfires. Neither of these activities are carried into the budget year. If the total of these two appropriations \$1,401,842 is subtracted from the General Fund budget for 1977-78, the 1978-79 budget would represent an increase of \$479,447 or 2.2 percent. This figure indicates a level expenditure compared to 1977-78.

Considerable drought-related work was also carried out during 1977-78 as part of the operation and maintenance of the State Water Project and financed with project funds. Some of this work will continue next year but the budget indicates a decrease of \$4,331,000 in 1978-79 for State Water Project drought-related work. An undetermined amount of project expenditures will be repaid with federal funds from the Emergency Drought Act of 1977.

The most significant change in DWR's 1978-79 budget is due to the Safe Drinking Water Bond Act of 1976. The budget estimates expenditures of \$60,597,000 in the current year and \$40,300,000 in the budget year, or a decrease of \$20,297,000.

The remainder of DWR's budget represent 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, for continued construction of the project, and debt service on Water Bonds. Both the Clean Drinking Water Bond and the State Water Project monies are continuously appropriated in their respective bond acts and are not included in the Budget Bill.

Program Redirections Due to Drought and SB 346

Drought Activities. The Department of Water Resources has prepared a program budget for the last decade or more. Although the program budget format has many advantages, it cannot adequately reflect the emergency actions the department has had to take in the last calendar year. The budget assumes a return to more normal operations on January 1, 1978, and the weather has accommodated this assumption. However, updating and revisions will be required in a number of General Fund programs where certain long-term work has been deferred during 1976-77 and 1977-78 to make personnel and other resources available for special drought-related activities. The department estimated last May that funds in the programs shown below would be redirected to drought activities in 1977-78 (through December 1977) as follows:

Statewide Planning	\$250,000
Land Resources and Use	100,000
Conservation and Use of Water	100,000
Regional Studies	190,000
Total Program Redirection	\$640,000

A considerable amount of additional redirection occurred in almost all programs. Much of this was for short-term involvement that was not specifically identified and accounted for.

In addition to these redirections, DWR received an allocation of \$401,000 from an appropriation made to the Director of Finance and a transfer of \$370,842 was made from the Fairfield Streams Project, for drought mitigation which is being expended in 1977-78 as follows:

\$86,000	—Water Atlas
370,842	—Drought Center Operations
60,000	—Drought Emergency Contingency Plans/Monitoring of Drought Impacts
65,000	—Sacramento Valley Water Use Survey
190,000	—Ground and Surface Water Quality and Quantity Measurements

\$771,842 —Total

The department recognizes that the drought has severely disrupted the planned production in many program areas and that this has not only produced delays but in some cases has reduced product quality.

Another result of drought work in the last calendar year is that in many program areas considerable reassessment will be required of continuing work to determine what work has not been done and what effect this will have on the program for both the current year and the 1978-79 fiscal year. In addition, impacts of the drought itself will require evaluation which in turn should lead to reevaluation of previously established minimum standards used for project planning, hydrology, and so forth.

SB 346. Another matter which has required a redirection of staff time in the current year is SB 346 (Ayala), the Governor's water legislation which would authorize major new facilities for addition to the State Water Project. The department has performed substantial unscheduled amounts of work related to the bill including providing input to the conference committee hearings on the bill. This took staff time which was not foreseen during the preparation of the 1977-78 budget.

Most of the activities which are directly relevant to the features of SB 346 are contained in the program components entitled "State Water Project Future Supply" and "Planning and Investigations for the State Water Resources Development System". The amount requested for these studies in the 1977-78 budget was \$1,229,000 for a staff of 29.9. The revised estimate for 1977-78 in this year's budget is \$2,376,600 for a staff of 53.7. For 1978-79 the requested amount is \$3,922,700 for a staff of 88. This work is funded largely by project funds. Revised General Fund expenditures in 1977-78 are \$194,200 and for 1978-79 are \$121,900.

