

**Resources Agency
WATERWAYS MANAGEMENT PLANNING**

Item 184 from the General
Fund

Budget p. 405

Requested 1979-80	\$335,519
Estimated 1978-79.....	325,669
Actual 1977-78	248,532
Requested increase \$9,850 (3.0 percent)	
Total recommended reduction	\$161,056

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. *Contractual Services. Reduce by \$161,056.* Recommend deletion of funds for further contracts on the Klamath and Eel Rivers and for Protected Waterway studies on the Kings River. 395

GENERAL PROGRAM STATEMENT

The California Protected Waterways Act of 1968 established state policy to protect those waterways which possess extraordinary scenic, fishery, wildlife, or recreational values.

Subsequently, 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 protecting scenic, wildlife, recreational and free flowing values of the rivers, the plans were to include evaluations of flood control, water conservation, stream flow augmentation, water quality improvement, and fishery enhancement.

The California Wild and Scenic Rivers Act of 1972 declared further legislative intent that five streams and certain of their tributaries be preserved in essentially their natural state. Included were the Klamath, Trinity, Smith, Eel, Lower and North Fork American Rivers. In addition, the 1972 Act directed the Resources Secretary to (1) classify these rivers or segments as "wild," "scenic," or "recreational" and (2) administer these rivers so as to protect the scenic, recreational, fishery and wildlife values, without unreasonably limiting compatible lumbering, grazing and other resource uses.

In March 1975, responsibility for administering the program and preparing waterway management plans was delegated to the Department of Fish and Game by the Resources Secretary.

ANALYSIS AND RECOMMENDATIONS

The budget requests \$335,519 for Waterways Management Planning which is \$9,850 or 3.0 percent over estimated current year expenditures of \$325,669. This amount continues the existing level of service and formulation of management plans for components of (1) the Wild and Scenic Rivers System, and (2) Protected Waterways.

In 1975-76 we noted a lack of progress in this program. Supplemental

WATERWAYS MANAGEMENT PLANNING—Continued

report language adopted by the Legislature in 1975 directed the Resources Secretary to redesign the program, evaluate problems in complying with current law, and propose recommendations for needed changes in the law. The Secretary's revised program consisted of contracting with private consultants, instead of using state employees to prepare the river plans. Priorities for preparing individual river plans were established and schedules were developed for each plan.

In 1977, four river plans were completed and transmitted to the Legislature: the Van Duzen River Plan, Salmon River Plan, North Fork American River Plan, and Lower American River Plan. The plans were completed as much as 16 months behind schedule. In 1978 the Secretary withdrew the Van Duzen River and Salmon River Plans for revision because of deficiencies in them.

In the 1978-79 *Analysis of the Budget Bill*, we criticized the Secretary and the Department of Fish and Game because preparation of planning documents did not automatically assure the protection of the resource values for which the rivers were included in the system. We concluded that further action by the Secretary was needed. Subsequently, supplementary report language was adopted by the Legislature which recommended that the Resources Secretary undertake four actions as discussed below:

1. *Revise the present contract with the Department of Fish and Game.*

In response to this requirement, the Secretary has submitted a revised contract which requires the Department of Fish and Game to (a) form advisory groups, (b) conduct public hearings to ensure local and statewide participation in reviewing draft waterway plans, (c) address nine separate concerns in future plans and (d) submit to the Secretary interim guidelines for review.

2. *Submit implementing legislation within 30 days following submission of the plan.*

The revised contract requires the department to submit to the Secretary by July 1, 1979, revised management plans for the Salmon, Scott and Van Duzen Rivers, including legislative proposals to implement these plans. In addition, a draft plan for the Smith River, with legislative proposals, must be submitted by May 1, 1979. It is expected that some of the proposals for implementing the Salmon, Scott and Van Duzen plans will be developed from the findings of a \$15,000 contract study which is scheduled for completion by August 31, 1979. This study will evaluate existing local, state and federal regulations and authorities which affect the planning areas of these three rivers.

As of January 1979, no specific legislative proposals have been introduced for the Lower American and North Fork American River Plans as submitted by the Resources Secretary during 1977. The first annual report (1978) on administration of the Wild and Scenic River System indicates that legislation for approval of these two plans will be introduced soon.

3. *Coordinate planning with federal and state agencies.*

The framework for federal-state cooperative actions on Wild and Scenic River protection is a Memorandum of Understanding completed with the U.S. Forest Service in 1976 and with the U.S. Bureau of Land Management

(BLM) in 1977. These two agencies are the largest federal land managers in California. Cooperation with them is critical because significant portions of the Wild and Scenic River Systems flow through national forest or public domain lands which are administered exclusively by the Forest Service and BLM. Although the state has no authority to mandate actions by federal agencies to protect these rivers, state recommendations and establishment of state plans and policy carry considerable weight with the Forest Service and BLM.

In January 1979, the U.S. Forest Service released its final recommendations for RARE II (Roadless Area Review and Evaluation). RARE II evaluated over 6 million acres of national forestland in California to determine the suitability of the land for designation as wilderness or nonwilderness (multiple use) areas.

RARE II provided an opportunity to coordinate Waterways Management Planning with Forest Service planning. In June 1978, the Resources Agency directed the Department of Fish and Game, as part of the Waterways Management Planning program, to prepare detailed comments and recommendations for consideration in RARE II. The department identified 30 roadless areas, encompassing 826,900 acres, which included segments of the state Wild and Scenic River System. It proposed to the Secretary that nine of the 30 areas of concern to wild and scenic rivers be recommended to the Forest Service for wilderness designation. Other areas were proposed by the Department for further study and interim protection. However, the recommendations were not transmitted by the Secretary to the Forest Service because the Secretary disagreed with the conduct of the work on RARE II by the Forest Service. Consequently, the Forest Service reached its decision on matters which affect California's Wild and Scenic Rivers without benefit of state recommendations.

4. Initiate Annual Progress Report.

In December 1978 the Secretary for Resources submitted his first annual report on administration of the Wild and Scenic River Systems as directed by the supplementary report. The Secretary's report indicates that 17 applications for appropriation of water were reviewed and responses prepared. In addition, proposed Corps of Engineers dredge-and-fill operations, state and local road development plans, and timber harvest plans were reviewed.

Reduce Extension of Program

We recommend that Item 184 be reduced by \$161,056 to delete funds for further contracts on the Klamath and Eel Rivers and for the Kings River until work now underway is satisfactorily completed.

During the budget year, the Legislature will have an opportunity to review the four waterways management plans currently being completed or revised and presumably any legislative proposals submitted for implementing these plans.

Expenditure of additional contractual funds for further data collection and planning studies on rivers now under study would be premature in the absence of demonstrated progress by the Resources Secretary and Department of Fish and Game toward both implementing and obtaining

WATERWAYS MANAGEMENT PLANNING—Continued

legislative approval for those plans either already completed or scheduled for completion during the budget year. Accordingly, funds for contract studies for further work on the Eel and Klamath Rivers (\$110,000) and contract monies (\$30,000) proposed to initiate Protected Waterways planning on the Kings River should be deleted. We note that the department has not identified how funds proposed for Kings River planning studies would be utilized and that the Kings River is not one of the 23 coastal rivers requiring detailed waterway management plans under the Protected Waterways Act. Administrative charges by the Department of Fish and Game should also be correspondingly reduced by \$21,056 to reflect the reductions in contractual services funds.

The reductions still will leave \$174,463 for (1) three staff positions, (2) continuation of U.S. Geological Survey water quality monitoring activities and (3) cooperative Protected Waterways planning in Monterey County.

With the remaining funding, the Resources Secretary and Department of Fish and Game can concentrate their efforts on (a) implementing interim protection guidelines prepared pursuant to the revised Waterways Management Planning contract for fiscal 1978-79 and (b) seeking legislative approval for plans completed or due to be completed this year and early in 1979-80. If progress is made during the budget year, planning studies for the Klamath, Eel and other components of the Wild and Scenic River System can be resumed in fiscal 1980-81.

Resources Agency

CALIFORNIA TAHOE REGIONAL PLANNING AGENCY

Item 185 from the General Fund

Budget p. 406

Requested 1979-80	\$330,100
Estimated 1978-79.....	330,100
Actual 1977-78	279,000
Requested increase—None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

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 Tahoe Regional Planning Agency (TRPA) were not activated. Although the TRPA was activated, the state subsequently decided to activate CTRPA on a permanent basis as well. In addition, Chapter 1064, Statutes of 1973, revised the agency membership 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 administers 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. According to the Counsel, the CTRPA 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

We recommend approval.

The \$330,100 appropriation to CTRPA for 1979-80 would maintain the existing level of support for the agency. This appropriation together with the \$75,000 appropriation to TRPA (Item 186) would serve to maintain the status quo between TRPA and CTRPA until the bistate compact under which TRPA operates can be revised by the California and Nevada Legislatures.

Resources Agency

TAHOE REGIONAL PLANNING AGENCY

Item 186 from the General Fund

Budget p. 405

Requested 1979-80	\$75,000
Estimated 1978-79.....	75,000
Actual 1977-78	75,000
Requested increase—None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Tahoe Regional Planning Agency (TRPA) was established by interstate compact. The compact was approved by the California Legislature, through Chapter 1589, Statutes of 1967, 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.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The \$75,000 appropriation to TRPA for 1979-80 would maintain the existing level of support for the agency. The Budget Act restrictions on expenditures in the current year would also apply in the budget year so that the \$75,000 would only be available for defense of inverse condemnation suits, enforcement of ordinances and establishment of air and water quality standards in the Tahoe Basin.