At the time this Analysis was written, SB 346's fate was unknown. If the bill becomes law, it will require further significant increases in the department's programs for the State Water Project compared to the Governor's Budget. The 1978-79 budget, for example, shows a decrease in work on Delta facilities from \$1,320,400 to \$859,600. This would be reversed dramatically if SB 346 becomes law.

DEPARTMENT OF WATER RESOURCES—Continued**Planning**

We recommend that the Department of Water Resources update its negotiations with federal agencies on SB 346 water supplies and present them at the time of budget hearings.

The department's planning work although related to SB 346, is not directly dependent on it. Rather, this work is authorized under the Burns-Porter Act and is based on the need to have additional sources of water and/or revised operational modes for existing facilities available beginning in the 1980s to maintain Delta water quality and the contractual commitments of the State Water Project. SB 346, if enacted, would expand and give emphasis to the budgeted work. The description of the work under this component available at the time this Analysis was written indicated that three memoranda of understanding will be signed by the department, one with the U.S. Corps of Engineers on Cottonwood Creek water supply, one with the U.S. Bureau of Reclamation on feasibility studies and joint use of Los Vaqueros Reservoir, and another on feasibility studies and joint use of Los Banos Reservoir.

The department indicates that none of these memoranda have been signed due in part to uncertainty about SB 346 and due in part to policy problems with the federal government regarding such matters as the 160 acre limitation and Delta water standards. However, U.S. Secretary of the Interior Andrus has stated that the U.S. Department of Interior is interested in working with California to find a solution to differences relating to water quality standards in the Delta.

The ability of the department to negotiate the above agreements is critical to early initiation of joint studies between the state and the federal agencies. The projects involved are key facilities in the effort to secure coordination between federal and state water resources development and project operations in California, with or without SB 346. With respect to SB 346, a joint federal-state updating of the date on the projects is needed to permit expression of their capabilities in the context of state contracting policies, feasibility concepts and financing methods. The capabilities of the State Water Project to finance the state's share of construction costs with excess revenues of the State Water Project, California Water Fund money and revenue bonds secured by water sales contracts is especially important if a future issue of general obligation bonds is to be avoided. Therefore, we recommend that the department give the Legislature an update on the negotiations relative to the three memoranda of understanding at the time of the budget hearings.

California Water Plan

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. A Bulletin No. 4, "The California Water Plan Update," is now scheduled for December 1978. The bulletin will incorporate the former Bulletin No. 160 series and will be issued jointly by DWR and the State Water Resources Control Board (SWRCB).

The joint report will integrate the results of water supply and water quality policies and planning of the two agencies into a framework for water resources management control and protection in California until the year 2000. This will involve reevaluating and refining information on state-wide water supplies and demands contained in the SWRCB's water quality basin plans. The report will also incorporate material which DWR was to have published separately as the "Water Action Plan", i.e., findings based on 10 areal investigations dealing with specific local water problems.

The joint planning effort that SWRCB and DWR are undertaking is important. When the Department of Water Resources was organized in 1956, water resources became the responsibility of one state department. The department's primary concern was water quantity that is, supplying the quantities of water needed in California. Although the department gave much attention to water quality, this was a secondary consideration, partly because most of the regulatory authority over water quality belonged to the State Water Resources Control (SWRCB). In 1970, the SWRCB received the first Clean Water Bond funds for supplementing federal grants for local wastewater treatment facilities construction. The bond act authorized the SWRCB to spend bond funds for a water quality planning program covering the state's 16 water basins. This effort was separate from DWR's planning program. Since that time, the state has had parallel water quantity and water quality planning programs which have not been well integrated or necessarily compatible.

In June 1977, DWR and SWRCB entered into a memorandum of understanding to undertake the joint updating of the California Water Plan, and agreed that the plan would be composed of two integrated but distinctive elements—water resources management plans and water quality control plans. The memorandum provides that the water management policies and actions, and potential water projects of DWR will meet SWRCB policies, basin water quality control plans and water rights decisions. The memorandum indicates that alternatives requiring amendment of SWRCB plans and decisions may be considered.