The \$75,000 appropriation will allow the agency to continue at its existing levels during the next fiscal year while both California and Nevada make further attempts to resolve their differences concerning Lake Tahoe.

TAHOE REGIONAL PLANNING AGENCY —Continued

Status of 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 June 1978.

In September 1978, representatives of the Governors of California and Nevada reached an agreement to revamp the compact following six months of negotiations, which were initiated by the chairman of the federal Council on Environmental Quality. The new bistrate compact would ban construction of new hotel-casinos at the lake (except for the three hotel-casinos which have already been approved by TRPA but are the target of litigation), limit expansion of existing casinos, and alter the rules, regulations, voting procedures, and membership of TRPA. The membership of the TRPA Board would expand from 10 members to 14 (7 from each state). The new voting procedure would require a majority from each delegation to approve a project. Under existing procedures a project is deemed approved unless a majority of each delegation opposes it. The new compact would also require TRPA to prepare an environmental impact statement detailing environmental capacities of the Tahoe Basin. A new regional plan, based on these environmental quality thresholds, would be prepared as a guide to further development.

Senate Bill 82 has been introduced in the California Legislature to revise the bistrate compact based on the agreement. The Nevada Legislature has appointed a special committee to study the proposed amendments and to negotiate with California legislators.

Resources Agency

ENVIRONMENTAL PROTECTION PROGRAM

Item 187 from the California
Environmental Protection
Program Fund

Budget p. 408

Requested 1979-80	\$927,150
Appropriated 1978-79	692,500
Appropriated 1977-78	301,000
Requested increase \$234,650 (33.9 percent)	
Total recommended reduction	\$564,650

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Natural Areas Office. Reduce by \$105,000.* Recommend deletion of funds to establish a Natural Areas Office in the Department of Fish and Game because the proposal is not adequately defined. 401

2. *Klamath River Salmon Enhancement. Reduce by \$250,000.* Delete funds to augment the salmon resource in the Klamath River because a determination of state vs. federal responsibility is needed and because the salmon resource is a responsibility of the Fish and Game Preservation Fund. 401
3. *California Conservation Project (Tree People). Reduce by \$134,650.* Recommend deletion of assistance to this private effort because the state cannot afford to finance its own reforestation program. 402
4. *Monterey County—Resource Protection and Enhancement. Reduce by \$75,000.* Recommend deletion of funds for stimulating volunteer activity to improve and protect Monterey County's natural and historic resources because the proposal is largely a county function. 403
5. *Transfer Surplus to General Fund.* Recommend surplus in the California Environmental Protection Program Fund be transferred to the General Fund because of vague program objectives and higher priority needs for General Fund money. 403

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. The law contains a continuing appropriation from the fund to the Department of Motor Vehicles (DMV) in an amount equal to the cost incurred in selling the 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

Seven-Digit License Plates and Increased Revenues

Beginning July 1, 1978, Chapter 821, Statutes of 1977, increased from six to seven the number of digits or positions allowed on personalized license plates. The change has resulted in increased sales. The actual revenue from the sale of personalized license plates was \$5,262,061 in 1977-78 and is estimated to be \$6,927,700 in 1978-79 and \$8,611,900 in 1979-80.

Increasing Cost of Sales

Last year in the *Analysis of the Budget Bill* we pointed out that over the years an increasing percentage of revenue derived from the sale of plates has been required to finance the cost incurred by the Department of Motor Vehicles in processing applications and making license plates. Whereas DMV expenditures in 1974-75 were 22.5 percent of the revenue, they are estimated to be 34 percent of the revenue in 1979-80.

The sale of seven-digit plates has resulted in increased revenues but has

ENVIRONMENTAL PROTECTION PROGRAM—Continued

also accelerated the increase in costs beyond previous estimates. The average cost of issuing an original plate is \$12.64 to produce \$25 in revenue. The average cost of a renewal is \$0.86 from the fee of \$10 per renewal. The current surge of applications for original personalized plates has resulted in a higher percentage of DMV costs to total revenues. This pattern has been demonstrated during the first quarter of 1978-79. About half of the transactions in the first quarter involved original personalized license plates with the result that expenditures were \$1,016,101 or 46.7 percent of the \$2,176,237 in revenues for both new plates and renewals.

DMV is now reviewing its budgeted 1978-79 and 1979-80 revenue and expense figures, based on the first quarter results. The department indicates that both estimates may be too low. It will have revised estimates in February.

Fund Status

On June 30, 1978, the surplus in the California Environmental Protection Program Fund was \$1,767,251. The surplus at the end of the budget year is estimated to be \$1,313,336.

The budgeted expenditures from the fund in fiscal year 1979-80 total \$8,346,579. Most of the expenditures are from appropriations to be made directly to individual state departments. These departments will execute the projects or programs pursuant to several items in the Budget Bill. Table 1 shows the budgeted expenditures by item for fiscal year 1979-80.

Table 1
California Environmental Protection Program Fund
Proposed Expenditures, Fiscal Year 1979-80

<i>Item</i>	<i>Department</i>	<i>Amount</i>
165	Department of Transportation. Operational improvements element of Highway Transportation Program	\$30,000
179	Department of Motor Vehicles. Cost of administering the sale of license plates. Continuing appropriation	2,935,761
187	Resources Agency Secretary. Environmental Protection Program	927,150
195	State Air Resources Board. Partial support of board's research program	2,071,475
208	Department of Forestry. Soil erosion study	118,662
214	Department of Fish and Game. Support of environmental protection and non-game species programs	1,124,108
317	Department of Education. Environmental education	331,423
454	Department of Transportation. Operational improvements element of Highway Transportation Program	70,000
460	Department of Fish and Game, Capital Outlay. Acquisition and development of ecological reserves.	738,000
Total		\$8,346,579

Miscellaneous Projects

Item 187 requests \$927,150 for the Resources Agency, which will be used by its constituent departments to fund five miscellaneous projects. We recommend approval of \$362,500 for the Department of Forestry to complete the second year of an aerial photography program covering 42 million acres for purposes of forest assessment. We recommend disapproval of the remaining projects as discussed below.

Natural Areas Office

We recommend that \$105,000 to establish a Natural Areas Office be deleted because the proposal is not adequately defined.

Item 187 includes \$105,000 to establish a Natural Areas Office in the Department of Fish and Game. The funds would be used to:

1. Protect presently identified natural areas.
2. Coordinate existing state, federal and private natural areas programs.
3. Appoint an interagency task force of state, federal and private citizens to review and recommend policies and criteria.
4. Establish a centralized data management system for the collection, storage and retrieval of data to protect natural areas.

The proposal may have merit. However, the natural areas concept is not defined. The type of terrain, geology, animal life, plant species or aesthetic values that make up a natural area is not stated in the proposal. Consequently, these areas cannot be differentiated from the many different features and values of the state park system or the programs of the Department of Fish and Game. It also is not clear that there is adequate statutory authority to establish the office in the Department of Fish and Game. The proposal may need to be considered by policy committees of the Legislature to determine the need, avoid overlap, and integrate similar functions of the departments. We therefore recommend deletion.

Klamath River Salmon Enhancement

We recommend that \$250,000 to augment the harvestable salmon resource on the Klamath River be deleted because a determination of state responsibility vs. federal responsibility is needed and because restocking salmon is a responsibility of the Fish and Game Preservation Fund.

This proposal provides \$250,000 to the Department of Fish and Game to:

1. Purchase additional fish food for Iron Gate and Trinity hatcheries in order to increase yearly production by 900,000 salmon.
2. Rehabilitate the abandoned Fall Creek rearing ponds for an additional 100,000 salmon.
3. Provide Indian communities on the lower Klamath River with technical assistance and funding to construct, operate and maintain facilities to rear 1,000,000 yearling salmon.
4. Remove barriers and improve the spawning habitat on the Klamath and Trinity Rivers. Funding is proposed so that the Indians can accomplish the work on Indian reservations. On other lands and streams the work will be done by the department of Fish and Game and the California Conservation Corps.

The department indicates that the proposed program would provide an additional 27,000 salmon for inland fisheries and 54,000 salmon for ocean fisheries with a combined annual value in excess of \$2 million.

The state's responsibility to solve the salmon problem on the Klamath River is not clear. The federal government has assumed some responsibility for the declining salmon habitat because of its construction of Trinity Dam. It is already funding considerable corrective work and studies on the Trinity River at a cost of several millions of dollars.

ENVIRONMENTAL PROTECTION PROGRAM—Continued

After a determination of reponsibility is made for the salmon and related Indian problems, California may bear some responsibility. To the extent that the state does bear a responsibility for the decline of salmon, the Fish and Game Preservation Fund or federal anadromous fishery money are appropriate sources of support. Other state salmon programs are supported by the Fish and Game Preservation Fund, which is estimated to have a surplus of \$7.1 million at the end of the budget year.

California Conservation Project (Tree People)

We recommend that \$134,650 for a grant to the California Conservation Project to assist in operating a tree information and environmental education center and an urban forestry effort be deleted because the state cannot fund its own reforestation efforts.

The budget proposes \$134,650 to finance 6 staff positions and related expenses and equipment for the California Conservation Project (Tree People). The project is sponsored by a Los Angeles based group which operates an environmental information and education center at Coldwater Canyon Park in the Santa Monica Mountains and conducts urban reforestation. The program offers assistance to the public and to schools and government agencies in smog-tolerant tree reforestation and environmental education. In the current year, this project has been financed in part by a state grant of federal PWEA Title II funds and \$21,000 granted by the State Department of Education from the department's allocation of environmental license plate funds for conservation education.

The stated objectives of the project include the following:

1. Provide environmental education to 15,000 southern California residents in 1979 in order to develop the commitment necessary to solve the environmental crisis.
2. Secure participation of the business community in the development of the community environmental education center in Coldwater Canyon Park.
3. Assist students and community resource people to create educational displays on appropriate technology, techniques of water and energy conservation and recycling.
4. Develop a library on appropriate technology, environmental matters and energy.
5. Continue operations of the project forest nursery.

The request for funds includes several obscure statements of philosophy which do not clarify the reasons why state funds are requested. For example, the request states that, "In the cities, particularly, we tend to conceive of life as a one-way street: we identify (or create) a need; the need generates a demand, which calls for a supply; and thus consumerism is born."

The sources and amounts of funding for the project need clarification. Information from the project sponsors indicates that in addition to the request for state funds other funding is expected from the U.S. HEW Office of Environmental Education, private gifts and corporate donations. The dependency of the project on state funding has not been demonstrated. There are indications that the state money will be used to increase the

local project effort.

At a time when the state does not have the funds to finance the state-wide reforestation program authorized last year and when neither federal nor state funds are available to continue an existing reforestation program on state-owned lands administered by the State Lands Division, spending state money on a local, private undertaking is of questionable priority. We therefore recommend deletion.

Monterey County—Resource Protection and Improvement

We recommend that \$75,000 to stimulate volunteer activity to improve and protect the natural and historic resources of Monterey County be deleted because the proposal is largely a county function.

Item 187 includes \$75,000 for a grant to Monterey County to improve and protect the natural and historic resources of the county through the stimulation of "volunteerism." The funds are to be used for (1) the creation of a "multi-tier" Volunteers for Resources Office to coordinate and stimulate volunteer activities, (2) the allocation of funds for four community organizers to assist volunteer groups and (3) seed money for volunteer groups and projects in the county. The activity is primarily a county function with no separate and distinct state benefits. We therefore recommend deletion.

Transfer Fund Surplus to General Fund

We recommend that the Legislature include a Control Section in the Budget Bill to direct the Controller to transfer the June 30, 1979 surplus in the California Environmental Protection Program Fund (CEPP Fund) to the General Fund because (1) CEPP Fund is being utilized to finance marginal projects, (2) the law which authorizes the program is vague in purpose, (3) some projects originally budgeted with CEPP funds have been shifted to financing from the General Fund in later years and (4) there is a year-end unallotted surplus budgeted in the CEPP Fund for 1979-80.

Each year the budget proposes that the Environmental Protection Program finance projects which do not warrant financing in a department's regular support budget or from the General Fund. The budget for 1979-80 is no exception, and we have recommended deletion of funds for several projects.

Many of the projects proposed for funding under the CEPP program are marginal at best. One of the reasons for this, in our judgment, is the absence of specific funding criteria or guidelines in the law. As stated in the law, the purpose of the program is ". . . preservation and protection of California's environment." This is so general that it permits funding for almost any project and excludes virtually none. The only specific program purpose stated in the law is research in, and control and abatement of air pollution generated by motor vehicles. Considerable research by the Air Resources Board has been properly financed with CEPP funds.

Some activities that were first supported from CEPP funds have been shifted to budgeting from the General Fund in later years. For example, the 1977-78 budget included \$120,000 in CEPP funds for use by the Department of Water Resources in supporting a water conservation educa-

ENVIRONMENTAL PROTECTION PROGRAM—Continued

tion program and a water conservation demonstration garden. The Governor's 1979-80 Budget proposes General Fund money to the Department of Water Resources for those programs.

At the time of budget preparation the administration did not believe there were enough projects of a high enough priority to justify the expenditure of all revenues available to the fund. Therefore, the budget estimates a year-end surplus in the CEPP Fund. At the present time, funds are needed to finance general purpose, statewide, resources-oriented programs. For example, last year the administration was initially willing to delete General Fund money for the Bolsa Chica beach erosion project although there was a clear statutory basis for state participation and a need for the money. CEPP funds could be used for beach erosion or many other existing programs instead of experimenting with new, untried projects. Accordingly, we believe that the June 30, 1979 surplus in the California Environmental Protection Program Fund should be transferred to the General Fund.

**Resources Agency
CALIFORNIA CONSERVATION CORPS**

Item 188 from the General
Fund

Budget p. 412

Requested 1979-80	\$16,046,616
Estimated 1978-79.....	15,107,289
Actual 1977-78	11,776,232
Requested increase \$939,327 (6.2 percent)	
Total recommended reduction	\$413,355

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. Urban Base Centers. Recommend that funds for the last two of the six base centers to be activated in the current year not be approved for continuation in 1979-80 until the Legislature determines whether the two base centers should be established as urban centers. 410
2. Base Centers. Recommend up to three base centers operated jointly by the Department of Forestry and the California Conservation Corps (CCC) be returned to their original use as inmate conservation camps operated by the Departments of Forestry and Corrections. 410
3. *Headquarters Staff. Reduce Item 288 by \$63,504.* Recommend deletion of six proposed new positions. 412
4. *Corpsmember Vacancy Rate. Reduce Item 188 by \$282,087.* Recommend CCC establish corpsmembers' vacancy rate of three percent consistent with current year budget. 412
5. *Headquarters Consultant and Professional Contracts.* 412

- Reduce Item 188 by \$47,196. Recommend reduction of funds available for contracted personal services.*
- 6. *Base Center Clerks. Reduce Item 188 by \$20,568.* Recommend two clerk positions be abolished to complete the reduction of authorized staff for two base centers not to be activated in the current year. 413
 - 7. *Reimbursements.* Recommend Budget Bill language requiring the appropriation to be reduced by the amount of unbudgeted reimbursements received for work projects. 413
 - 8. *Federal Funding.* Recommend budget not be approved until receipt of federal grants is clarified. 414

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 is in Sacramento. A training academy is located at Murphys, Calaveras County. By the end of the current year, the CCC is scheduled to have in operation 22 residential base centers employing approximately 1,480 corps members on natural resource projects. Eight of the 22 base centers are operated jointly with the Department of Forestry. They provide a capability for emergency fire fighting and natural disaster relief. The remaining 14 centers are operated by the CCC. The CCC has 365 authorized staff positions.

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

ANALYSIS AND RECOMMENDATIONS

The annual budgets for CCC have increased rapidly since the program's inception in July, 1976. Table 1 shows annual program expenditures funded from all sources.

Table 1
California Conservation Corps
Annual Program Expenditures

1976-77	\$7,907,584
1977-78	12,405,807
1978-79	23,114,129 ^a
1979-80	25,056,671 ^a

^a Estimated.

The budget proposes support expenditures of \$25,056,671, an increase of \$1,942,542 or 8.4 percent over estimated current-year expenditures of \$23,114,129. The proposed expenditures would be financed from the following sources:

Item 188, General Fund	\$16,046,616
Federal funds.....	6,015,981

CALIFORNIA CONSERVATION CORPS—Continued

Subsistence payments from corpsmembers and staff	2,641,632 ^a
Reimbursements	352,442
Total	\$25,056,671^a

^a Changes after the Governor's Budget was published indicate that subsistence payments from corpsmembers and total program expenditures are understated by \$113,520. Subsistence payments should be \$2,755,152 and total support program expenditures should be \$25,170,191.

The major change proposed in the budget is the reduction of two base centers that were scheduled to open in the current year. This and other changes proposed in 1979-80 are indicated in Table 2.

Table 2
California Conservation Corps
Program Changes
1979-80

1. Increase for seven new positions in program support	\$82,176
2. Estimated increase for full-year 1979-80 cost of six base centers phased in on a monthly basis in 1978-79	2,602,431
3. Increase corpsmembers salaries because of federal minimum wage.....	411,840
4. Increase for merit salary adjustments	56,000
5. Increase for staff benefits	361,699
6. Estimated decreased cost in 1979-80 from the reduction of two base centers budgeted to operate a total of five months in 1978-79	-280,000
7. Reduced equipment purchases	-1,268,239
8. Other	-23,365
Total increase	\$1,942,542

Reduction per Sections 27.1 and 27.2

The CCC has reduced personal services for the current and budget years by \$80,501 (5.5 positions) pursuant to Section 27.2, Budget Act of 1978. The 5.5 positions to be deleted have not been identified. A reduction of \$411,107 in operating expenses was accomplished in 1978-79 pursuant to Section 27.1 as follows:

Increase salary savings by maintaining a corpsmember's vacancy rate of 3 percent.....	\$202,776
Reduce contract payment to the Department of Forestry	133,924
Reduce other unspecified operating expenses	74,407
Total	\$411,107

TRAINING AND WORK PROGRAM

The CCC is open to California residents age 16 through 23. Applicants must be willing to live in a camp setting for one year. A corpsmember's salary is based on the federal minimum wage, which will be \$503 per month in 1979 and \$537 in 1980. Each corpsmember is charged \$110 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 remaining 11 months of the year's service.