It is not contemplated that additional basic studies will be required to implement the memorandum. The December 31, 1978, completion date was originally set to coincide with SWRCB's schedule for completing areawide 208 (nonpoint source wastewater) plans and the updating of the basin water quality control plans. The completion date of those plans has now been extended one year. Consequently, Bulletin No. 4 will contain only a status report of those studies rather than the final results. The two agencies have now undertaken a coordinated planning effort which is long overdue and vital to efficient use of water in California.

Coordination With State Water Resources Control Board

For several years, we have been concerned with the jurisdictional overlap between the Department of Water Resources (DWR) and the State Water Resources Control Board (SWRCB) in the water quality area and have recommended better coordination in their work to eliminate any duplication or voids in their activities. In recent years, various agreements have been signed by DWR and SWRCB to clarify certain operational

DEPARTMENT OF WATER RESOURCES—Continued

relationships and to define more precisely some of the responsibilities of the two agencies.

Our Analysis last year recognized the progress made by DWR and SWRCB in coordinating some of their activities, but expressed the need for further progress in groundwater management and the development of a statewide water quality data management program. To date, we have yet to receive any guidelines from the two agencies pertaining to groundwater management. However, at the time this Analysis was written, a SWRCB-DWR task force was in the process of completing the feasibility study for a statewide water quality information system. This is an important step to achieve better collection, analysis and use of water quality data with less duplication than now occurs.

In addition, DWR and SWRCB have signed two interagency agreements to investigate the health aspects of groundwater recharge. Under these agreements DWR will provide funds for research projects and SWRCB will provide technical staff. Two additional agreements of the same nature, and another identifying potential wastewater reclamation projects for inclusion in the federal 201 Clean Water Grant Program, will be entered into by DWR and SWRCB during the latter part of 1978. Finally, these agencies have signed a memorandum of understanding which provides for the development and implementation of a water reclamation research and demonstration program.

Regional Planning

Our Analysis last year pointed out that the "Regional Studies" component of the department's water planning appeared to be an accumulation of miscellaneous and somewhat unrelated work rather than a specific, coherent effort under which resources could be wisely allocated. We expressed concern about the vague relationship of these studies to work in other programs, the lack of priorities, and lack of clear overall objectives by which the results of the work could be evaluated.

The department has taken definite steps to revise the program. Much of the disjointed work which was formerly within Regional Studies has been scheduled in seven separate components in Water Management Planning or has been transferred to other programs. The changes have given the work a meaningful framework and removed our criticism.

Problems in Safe Drinking Water Program

The Safe Drinking Water Bond Act of 1976 authorized \$175 million of general obligation bonds to assist local water agencies to meet safe drinking water standards. The department estimates expenditures for 1978-79 for the Safe Drinking Water Project to be \$40,300,000. This amount consists of \$40 million for loans to domestic water suppliers for construction, improvement or rehabilitation of domestic water systems. It also includes \$300,000 for DWR to process applications and negotiate contracts for the loans, and money for the Department of Health (DOH) to establish priority lists of substandard domestic water supply facilities to be considered for financing. This estimated expenditure is a reduction of \$20,297,000 from the current budget year estimate of \$60,597,000. Initially, it was

anticipated that this amount would be expended in the current year. However, as of December 30, 1977, only \$4,859,000 (8.3 percent) of this amount had been committed for such purposes. Due to the lack of participation in the program in the current year, budgeted expenditures for 1978-79 have been reduced.

In implementing this project, DWR and DOH have found that sections of the Bond Act (Chapter 1008, Statutes of 1976), present a problem for domestic water suppliers who might participate in the program. In particular, requirements that local water suppliers show inability to finance the needed facilities with their own resources seems to be a major obstacle. Under existing law, up to \$15,000,000 in bond proceeds may be authorized for grants to public agencies to improve domestic water systems, if it is determined that there are no other alternative sources of funds available to such public agencies for improvements. Some local agencies appear to be waiting for the state to ease the eligibility requirements and to approve grants rather than loans. In an effort to deal with some of these difficulties SB 1327 has been introduced. It would authorize the use of \$15,000,000 in bond proceeds to provide grants for public agencies.

Water Uncertainties

We withhold further recommendations on the budget of the Department of Resources until the budget hearings.

Because of the many uncertainties in the state's water programs and pending legislation, we withhold recommendation on other water resources issues at this time and will update water developments for the fiscal subcommittees at the budget hearings.

**Resources Agency
DEPARTMENT OF WATER RESOURCES
(Subventions for Flood Control)**

Item 229 from the General
Fund

Budget p. 498

Requested 1978-79	\$5,500,000
Estimated 1977-78.....	5,500,000
Actual 1976-77	2,210,961
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 levee and channel projects which is 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 relocation of utilities. In California the state pays for these costs. Prior to 1973 California, through the Department of Water Resources, reimbursed the local interests for all the cost of rights-of-way and relocation of utilities. After 1973,

**DEPARTMENT OF WATER RESOURCES
(Subventions for Flood Control)—Continued**

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 \$236 million. Of the \$236 million, approximately \$165 million will have been paid at the end of the 1976-77 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 230 from the General
Fund

Budget p. 499

Requested 1978-79	\$200,000
Estimated 1977-78.....	200,000
Actual 1976-77	198,824
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item appropriates \$200,000, as authorized by Chapter 1302, Statutes of 1976, to the Department of Water Resources to reimburse local agencies for the maintenance and improvement of nonproject (locally constructed) 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
DROUGHT MITIGATION

Item 231 from the General
Fund

Budget p. 517

Requested 1978-79	\$100,000
Estimated 1977-78.....	2,527,000
Actual 1976-77	None
Requested decrease \$2,427,000	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Drought Mitigation. Withhold recommendation until budget hearings. 431

GENERAL PROGRAM STATEMENT

The Budget Act of 1977 contained \$2,527,000 from the General Fund for allocation by the Department of Finance to several state agencies for drought mitigation activities, and to compensate the Fish and Game Preservation Fund for loss of fees as a result of the drought. The Department of Fish and Game received \$1,500,000 for this purpose. The Department of Water Resources received \$401,842 for operation of its Drought Information Center and for increased ground and surface water measurements. \$201,000 was allocated to the Office of Planning and Research for the compilation of a "water atlas". The Water Resources Control Board received \$424,158 to fund additional staff for work on water rights applications, which have increased markedly since the drought began.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on the need for drought related funds until the budget hearings.

The Governor's Budget states that the \$100,000 requested is to be used for the same purposes as the 1977-78 appropriation. As of mid-January rainfall is above normal in most areas of California. However, better information on the status of water supplies in 1978 will be available in the spring.

Resources Agency
STATE WATER RESOURCES CONTROL BOARD

Item 232 from the General
Fund and Item 233 from the
Clean Water Grants Adminis-
tration Revolving Fund

Budget p. 518

Requested 1978-79	\$18,695,793
Estimated 1977-78.....	17,815,818
Actual 1976-77	13,543,720
Requested increase \$879,975 (4.9 percent)	
Total recommended reduction	\$817,192

1978-79 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
232	General Support	General	\$10,556,979
233	Facility Development Assistance	State Clean Water Grants Administration Revolving	8,138,814
			\$18,695,793

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. *New Positions Supported by Clean Water Grants Administration Revolving Fund. Reduce Item 233 by \$646,562.* Recommend deletion of 14 additional auditing positions and 5 additional administrative support positions. 435
2. *Aquaculture.* Withhold recommendation on board's request for \$115,000 (Item 232) to operate a proposed aquaculture center at the University of California, Davis. 436
3. *Water Rights Permit Applications. Reduce Item 232 by \$142,867.* Recommend deletion of 5 additional positions for processing of water rights applications. 437
4. *Water Rights Enforcement. Reduce Item 232 by \$27,763.* Recommend deletion of 4 additional positions for water rights enforcement program. 438

GENERAL PROGRAM STATEMENT

The State Water Resources Control Board has two major responsibilities: control of water quality and administration of water rights. The board is composed of five full-time members, appointed by the Governor, who serve staggered four-year terms. The state board staff of 510 authorized positions is under the direction of two executive officers. 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 290 authorized positions.