A base center serves as home base for about 60 corpsmembers. It operates 24 hours a day, 7 days a week, and has a permanent staff of 14. Corpsmembers work at the centers or travel to project work locations. Projects are intended to maintain or develop the state's natural resources

and environment, and to provide meaningful training, experience and skill development for corpsmembers.

In addition to project work, each corpsmember 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 1978-79 budget provided for 24 base centers including eight new centers phased in on a monthly basis beginning November 1, 1978. The budgeted goal was to have 1,600 corpsmembers enrolled in the program.

The administration has decided not to establish two of the eight new base centers that were to open in the spring of 1979. The 1979-80 budget deletes 26 of the staff positions for the two centers while providing funds for the training academy and 22 base centers.

As of January 1, 1979, the CCC had established three of the six (originally eight) base centers scheduled to open in 1978-79. The three centers are:

1. Oat Mountain, Los Angeles County. Former Nike Base.
2. Boulder Creek, Santa Cruz County. Former home for emotionally retarded.
3. San Gabriel, Los Angeles County. Former county prison camp.

A fourth center will be established in a junior high school at Barstow. Sites for the remaining two centers have not been determined.

Last fall, the CCC leased a former juvenile facility owned by the City and County of San Francisco at La Honda in San Mateo County. La Honda will replace Bollinger Canyon, Contra Costa County, as one of the eight designated fire centers operated jointly by the Department of Forestry and the CCC. As a consequence, Bollinger Canyon will be used only as a permanent satellite operation instead of a base center as currently authorized. The budget indicates no additional funds will be required.

Base Center Population

As of January 1, 1979, there were 1,088 corpsmembers enrolled at 19 base centers. The 1979-80 budget provides funding for 1,480 corpsmembers. That number assumes 60 corpsmembers per month in 22 base centers, or 1,320 corpsmembers, and an average of 160 corpsmembers per month at the training academy.

Our analysis suggests that the CCC is unlikely to maintain the budgeted population levels next year due to the high corpsmember attrition rate. Table 3 indicates the number and percentage of corpsmembers in the first seven CCC classes who graduated after completing eleven months at the base centers. (The table excludes those corpsmembers in the first seven classes who did not complete the one month training at the academy.)

CALIFORNIA CONSERVATION CORPS—Continued

Table 3
California Conservation Corps
Graduates by Class

Class	Completion	Starting Number	Total	
			Number of Graduates	Percentage
1	2/26/78.....	65	25	38.5 %
2	4/23/78.....	61	21	34.4
3	7/26/78.....	69	27	39.1
4	8/7/78.....	71	31	43.7
5	9/18/78.....	101	50	50.0
6	10/25/78.....	102	46	45.1
7	11/27/78.....	111	26	23.4

Based on the data in Table 3, the average percentage of corpsmembers who graduated in the first seven classes is 39 percent, or an attrition rate of 61 percent.

The CCC compensates for an initial heavy attrition at the training academy by overenrolling corpsmembers. The starting enrollment of recent academy classes has ranged from 273 to 342. The number of corpsmembers completing the four weeks training program for assignment to a base center has ranged from 187 to 237, which produces an attrition rate of about 33 percent. In summary, about 2 out of every 3 corpsmembers admitted to the program drop out before a year has elapsed.

If attrition at the base centers averages 61 percent in the budget year, a total of 3,385 corpsmembers would have to be assigned to the base centers in order to maintain the budgeted strength of 1,320 ($1,320 \div 39\%$). The CCC plans to conduct eleven classes at the academy in 1979–80. Eleven classes with 342 members (the maximum number in any class to date) and a 33 percent attrition rate would produce 2,521 academy graduates, or 864 fewer members than the 3,385 required for the base centers. Although attrition rates increased last fall, it is possible that they may be lower in the budget year. Nevertheless, it appears that the CCC cannot achieve its budgeted population.

On a monthly basis, the budget provides funding for 160 corpsmembers at the academy, or 1,920 per year. However, 282 graduating members ($3,385 \text{ corpsmembers} \div 12 \text{ months}$) are needed monthly to maintain 1,320 corpsmembers budgeted at the base centers. Thus, it appears that CCC has not budgeted adequate funds for the projected population unless costs can be reduced.

The Auditor General, in his November 1978 report "A Program Review of the California Conservation Corps," recommended that the CCC acknowledge its true rate of attrition and take appropriate action to lower it. He also recommended that if the attrition rate cannot be lowered, CCC should establish realistic goals which can be met with the corpsmember population which can be obtained.

Later in this *Analysis*, we recommend a reconversion of up to three base centers to inmate conservation camps. If this recommendation is approved, it will help to achieve a better balance between the number of corpsmembers and the capacity of CCC's facilities.

Program Costs

The CCC costs per corpsmember continue to escalate. Based on the 1979-80 budget of \$25,056,671, the cost is \$16,930 ($\$25,056,671 \div 1,480$ corpsmembers) for each corpsmember. If fewer corpsmembers are in residence, which is likely, the cost per corpsmember will be greater because most of the costs are fixed and do not vary with the number of members.

The high program cost reflects the costly characteristics of California's program which (1) operates a residential program 24 hours per day, seven days per week, (2) uses a training academy and provides training in appropriate technology and other subjects, (3) incurs the overhead costs that accompany a small organization that has department status, (4) pays minimum wages to corpsmembers plus personal benefits, and (5) performs work projects for other agencies free of charge.

In contrast to the state cost per corpsmember of \$16,930, the federal Young Adult Conservation Corps allocates its funds to the states on a basis of \$10,500 per corpsmember. According to the U.S. Department of Agriculture, the allocation of \$10,500 is the intent of Congress. The federal Young Adult Conservation Corps is primarily a nonresidential work program.

Project Work

The offsets to program costs under both the federal and state programs are the public benefits produced by the corpsmembers and the personal self-improvement of each corpsmember as a result of services in the CCC.

Supplemental budget material from the CCC shows the following major categories of public service conservation work performed by CCC staff and corpsmembers:

- (1) Response to emergencies;
- (2) Reforestation and forest improvement;
- (3) Fish and wildlife conservation;
- (4) Park and recreation development;
- (5) Fire hazard reduction; and
- (6) Conservation rehabilitation and construction.

One report on project work indicates that over the five-month period from July through November 1978, the staff and corpsmembers spent 699,177 hours on more than 400 projects, including over 100 responses to assist the Department of Forestry in fire suppression.

In addition, a variety of work projects were performed for a number of local and state agencies, including trail construction, stream clearance, installing fencing and fire hazard reduction. A major effort of lasting significance was planting about 1 million trees for the U.S. Forest Service.

We note that the Auditor General's report includes two recommendations that relate to CCC public service conservation work:

1. The CCC should develop a system to identify priorities for conservation work and select projects on the basis of highest value.
2. The CCC should reassess its emphasis on the appropriate technology program because the CCC spends too much of its daily work time on that educational program, which limits accomplishments of conservation work.

CALIFORNIA CONSERVATION CORPS—Continued**Program Benefits Versus Cost**

The public is clearly deriving benefits from the work of the CCC. The CCC budget, however, includes no output data to evaluate any of the program's accomplishments. Hence, the budget provides no basis for determining whether the benefits of the program are greater than the cost of \$16,930 per corpsmember.

We acknowledge that there are difficulties in measuring public benefits and corpsmembers' self-improvement. Nevertheless, we believe the CCC has an obligation to develop the data needed to allow such evaluations.

No Urban Base Centers

We recommend that funds for the last two of the six base centers to be activated in the current year not be approved for continuation in 1979-80 until the Legislature determines whether the two base centers should be established as urban centers.

Last year the Legislature added Supplemental Report language to the CCC support appropriation directing that "the funds appropriated by this item should be used for the establishment of two urban base centers."

The CCC indicates that it planned to establish the two urban centers as the last of the eight centers to be phased in during 1978-79, but the administration deleted funds for these two centers in the current year. Consequently, the urban base centers have not been established and apparently are not proposed to be established.

As of January 1979, the sites for the last two of the six base centers authorized to be activated in the current year had not been determined. Because of the decision by CCC not to activate two urban base centers as the Legislature directed it to last year, the funds for the last two base centers should not be approved until the Legislature determines whether the two base centers should be required to be established as urban centers.

Return Three Base Centers to Original Use

We recommend that up to three of the seven base centers now operated by the California Department of Forestry and CCC be converted back to their original use as inmate conservation camps operated by the Departments of Forestry and Corrections.

Seven of the eight base centers jointly operated by the California Department of Forestry (CDF) and the CCC were constructed by the Department of Forestry and originally were operated by the Departments of Forestry and Corrections as inmate conservation camps. The inmates provided a trained labor force for backup fire fighting, fire defense improvements and conservation projects for public agencies.

Probation Subsidy. During the 1960's, the emphasis on probation subsidy caused the population in state prison facilities to decline and caused an even greater decline in the number of minimum security prisoners that the Department of Corrections could assign to the conservation camps.

When the Governor's Budget for 1971-72 proposed closing some inmate camps, the Legislature objected because the camps were favored by many local residents. Faced with declining inmate population and legislative

opposition to closure, the Department of Forestry sought alternate sources of manpower to keep the camps open.