The state board carries out its water pollution control responsibilities mainly by establishing requirements for waste discharges and by adminis-

tering 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 \$18,695,793, an increase of 4.9 percent over the current year. The General Fund (Item 232, \$10,556,979) supports water quality regulation and water rights determination work. This is an increase of \$32,721 over the board's estimated General Fund expenditures for the current year. The State Clean Water Grants Administration Revolving Fund (Item 233, \$8,138,814) supports the board's facilities development assistance program which administers 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 \$847,254 over the current year.

The board's total proposed expenditure of \$159,967,345 consists of the two items discussed above and \$141,271,552 from four other sources. The State Clean Water Bond Fund is the largest of these, providing \$134,600,866. Clean Water Bond Fund expenditures do not appear in the Budget Bill because they are continuously appropriated in the authorizing bond acts. \$130,000,000 of the Bond Fund total is to be disbursed as grants to local agencies, mostly 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. The local agencies match the state share and pay all local costs not eligible for grants. The remaining \$4,610,866 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 has allocated \$1,491,000 for this purpose. The interest rate for these loans is currently 5.3 percent.

Federal funds amounting to \$4,281,634 are used in the water quality regulation and water quality planning program. Reimbursements of \$898,052 are mostly from fees paid by water rights permit applicants.

Clean Water Bonds on June 1978 Ballot

The Clean Water Bond Laws of 1970 and 1974 have each authorized the sale of \$250 million in state general obligation bonds for the board's clean water grants program. Proceeds from the bond sales, placed in the Clean Water Bond Fund, are used for state grants to local agencies to pay for at least 12½ percent of the cost of sewage treatment facilities eligible for federal grants under the Federal Water Pollution Control Act. The proceeds may also be used for planning and research related to water quality, grants to local agencies for planning and research, and loans to local agencies for water pollution control or water reclamation facilities. According to the board, the proceeds from bonds authorized by the 1970 and

STATE WATER RESOURCES CONTROL BOARD—Continued

1974 Bond Acts have been almost completely committed to water treatment projects. Chapter 1160, Statutes of 1977, submits the Clean Water Bond Law of 1978 to a vote of the electorate in the June 1978 primary. If approved, this measure would authorize the sale of \$375 million in state general obligation bonds. In addition to the purposes mentioned above for the 1970 and 1974 laws, the 1978 bond law would authorize up to \$50 million of the proceeds to be used for state grants to local agencies for projects ineligible for federal grants if the projects are for the purpose of preventing water pollution, or conserving or reclaiming water.

Consequences of Failure of 1978 Bond Act

In 1978-79 \$4,600,866 from the Clean Water Bond Fund is budgeted for support of the board next year. If the voters do not approve the bond act, these activities may continue in 1978-79 using money from previous bond acts, but would probably be unfunded in subsequent years. In addition, the state would no longer be able to participate in the federal clean water grants program for wastewater treatment plants, and local agencies receiving grants would have to provide 25 percent of total eligible project costs, which is twice their present share. Consequently, the number and dollar amount of grants would probably decrease thereby reducing the board's grants program workload and staffing needs. Finally, revenues to the Clean Water Grants Administration Revolving Fund would also decrease because revenues to this fund are indirectly derived in part from bond funds.