Ecology Corps. In 1971, the Governor issued an executive order establishing the California Ecology Corps and directing the Department of Forestry to supervise all personnel and activities involved. Under the Ecology Corps, the department recruited conscientious objectors and other civilians to be housed in the vacant camps to assist Forestry as a backup fire fighting force and to do conservation project work. Ultimately, seven inmate conservation camps were transferred to the Ecology Corps.

Chapter 342, Statutes of 1976, created the California Conservation Corps, abolished the Ecology Corps and transferred the Ecology Corps facilities and operations to the California Conservation Corps. The seven camps of the Ecology Corps provided the nucleus for the CCC. These camps are now designated as CDF/CCC fire centers.

Increased Prison Populations. Due to longer sentences and determinate sentencing, prison populations are now rising. The rising populations have resulted in budgeting substantial capital outlay funds to construct new prison facilities. At the same time, there is also a developing need for work camps where inmates can be assigned.

In order to minimize expenditures for new prison facilities, the state should reconvert the base centers to their original purpose as conservation camps for inmates of the Department of Corrections. The probability that the CCC program cannot meet the budgeted goals in 1979-80 because of heavy corpsmember attrition indicates that the program could be reduced without a major adverse impact.

We estimate that there is a sufficient number of inmates having the necessary security qualifications to populate up to three CCC base centers during the budget year. Consequently, up to three base centers should be returned to their original use as CDF/Corrections conservation camps and the savings in the costs of CCC operations should be reverted to the General Fund.

We calculate that the 1979 capital outlay cost for each conservation camp similar to existing camps would be \$2,750,000. That amount includes land, facility and equipment. To the extent that more conservation camps are needed, existing facilities should be used. This is cost effective because CCC camps have not required major capital outlay expenditures.

Also, there would be annual savings of about \$200,000 in support cost for a CDF/Department of Corrections facility compared to a CCC/CDF base center. The CCC staff and corpsmember cost for a CCC/CDF facility is about \$516,000, while the Department of Corrections cost for a conservation camp is about \$311,000.

PROGRAM SUPPORT

The objective of program support is to provide executive leadership, policy direction, administrative services and program evaluation. The total program support cost for 1979-80 is \$2,138,694, compared to \$1,849,130 in the current year.

CALIFORNIA CONSERVATION CORPS—Continued**Eliminate New Clerical Positions**

We recommend that Item 188 be reduced by \$63,504 plus staff benefits and related expenses to delete six new positions for headquarters staff because the positions are not needed.

The budget proposes seven new headquarters positions costing \$82,176. Four of the positions were administratively established in the current year. Those four plus two other positions are requested for 1979-80 to process the large number of personnel, payroll and accounting documents required for the increased staff and for the hiring, transferring and termination of corpsmembers. The seventh position, a conservation administrator, is to serve as an automotive fleet administrator, responsible for the maintenance and safe operation of about 140 vehicles. Budget narrative states that most of the added positions are "funded from existing funds within the base."

We agree that the conservation administration position is needed and recommend that it be approved. However, we do not believe that the other six new positions are needed.

A Department of Finance audit of the CCC completed in October 1978 "... revealed instances of noncompliance and opportunities for improving operations in the areas of travel and transportation expenditures, payroll procedures, state telephone usage and food service operation." Improvements in these procedures, coupled with the reduction of two base centers in the current year and progress in reducing high corpsmember attrition as recommended by the Auditor General should permit the CCC to operate without the new positions. We recommend that they be denied, for a savings of \$63,054.

Recommend Savings

Last year the Legislature added supplemental report language to the CCC support appropriation directing that "The California Conservation Corps shall improve its fiscal management, control the increasing costs of the program and restrict program embellishments." However, program costs continue to climb. We have identified areas where we believe savings can be made.

Corpsmembers' Vacancy Rate. We recommend that Item 188 be reduced by \$282,087 to establish a corpsmembers' vacancy rate of three percent, as consistent with the current year budget.

As part of the Section 27.1 reduction in the current year, the CCC initiated a corpsmembers' vacancy rate (similar to salary savings for state employees) of three percent for a savings of \$202,776 in the current year. No vacancy rate for corpsmembers is budgeted for 1979-80 even though the CCC has experienced substantial attrition among corpsmembers. The total budgeted corpsmember stipend for 1979-80 is \$9,402,911. The budget can be reduced by \$282,087 (3 percent) to be consistent with the current year. (The amount of the reduction may need to be adjusted to be consistent with the Legislature's decision on the number of CCC base centers to be funded in 1979-80.)

Headquarters Consultant and Professional Contracts. We recommend

that Item 188 be reduced by \$47,196 to reduce consultant and professional services funds available for headquarters contracted personal services.

The CCC has budgeted \$239,000 in the current year and \$164,700 in the budget year (a decrease of \$74,300) for headquarters consultant and professional service contracts. In the current year the CCC has expended some of these funds to contract with other government agencies for services either in addition to, or in place of services which should be performed by existing personnel. Such contracts have included:

- a. \$23,000, Governor's office. Furnish administrative personnel to the CCC to assist in implementation and coordination of CCC program.
- b. \$37,462, City of Anaheim. Personal services to coordinate federal grants and design urban public service conservation programs.
- c. \$20,000, California Highway Patrol. Personnel assistant.
- d. \$25,534, Department of Corrections. To provide the CCC with one culinary food instructor position to be utilized as the CCC's food coordinator.
- e. \$8,900, Department of Finance. Unspecified personal services.
- f. \$6,600, Office of Emergency Services. Unspecified personal services.

\$121,496 Total

We believe there is no need to budget for contracts such as those listed above because some of the services are needed only for the current year and other functions should be performed by existing personnel. Assuming that the \$74,300 reduction in the amount budgeted in 1979-80 for headquarters consultant and professional services contracts will be taken in these categories, a further reduction of \$47,196 is warranted to eliminate all such work. This would leave \$117,504 for consultant and professional services contracts in 1979-80.

Base Center Clerks. We recommend that Item 188 be reduced by \$20,568 plus related expenses to abolish two clerk positions to complete the reduction of authorized staff for two base centers not to be activated in the current year.

Each base center is budgeted for two clerks. The budget shows the reduction of only two clerk positions resulting from the decision not to activate the two base centers in the current year; the correct reduction should be four positions. Therefore, \$20,568 for two clerk positions plus related expenses should be deleted.

Reimbursements

We recommend that Budget Bill language be added requiring the Department of Finance to reduce Item 188 by the amount of any unbudgeted reimbursements that CCC may receive in 1979-80 for project work.

In the current year, the CCC is performing work under contract for two state agencies that are reimbursing CCC with Title II federal funds. The reimbursements do not show in the CCC budget for the current year.

One contract is with the Department of Parks and Recreation for a maximum of \$939,598 to reduce fire hazard from tree breakage caused by

CALIFORNIA CONSERVATION CORPS—Continued

heavy snowfall at Big Basin Redwoods State Park in Santa Cruz County. The other contract is with the State Lands Commission for reforestation work on state-owned lands.

The Department of Parks and Recreation estimates that it will pay about \$700,000 for work in 1978-79. The State Lands Division estimates its payments to the CCC will range from \$218,000 to \$250,000. CCC reimbursements for the current year are understated by approximately the \$900,000 that it will receive from the two state agencies. In effect, CCC is overbudgeted by that amount. The Department of Finance should revert that amount from the 1978 CCC appropriation to the General Fund.

The CCC is budgeted to receive a reimbursement of \$352,442 from the Solid Waste Management Board next year for project work. In order to prevent overbudgeting similar to last year, the Legislature should add control language to Item 188 requiring the Department of Finance to reduce the CCC appropriation by the amount of any unbudgeted reimbursements received for project work in excess of the budgeted amount of \$352,442.

Federal Funding Needs Clarification

We recommend that the California Conservation Corps budget not be approved until the timing of federal funding is clarified.

Federal funds are available under Public Law 95-93, which created the federal Young Adult Conservation Corps, to provide grants for state programs similar to the CCC. Congress has authorized appropriations for three fiscal years ending October 1, 1980. The California Employment Development Department administers the grants.

The three federal grants made to CCC may be expended as follows:

1. 1978 grant, \$5,834,100. Available from June 15, 1978, to March 31, 1979.
2. 1979 grant, \$6,015,981. Available from October 1, 1978, to September 30, 1979.
3. 1980 grant. Available from October 1, 1979, to October 1, 1980.

The CCC budget shows only \$5,834,100 in 1978-79 and \$6,015,981 in 1979-80. The Employment Development Department budget shows \$11,975,081 (apparently the first two grants) in 1978-79 and \$5,298,414 in 1979-80. (Budget page 735, line 60.)

The CCC budget should not be approved until the amount of federal funding is clarified and any necessary adjustments in the General Fund support appropriation are made.