Deficit in Clean Water Grants Administration Revolving Fund

The Environmental Protection Agency (EPA) has delegated to the board most of its authority for administration of the federal clean water grants program in California. The board has budgeted \$7,420,616 and 249 positions for technical administration of this program in 1978-79. The funding is from the State Clean Water Grants Administration Revolving Fund. This fund, supported by fees paid by grantees amounting to one-half percent of total eligible project cost, consists mostly of federal money because the EPA grants 75 percent of total eligible project cost. All EPA grant authorizations available to California under past congressional appropriations have now been utilized. As already noted, State Clean Water Bond Fund moneys available under the 1970 and 1974 bond laws have been committed to grant projects. With no federal grant funds or clean water bond funds available to make grants to local agencies from which the board receives fees, the Clean Water Grants Administration Revolving Fund is in a deficit condition. The clean water grants administration program is currently funded with a loan from the Emergency Fund and from other cash resources such as the board's General Fund appropriation. Voter approval of the Clean Water Bond Law of 1978 would again make state money available to finance grants to local agencies, and this would fund the one-half percent fee which is imposed on each grant to support the Revolving Fund. However, state grants match federal grants, and therefore the revolving fund would still be without revenue until more federal grant funds are available to California.

Congress is expected to approve an appropriation for federal grants that will provide California about \$400 million a year in federal grants through 1981-82. The Federal Water Pollution Control Act Amendments of 1977 authorize states to use a maximum of 2 percent of federal grant money to pay for costs of administration. The federal funds could provide the board up to \$8 million a year to support its clean water grants administration program. This amount combined with fees imposed on state grants and local project funding would probably be enough to fund the board's \$8,138,814 total request from the revolving fund for 1978-79, and repay the loans the program is now receiving. However, the 2 percent allocation and the \$400 million figure are expected maximums, and the EPA and Congress may approve less in which event the revolving fund could still be in difficulty. The Department of Finance has requested the board to prepare a projection of future revenues and expenditures from the revolving fund. This report should clarify the prospect of problems due to failure of the 1978 Bond Act or other revenue problems confronting the revolving fund.

Delete New Positions Funded from Revolving Fund

We recommend reduction of \$646,562 in Item 233 to delete funding for 14 new auditing positions and new administrative support positions funded from the Clean Water Grants Administration Revolving Fund.

Last year the board requested the addition of 28 positions for auditing expenditures made by local agencies from clean water grant funds. We pointed out that because of the depleted condition of the Clean Water Grants Administration Revolving Fund, the board had no funding to support the positions, and that there was an unresolved question concerning their disposition between the board and the State Controller. The Controller had been providing auditing services to the board under contract.

The EPA, which also audits California grant awards and provides most of the grant funding, prefers not to deal with two state auditing agencies. There was debate last year as to whether the new positions should go to the board or to the Controller, and whether the Controller's existing audit staff should be continued. The Legislature approved 20 auditing positions for the board after the board reduced its request to recognize the work of the Controller's staff of about 8 positions. The 20 new positions have not been filled because the Revolving Fund is in a deficit condition.

For 1978-79, the board is requesting \$559,324 from the revolving fund for an additional 14 auditing positions. We recommend that the additional funding and positions be deleted. With the 20 positions approved for the current year as yet unfunded, the board should concentrate on filling those positions (if funds become available) rather than seeking additional positions. In addition, the auditing of clean water grants has already been improved this year because of approximately 10 new positions in the Controller's office.

The board is also requesting an additional \$171,116 to finance five new positions for administrative support. More than half of this amount, or \$87,238, would come from the revolving fund. The remainder of \$83,878 would come from the General Fund, the Clean Water Bond Fund, federal funds and reimbursements. We believe that the portion of the cost for the

STATE WATER RESOURCES CONTROL BOARD—Continued

5 positions that is chargeable to the revolving fund should be deleted because of the deficit condition of the revolving fund which we have described above. This would still leave the board with money to fund 2 new positions. The total revolving fund reduction for these positions and the 14 auditing positions is \$646,562.

Rural Wastewater Disposal Alternatives

In our Analysis last year, we noted with recommended approval that the board had added one position in its Clean Water Grants Administration program for evaluation of alternatives to conventional, high technology wastewater treatment facilities. The high cost of complex sewage treatment plants and their collection systems plus the problems of effluent discharge make attractive other methods of treatment such as land disposal, especially in rural areas and small communities. In some cases, costs to local agencies for sewage treatment facilities may be too high, even though the local share is only 12½ percent.

In September 1977, the board published "Rural Wastewater Disposal Alternatives," a study performed under contract by the Office of Appropriate Technology. While the report contained little that was new, the board hopes that it will help promote cheaper and more practical waste disposal alternatives in rural areas. A recent encouraging development is the board's grant of funding for a water treatment system employing pressurized sewer lines for the Manila Community Services District in Humboldt County. The pressurized lines are smaller than conventional sewer pipe and much excavation work is saved because the system does not rely on gravity flow.

Information on Aquaculture Development Center Needed

We withhold recommendation on the board's requested increase of \$115,000 from the General Fund (Item 232) to operate a proposed aquaculture center at the University of California, Davis.

A wastewater project of more uncertain benefit than the ones discussed above is a proposed aquaculture center at the University of California, Davis, for which \$115,000 is included in the board's support budget (Item 232) for contractual services: Capital outlay funds of \$260,000 for this project are in Item 465. We have not received information on how the center would operate or what services it would perform for the board and therefore defer recommendation on the \$115,000 increase pending receipt of supporting data.

Office of Water Recycling Established

On October 13, 1977, the Governor issued an executive order establishing the Office of Water Recycling within the board. The executive order directed the new office to take "all reasonable steps to promote recycling and reclamation of wastewaters in California, including all efforts necessary to achieve the goal . . . of construction of facilities to make available an additional 400,000 acre feet of water by 1982." The office staff consists of two positions added administratively in the current year and five positions transferred from other board programs. Five new positions are re-

quested for next year, to be supported from the Clean Water Bond Fund, and therefore they do not require an appropriation in the Budget Bill.

Governor's Commission on Water Rights Law Extended

The Governor's Commission on Water Rights Law was created in May 1977, by executive order, to study proposals for modifications in California Water Rights Law. Commission members receive only expenses and, if they are not state employees, an honorarium of \$100 per day. The commission is funded by the General Fund through the board's budget. It currently has a staff of seven, including two clerical positions. The original order called for the commission to submit a report by June 30, 1978, containing its recommendations for legislation. An executive order issued in August 1977 extended the commission's reporting date to December 31, 1978. The commission is therefore requesting \$145,253 from the General Fund for its work in the first half of 1978-79. The commission has published several issue papers on water rights matters and plans to hold hearings to receive public input in 1978.

There is a clear need for improvements to our water law which is a mixture of riparian and appropriative doctrines that can lead to overuse of water. Groundwaters, which supply about 40 percent of California needs, are essentially unregulated. Conflicts among landowners over pumping from common groundwater basins and groundwater overdrafting in water-short areas make better management desirable. We therefore recommend approval of the commission's request.

In supplemental language to the Budget Act of 1977, the Legislature asked the commission to study and make recommendations for changes in law to streamline water rights application procedures. The commission has responded by retaining a consultant to assist with this part of its work.

Water Rights Applications Backlog

We recommended deletion of \$142,867, plus operating expenses (Item 232), for five additional positions for the administration of water rights.

Any person wishing 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. For several years, there has been a large backlog of applications awaiting final action by the staff or the board. In addition, about 250 new applications are being filed annually. In the Budget Act of 1976, the Legislature authorized an increase of 21 positions to eliminate a backlog of 700 applications. The board presented a plan at that time to eliminate the backlog within three years. Instead, the backlog had increased to about 800 applications by January 1977. In the Budget Act of 1977, the Legislature authorized a further increase of three positions. The average processing time for applications had by then become three years. During 1977, the backlog increased further, and in November was nearly 1,100. Persons applying for water rights find such a lengthy wait intolerable, and many use water without authorization while waiting for a permit.

According to the board, the drought has been largely responsible for its failure to reduce the backlog. This is because more people have filed applications for water in an attempt to secure part of the scarce water

STATE WATER RESOURCES CONTROL BOARD—Continued

supply. Also, complaints concerning compliance with water right permit conditions, which requires more investigations and hearings, have risen sharply.