Resources Agency
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

Item 189 from the Energy Resources Conservation and Development Special Account in the General Fund

Budget p. 417

Requested 1979-80	\$17,479,096
Estimated 1978-79.....	19,032,582
Actual 1977-78	17,074,477
Requested decrease \$1,553,486 (8.2 percent)	
Total recommended reduction	\$145,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Grants Pursuant to Title III of National Energy Act. We recommend that (1) the commission report to the Legislature during budget hearings on its plans for California's participation in the federal grant program authorized by Title III of the National Energy Act and, (2) the Legislature adopt supplemental report language requiring the Director of Finance to provide a complete description of the Energy Commission's staffing requirements, operating expenses and how these resources will be used to administer the grant program when notifying the Legislature that authorization will be granted under Control Section 28 to spend such federal grant funds. 421
2. Heber Geothermal Power Plant. Recommend control language to permit expenditure of \$50,000 in contract funds only for the Heber geothermal project. 422
3. *Solar Warranties. Reduce by \$25,000 in state funds and \$25,000 in federal funds.* Recommend deletion of funds for an unneeded program to assure that solar equipment and installation warranties will be honored. 422
4. *Solar Building Consultants. Reduce by \$35,000 in state funds and \$25,000 in federal funds.* Recommend deletion of funding for contracts to provide free services of selected consulting firms to builders. 423
5. *Assessment of Energy Alternatives. Reduce by \$150,000.* Recommend reduction in contract funding to the current year level. 423
6. Expert witness testimony and assistance. Withhold recommendation on \$515,000 in state funds and \$100,000 in federal funds for expert witness testimony and assistance pending clarification of these expenditures by the commission. 424

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

7. *Small Hydroelectric Projects. Augment by \$200,000.* Recommend addition of \$200,000 for a contract with the Department of Water Resources to speed the development of small hydroelectric projects. 425
8. *Reports on Contracts.* We recommend that the commission submit a progress report to the Legislature every three months beginning July 1, 1979, on its research and technical assessment contracts in excess of \$10,000. 425
9. *Wind Information Center.* Recommend that the commission present its plans for a wind information center to the Legislature during budget hearings. 426
10. *Engineering and Environmental Planning. Reduce by \$135,000.* Recommend deletion of funding for 4 positions in the Engineering and Environmental Planning project because of workload reductions. 427

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. The budget proposes 488 filled positions.

ANALYSIS AND RECOMMENDATIONS

Sources of Funding

The commission's total expenditures for 1979-80 are estimated at \$23,179,924, a reduction of \$2,558,080 or 9.9 percent from current year estimated expenditures. The budget proposes \$17,479,096 from the Energy Resources Conservation and Development Special Account in the General Fund for support of the commission in 1979-80. This is \$1,553,486, or 8.2 percent less than estimated expenditures in the current year. The remaining expenditures of \$5,700,828 are supported from the Energy Resources Conservation and Development Reserve Account in the General Fund and from federal funds.

The \$353,936 proposed to be spent from the Reserve Account is a decrease of \$150,852 from Reserve Account expenditures in 1978-79. The decrease results from the fact that funding for a solar building design competition conducted in the current year will not require additional funding in 1979-80.

The budget also requests \$150,000 from the Special Account in Item 34 for an appropriation to the Business and Transportation Agency to support the SolarCal Office and Council.

Federal funding totaling \$5,346,892 is expected mainly from the Department of Energy. This is an increase of \$639,802 over the current year. This

amount, however, probably does not accurately reflect the federal funds which the Commission will receive. Federal funds which may be granted in late 1978-79 under Title III of the National Energy Act are not included in the budget. This money will be used for administration of federal grants for energy conserving improvements to schools, hospitals and local government buildings. Additional unbudgeted federal funds for solar energy projects may be available from a federal allocation in 1979-80 to a regional group of 13 western states.

Because of the enactment of Chapter 760, Statutes of 1978, reimbursements have been eliminated in the budget, a reduction of \$1,493,544 from 1978-79. This act requires the commission to adopt regulations for changes in its siting procedures to eliminate the preparation of environmental impact reports on power plants. Preparation of these reports is being financed by reimbursements in the current year.

Commission expenditures, by source of funding, are shown in Table 1.

Table 1
Energy Resources Conservation and Development Commission
Expenditures by Funding Source
1979-80

<i>Fund</i>	<i>Amount</i>
Energy Resources Conservation and Development Special Account, General Fund	\$17,479,096
Energy Resources Conservation and Development Reserve Account, General Fund	353,936
Federal funds	<u>5,346,892</u>
Total	<u>\$23,179,924</u>

Effects of Funding Changes on the Surcharge

Funds for support of the commission are derived from a surcharge on electricity sales. The surcharge varies during the current year but will average 0.12 mill per kilowatt hour. The commission estimates that a lower surcharge of 0.10 or 0.11 mill per kilowatt hour for 1979-80 will be adequate to fund its budget request.

Significant Budget Changes

Table 2 summarizes the commission's proposed program changes by funding source. The table indicates that program changes result in a net reduction of 51 positions in 1979-80. These positions along with the budgeted salary savings equivalent to 25.8 positions approximately equal the number of positions at the commission that are now unfilled. The Department of Finance has imposed a ceiling on positions in the current year equal to the number of positions currently occupied (488). This is the same number of positions to be financed by the budget in 1979-80. Because the commission was not allowed to fill any vacant positions during the current year, it was not required to make any Section 27.2 reductions.

The position ceiling has avoided the need for any layoffs in the current year. However, the commission may have to shift personnel among programs in 1979-80 because budget reductions for next year were made on the basis of program priority rather than on the basis of where vacancies existed. Because of the limitation on positions, expenditures in the current year will be considerably lower than indicated in the budget and the

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

actual decrease in expenditures from 1978-79 to 1979-80 will be significantly less than the \$2,558,080 shown in the budget and Table 2.

A reduction of \$250,000 in operating expenses and equipment was made in 1978-79 pursuant to Section 27.1 of the Budget Act of 1978, and carried into 1979-80.

Table 2
Energy Resources Conservation and Development Commission
Program Changes by Funding Source

	1978-79 <i>Estimated</i>	1979-80 <i>Proposed</i>	<i>Changes In</i>				<i>Net Change From 1978-79</i>
			<i>Special Account</i>	<i>Reserve Account</i>	<i>Federal Funds</i>	<i>Reimbursements</i>	
Regulatory and Planning Program.....	\$9,674,315	\$8,622,595	\$270,209	—	\$-23,178	\$-1,298,751	\$-1,051,720
(a) Reduction of 8 positions and contract funds for power plant EIRS \$-1,082,773							
(b) Reduction of 7 positions for energy and electricity planning \$-61,662							
Energy Conservation	5,757,049	4,541,328	-641,924	—	-379,004	-194,793	-1,215,721
Reduction of 32 positions for various projects \$-1,215,721							
Development of New Energy Sources	5,329,384	5,552,590	-124,244	\$-150,852	498,302	—	+223,206
(a) Increase of 13 positions and contract funds for wind, geothermal and hydroelectric studies \$+1,119,601							
(b) Reduction of 1 position and contract funds for solar projects \$-432,905							
Policy, Management and Administration	4,977,256	4,463,411	-1,057,527 ^a	—	543,682	—	-513,845
(a) Reduction of 10 staff positions for commissioners and public advisor \$-281,755							
(b) Reduction of 6 positions and contract funds for executive administrative functions \$-232,090	\$25,738,004	\$23,179,924	\$-1,553,486	\$-150,852	\$639,802	\$-1,493,544	\$-2,588,080

^a Budget figure for Special Account expenditure in current year is incorrect due to typographical error. The figure should be \$1,057,527 instead of \$557,527.

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

Energy Conservation Program The Energy Conservation Program is more affected by program reductions in the budget year than any other program, losing 32 positions and \$1,215,721. The largest components of this reduction are for residential building regulations and enforcement (9 positions, \$764,436) and program planning and evaluation (5 positions, \$269,291). These reductions may adversely affect the Conservation Program, resulting in lower energy savings. However, trimming of some staff and funding is warranted. In addition, substantial additional federal funds not indicated in the budget will probably be available for this program under Title III of the National Energy Act. The Director of Finance is likely to approve the expenditure of additional federal funds and an increase in associated staffing during budget hearings. Such approval is authorized by Control Section 28 of the 1978 Budget Act and requires that the Legislature be notified 30 days in advance.

Regulatory and Planning Program The Regulatory and Planning Program includes most siting application activities and energy demand forecasting. It is to be reduced by 15 positions and \$1,051,720. This reduction is due mostly to the elimination of 8 positions for the preparation of environmental impact reports.

Policy, Management and Administration Program The Policy, Management and Administration program, which includes the commissioners' offices, executive staff and administrative services, is to be reduced by 16 positions and \$513,845. Most of the decrease (9 positions, \$281,755) is for staff to the commissioners and the public advisor. The commissioners are each officially allowed an assistant and a secretary. However, most commissioners have obtained additional professional assistance by borrowing positions from the line divisions. This has never been reflected in the budget. The reduction does not affect the authorized staffs but removes all unauthorized positions borrowed.

Energy Development Program The Energy Development program promotes the implementation and commercialization of new energy resources and advanced technologies in California. An increase of 12 positions and \$223,206 is proposed for the budget year. These increases are distributed throughout the solar, geothermal, fuels development, and special projects programs.

Statutes Enacted in 1978 Make Major Changes

Legislation enacted in 1978 will generally simplify and expedite commission proceedings, thereby resulting in savings. Chapter 1013 removed certain generic considerations from individual power plant siting cases, reduced the number of adjudicatory hearings on a notice of intention (NOI) (first phase of the siting process), and reduced the time for the commission to act on an application for certification (second phase) from 18 months to one year. It should avoid the necessity for the Commission to consider the same issues regarding commercial availability in each NOI, save hearing time now spent on unimportant issues, and simplify some of the excessively legalistic procedures with which the commission has burdened itself.