Chapter 1200, Statutes of 1977, will have a significant effect on the water rights applications backlog. This law requires public agencies such as the board (when acting as lead agencies for development projects) to approve or disapprove each project within one year of receiving a completed application. If the lead agency fails to complete its action, the application is deemed approved. Protested applications to appropriate water are exempt from the one-year limitation. Therefore, Chapter 1200 will not affect all of the applications in the backlog which are not acted on within a year. The board estimates that it will issue 450 permits in 1977-78 and 519 in 1978-79, and that the backlog will be reduced to 680 applications at the end of 1978-79. Chapter 1200 provided an appropriation of \$331,250 to the board, which is being used to hire 12 additional personnel. The board also received a special one-time augmentation for drought mitigation purposes which it has used to fill 20 temporary positions as further help to reduce the backlog. According to the Governor's Budget, the water rights appropriation program has a staff of 90 positions in the current year, including the 20 temporary positions, and costs about \$2.5 million.

For 1978-79, the board is requesting an additional five positions for the water rights applications program at a cost of \$142,867 plus operating expenses. The budget narrative states that these positions will help meet the additional workload caused by the increased number of applications which result from the drought. We recommend deletion of these funds and positions. The Legislature has granted large staff increases in past years, but the results have been disappointing. Judging from the board's past performance, the effect of five additional positions would be minor.

More importantly, Chapter 1200 will have the effect of forcing a reduction of several hundred in the backlog of applications, irrespective of the merits of the applications, and some applications may be approved with little review in order to meet the one-year time limit. If the one-year limitation will force a reduction in the backlog, the existing staff should then be able to process the workload within the one-year period. Five additional positions in July 1978 will not, therefore, have any appreciable effect. In addition, the Governor's Commission on Water Rights Law is studying changes in water rights law, as requested by the Legislature last year, to streamline the applications process. Such changes, along with the improved management of existing staff that will be necessary for expedited handling of applications under Chapter 1200, should eliminate the need in the long-term for increased staffing.

Water Rights Enforcement Positions

We recommend a reduction of \$27,763 (Item 232) to delete the General Fund portion of four additional positions for water rights enforcement.

The board has requested an increase of four positions, at a cost of \$111,055, in its water management/enforcement program to enforce the condi-

STATE WATER RESOURCES CONTROL BOARD—Continued

tions of water rights permits. Most of the funding consists of reimbursements (\$83,292) from the Division of Water Resources (DWR) and the federal Bureau of Reclamation. (It appears that these reimbursements may not be funded in the budgets of the two agencies.) The remainder would be from the General Fund (\$27,763).

Historically, the board has relied on holders of water rights who are being damaged by illegal water uses to protect themselves from illegal diversions or violations of permit terms. However, water rights are part of the owners' rights to property and must be defended by the owner or be lost through continued adverse use by other persons. The four positions requested would be used by the board primarily to protect the water rights of DWR and the bureau against other water users.

We recommend deletion of the proposed positions, the reimbursements and the increase from the General Fund. First, the board would be primarily enforcing the water rights of state and federal water agencies. If it is to enforce any water rights, it should be protecting equally the rights of all water users. Second, the board has received several additional positions for water rights enforcement work in the last two Budget Acts. These positions have been diverted to other work, partly because of the drought. If the board is to do any enforcement work, it should use these positions and clearly demonstrate the accomplishments of this effort before additional staff is approved. Third, recommendations from the Governor's Commission on Water Rights Law may change the legal framework under which the water rights program operates and substantially change the board's staffing needs for this work in the future.

**Health and Welfare Agency
CONSOLIDATED DATA CENTER**

Item 234 from various funds

Budget p. 527

Requested 1978-79	\$6,456,975
Estimated 1977-78.....	2,570,988
Total recommended reduction	Pending

1978-79 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
234	Reimbursements	Various	\$5,456,975
234	Data Center Implementation	General	1,000,000
			<u>\$6,456,975</u>