Chapter 760 requires the commission to adopt regulations which would substitute the power plant siting process for an environmental impact report. The budget indicates that this has resulted in the elimination of 8 positions and a savings of \$1,082,773.

Chapter 1271 deleted the requirement for a notice of intention for geothermal power plants, and instead lengthened the time period for the application for certification to 12 months. Chapter 1271 also allows the Energy Commission, upon an application by a county, to approve the county's power plant site certification program which then replaces the commission's siting process. This legislation should result in substantial savings to the commission by simplifying the siting of geothermal power plants.

Chapter 1089 required the commission to develop a wind energy program. It sets a goal for the generation of 10 percent of the state's electric energy from wind by the year 2000, and specifies certain tasks for the program. It appropriated \$800,000 from the Reserve Account for the wind program.

Committee Studies Energy Commission Organization and Effectiveness

Resolution Chapter 145, Statutes of 1978, created the Joint Legislative Committee on Energy Policy and Implementation. The committee consists of the chairman and three members each of the Assembly Resources, Land Use and Energy Committee and the Senate Public Utilities, Transit and Energy Committee. The committee is to analyze the effectiveness of the Energy Commission and study alternatives for reorganizing it. Alternatives include replacing the commission with a new or alternate agency. The committee is required to report its conclusions to the appropriate Senate and Assembly standing committees by January 30, 1979.

Title III of National Energy Act

We recommend that (1) the commission report to the Legislature during budget hearings on its plans for California's participation in the federal grant program authorized by Title III of the National Energy Act and, (2) the Legislature adopt supplemental language requiring the Director of Finance to include a complete description on the Energy Commission's staffing requirements, operating expenses and how these resources will be used to administer the grant program in any letter submitted pursuant to Control Section 28 notifying the Legislature that the expenditure of such federal grant funds has been authorized.

Title III of the National Energy Act established a program providing federal grants for energy conservation improvements at existing schools, hospitals, local government buildings and public care facilities. State and local governments as well as private nonprofit institutions are eligible to receive these grants. The federal grant money must be matched by the applicant on a 50-50 basis. California is expected to receive as much as \$17.6 million in grants over the next two years.

The Secretary of Energy must issue guidelines for the program in March 1979, and California must respond with a state plan for allocation of the grant money within 90 days thereafter. The Energy Commission is prepar-

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ing the state plan, based on what is now known about the federal guidelines. The administration has not yet decided whether California will participate in this program. If California does participate, the Energy Commission would either need additional staff or have to divert existing staff from present duties.

The Energy Commission's plan will recommend the types of projects considered appropriate and procedures for allocating funds among applicants. The Legislature should be informed of the criteria and selection methods to be included in this plan. We therefore recommend that the commission brief the fiscal committees on its plan during budget hearings. Before the commission can expend federal grant money not appropriated in the budget, the Director of Finance must notify the Legislature that he has approved the use of these funds, pursuant to the requirements of Control Section 28 in the 1978 Budget Act. We recommend that the director include a complete description of the commission's staffing needs, operating expenses, and how these resources will be used to administer the grant program in the Section 28 notification so that the proposal can be reviewed by the Legislature.

Restrict Heber Demonstration Plant Contract Funds

We recommend control language to permit expenditure of \$50,000 in contract funds only for the Heber geothermal project.

The commission's geothermal program has 10 positions and \$200,000 for state funded contracts in the current year. For 1979-80, the budget requests 2 new positions and an increase of \$385,000 (\$140,000 state, \$245,000 federal) in contract funds. State contract funds in the amount of \$50,000 are requested to support the Heber demonstration geothermal power plant project in Imperial County. This project is funded mostly by the federal Department of Energy (DOE). The \$50,000 would be used for environmental analysis and documentation for construction and operation of the plant. It would be a token contribution and is included in the budget primarily to indicate state interest in the project.

We have been informed by the commission that DOE has decided to fund a demonstration geothermal plant in New Mexico rather than the Heber unit. Thus, it would appear that the \$50,000 in contract funds may be unnecessary. However, California is still trying to convince DOE to fund the Heber project. Withdrawal of the state funding might undermine this attempt. We therefore recommend that the contract funds remain in the budget, but that control language be inserted requiring that the funds be available only for purposes of implementing the Heber project.

Eliminate Warranty Assurance Contract Funds

We recommend a reduction of \$25,000 in state funds and \$25,000 in federal funds for an unneeded program to assure that warranties for solar installations and equipment will be honored.

Many firms in the solar industry are small and have limited capital. The financial weakness of these companies reduces consumer confidence in the warranties they issue for solar equipment and installations. The Cali-

ifornia Solar Energy Industries Association (CALSEIA) proposed that the Energy Commission and the Department of Energy join with it in a warranty assurance program. The Energy Commission took no action on this proposal.

CALSEIA has now arranged with a private insurance company to establish one-year installation warranties for its members. CALSEIA expects to extend this program to cover three-year equipment warranties within a few months. It is no longer pushing its proposal before the Energy Commission, and therefore the \$50,000 (\$25,000 state, \$25,000 federal) budgeted for this purpose should be eliminated.

Eliminate Solar Building Consultant Contracts

We recommend a reduction of \$35,000 in state funds and \$25,000 in federal funds to eliminate contracts to provide free solar energy consulting services to builders.

The commission proposes to spend \$60,000 (\$35,000 in state funds and \$25,000 in federal funds) for contracts with consulting firms to provide services to builders considering the use of solar devices or passive design features in buildings. Builders would contact the commission's solar office, which would review the projects and then refer them to several firms under contract to the commission for more detailed advice at no cost to the builders.

We recommend deletion of the \$60,000. We support other Energy Commission programs that inform builders of the benefits and uses of solar energy through seminars, design manuals and methods to calculate energy efficiency in buildings. However, the planned contracts would channel solar consulting business to certain firms, while competing firms which might be equally qualified would be at a disadvantage. Builders who wish to use firms not under contract with the commission would not receive the free services.

This proposal would open the state to charges of favoritism, while interfering with the competitive mechanism that now operates. To avoid these problems, we recommend that funds for these contracts be deleted from the budget.

Reduce Contract Funding for Alternatives Assessment

We recommend limiting contracts for the Alternative Assessment program to the current year level, for a savings of \$150,000.

The purposes of the Alternatives Assessments program are to assess reasonable methods for utilities to meet forecasted energy requirements, to prepare commission strategies to meet long-term energy needs, and to determine ways to balance reliability, environmental quality, conservation and cost. The 1978-79 budget included \$245,000 (\$45,000 state and \$200,000 federal) for contract funds to support this program. For 1979-80, the commission requests \$395,000 (\$245,000 state and \$150,000 federal) in contract funds to provide outside technical expertise and assistance to the staff. The budget includes a staff of 17 professional positions.

We recommend a reduction of \$150,000 in state funds to return contract funding for this program to the current year level of \$245,000 for the following reasons. First, there is inadequate justification for the funding

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increase. Second, Chapter 1013, Statutes of 1978, tends to justify a reduction for this program rather than an increase. Chapter 1013 significantly affected the Alternatives Assessments program by requiring the commission to hold generic hearings as part of the Biennial Report process to determine the commercial availability of various alternative technologies for electrical generation, and to determine the availability of "nongeneration technologies" (such as energy conservation and power pooling). These determinations were formerly made in each individual siting case. Chapter 1013 should reduce the workload in the Alternative Assessments program by consolidating hearings. The act also specifically denied the commission authority to mandate any supply plan, or portion of a supply plan, for a utility. This should partially reduce the need for the extensive supply planning which has been performed in the past.

Third, the commission staff has gained expertise and knowledge in previous siting cases which should reduce its need to rely on contract consultants. Finally, the Alternatives Assessments staff can receive substantial assistance from the staff of the Development Division in evaluating solar, geothermal, biomass, cogeneration and hydroelectric technologies, and from the Conservation Division in evaluating load management, pricing and other non-generation alternatives.

Accordingly, we see no reason for an increase in contract funds.

Funding for Expert Witness Assistance and Testimony

We withhold recommendation on \$515,000 in state funds and \$100,000 in federal funds for expert witness testimony and assistance.

The commission's budget contains large sums to fund contracts for expert witnesses. Excluding funds for expert witnesses already discussed above in our recommendations on Alternatives Assessment, \$515,000 in state funds and \$100,000 in federal funds appear to be earmarked for this purpose.

The funds and their associated programs are as follows:

(a) Power plant siting applications analysis and processing.....	\$310,000	
(b) Building design—active and passive solar systems	50,000	(federal funds)
(c) Solar energy development	50,000	
(d) Geothermal energy: financial incentives	80,000	(includes \$50,000 in federal funds)
(e) Energy from cogeneration	20,000	
(f) Energy from Bonneville Power Administration	40,000	
(g) Financial incentives for new technologies	25,000	
(h) Utility financing for solar energy	40,000	
Total	\$615,000	

The description of many of these expenditures is so incomplete that we are unable to determine whether all of these funds will be used for expert witnesses, or only a part of them.

The commission staff has informed us that the cost of an expert witness is about \$200 per day. At this rate, \$100,000 would support 500 days of such

assistance. According to the commission, \$171,000 was spent on contracts for expert witness testimony in 1977-78. Our listing suggests that the commission may be seeking authority to spend several hundred thousand dollars on expert witness contracts in 1979-80. The purposes of the money should be clarified for the Legislature before these funds are approved. We therefore withhold recommendation on the \$515,000 in state funds and \$100,000 in federal funds in the table above.

Small Hydroelectric Projects

We recommend that \$200,000 be added to the commission's budget for a contract with the Department of Water Resources regarding the development of small hydroelectric projects.

The Department of Water Resources (DWR) has tentatively identified 10 existing dams and other facilities as candidates for hydroelectric generation. These sites have an estimated potential increased generating capacity of 101 megawatts. The department has proposed a work program for developing these facilities which includes studies to establish their generating capacity, to determine preliminary engineering and economic feasibility, and to contact owners to encourage development of the project. DWR does not have funding for this program, which was authorized by Chapter 933, Statutes of 1978. DWR has estimated that the work will cost \$200,000. We believe that this work will lead to cost-effective and environmentally acceptable power sources. We recommend that the commission's budget be increased by \$200,000 to provide funding for a contract with DWR to undertake the required studies. This recommendation will supplement the numerous study-oriented programs of the commission with a project that is more action-oriented.

Better Contract Reporting Needed

We recommend that the commission submit a quarterly report to the Legislature beginning July 1, 1979, on its research and technical assessment contracts in excess of \$10,000. The reports should list contracts completed during the preceding three months and contracts to be let in the next three months.

The report should include for each contract:

- (1) A summary of the work expected to be accomplished by each contract and a statement as to how the results are expected to be used;*
- (2) A summary of the completed contract results and a statement as to how the results will be applied to specific programs and projects; and*
- (3) The estimated or actual cost of the work.*

In previous editions of our *Analysis* and in testimony before fiscal committees, we have noted deficiencies in the commission's contract research and technical studies contracts. Each year, we have recommended that the commission's budget for contracts be substantially reduced because many of the planned projects were ill defined, of low priority, not consistent with commission workload, or could be done by the commission's staff. We are once again this year recommending deletion of some contract funding for similar reasons.

Contracting problems have also been noted by the Auditor General in a recent report, "Improvements Needed in Planning and Monitoring Re-

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search and Development of Alternative Energy Sources". The report recommends basic improvements to the commission's research program (most of which is carried out by contract), including better research project selection methods, better project planning, better review of work done elsewhere in order to avoid duplication, and a better process for monitoring and evaluating research project effectiveness. A companion report, "Improvements Needed in Controlling Contracts Awarded by the California Energy Commission" concludes that contract management has been inadequate because of poor contract procedures and inadequate training of contract managers.

The Legislature has previously recognized some of these problems, and required the commission to make periodic reports on its research contracts. For the last three years the Budget Act has required the commission to report every two months those contracts let in the preceding two months, and the contracts expected to be let in the next two months. These reports have been useful in identifying the contracts let during the year and comparing actual contract activity to what was proposed in the budget. However, there is no mechanism for review of contract results or of how the results will be used in commission programs.

The commission is also required under the Warren-Alquist Act to report to the Legislature each year on its proposed research program. That report does not describe individual contracts but lists the total cost of contracts by subject area.

The control language requiring the bimonthly report is not in the 1979 Budget Bill. We recommend that instead of reinstating the previous language, the Legislature require a quarterly report which would include a discussion of the results expected from contracts to be let, and a brief analysis of results obtained from contracts completed. This would provide a way of comparing plans with accomplishments. The quarterly report should also include an explanation of how these results will be used in carrying out specific commission programs, and the cost of each contract. Preparation of the report would not be a significant burden on the commission because it has stated that it will establish a system for evaluating contract results in response to the Auditor General's report. The annual report on research required by the Warren-Alquist Act could be consolidated with the quarterly report in January to avoid unnecessary work for the staff.

Wind Information Center

We recommend that the commission present its plan for a Wind Information Center at the budget hearings.

Chapter 1089, Statutes of 1978, requires the Energy Commission to implement a state wind energy program and appropriated \$800,000 from the commission's Reserve Account to support the program. Among other things, the legislation requires that the commission establish a "Wind Information Center" in the first year of the program. The commission's budget makes no provision for such a center. The commission should

explain at the budget hearings how it plans to fulfill this legislative mandate.

Reduce Staffing for Engineering and Environmental Planning

We recommend a reduction of \$135,000 to delete four positions for the Engineering and Environmental Planning project.

The Engineering and Environmental Planning project consists of five subelements: (1) support of the commission's project to review and critique utility supply plans, (2) support of the project to study alternative supply scenarios and generic technology assessment, (3) support of the projects to study long-range energy scenarios, (4) engineering and environmental policies development, (5) EIR clearinghouse activities. For 1978-79, the Environmental and Engineering project has 11 positions (not including clerical and management positions) budgeted at \$378,000.

For 1979-80, the budget proposes an increase of 4 professional positions for a total of 15 positions at a total cost of approximately \$515,000. This increase in staffing is unjustified because the subelements (1), (2) and (3) above are declining in staff and funding and do not need increased support. The budget does not indicate any increases in subelements (4) and (5). We therefore recommend that staffing for this project remain at the current year level of 11 professional positions, for a savings of \$135,000.

Resources Agency

STATE SOLID WASTE MANAGEMENT BOARD

Items 190-192 from the General Fund and the State Litter Control, Recycling and Resource Recovery Fund

Budget p. 424

Requested 1979-80	\$18,759,508
Estimated 1978-79.....	20,770,407
Actual 1977-78	3,025,612
Requested decrease \$2,010,899 (9.7 percent)	
Total recommended reduction	\$156,092

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
190	General Support	General	\$1,301,457	431
191	Litter Control, Recycling and Resource Recovery program, including loans and grants	Litter Control, Recycling and Resource Recovery	17,458,051	432
192	Loan to Litter Control, Recycling and Resource Recovery Fund	General	(9,900,000)	434
Total			\$18,759,508	

STATE SOLID WASTE MANAGEMENT BOARD—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	<i>Analysis page</i>
1. <i>General Fund Expenditures. Reduce Item 190 by \$156,092.</i> Recommend deletion of one position for litter management, one position for technical services, and unneeded study contracts.	431
2. <i>Bay Area Solid Waste Management Program.</i> Recommend board report to the Joint Legislative Budget Committee by June 1, 1979 on accomplishments and expenditures under the Bay Area Solid Waste Management Program.	431
3. <i>Budget Bill Language.</i> Recommend deletion of Budget Bill language in Item 191 giving the board authority to modify its litter control, recycling and resource recovery expenditures and exceed statutory limitations on administrative costs.	432
4. <i>Task Force Report.</i> Recommend Solid Waste Management Board, with assistance of the Air Resources Board, the Water Resources Control Board and the Energy Commission, report to the Legislature by November 1, 1979, on the feasibility of solid waste-to-energy conversion projects meeting state and federal environmental requirements.	433
5. <i>General Fund Loan.</i> Recommend board justify at budget hearings the amount of the loan needed, and that Budget Bill language be added to Item 192 requiring repayment of any loan with interest during the budget year.	434
6. <i>State Solid Waste Management Board.</i> Recommend legislation replacing the board with a new department and advisory commission in the Resources Agency.	435

GENERAL PROGRAM STATEMENT

The State Solid Waste Management Board is responsible for (1) developing and enforcing statewide policies and environmental standards for handling and disposal of solid wastes, (2) assisting local government in the development and maintenance of county solid waste management plans and approving such plans, (3) undertaking research on and development of new technology for solid waste reduction, processing and resource recovery systems (including waste conversion to energy), (4) analyzing markets for recovered materials and recovered fuels, and (5) administering grant and loan programs for implementation of litter control, recycling, resource recovery and public education projects throughout the state. Primary responsibility for solid waste management and associated planning is assigned under existing law to local government.

ANALYSIS AND RECOMMENDATIONS

The board proposes total expenditures, including federal funds, in the budget year of \$20,979,008, which is a reduction of \$2,598,457 (11 percent) below the \$23,577,465 of expenditures shown in the budget for the current year. The board proposes state expenditures in the amount of \$18,759,508, which is \$2,010,899 or 9.7 percent less than is estimated to be expended

during the current year. We believe, however, that current year expenditures are greatly overestimated. Because the board has made slow progress in implementing the Litter Control, Recycling and Resource Recovery Program, its current year expenditures will be more nearly \$16 million than \$23.6 million. As a consequence, we estimate that the board's total expenditures will increase by about \$5 million in the budget year rather than decrease by \$2.5 million as shown in the Governor's Budget.

Table 1 summarizes the board's estimated expenditures by program for the current year and the budget year.

Table 1
State Solid Waste Management Board Program Changes by Funding Source
as Shown in Governor's Budget

<i>Program</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Increase over 1978-79</i>	<i>Percent Increase</i>	<i>Changes in General Fund</i>	<i>Changes in Litter Control Fund</i>	<i>Changes in Federal funds</i>	<i>Changes in Reimburse- ments</i>
County planning and enforce- ment	\$1,282,853	\$1,301,457	\$18,604	1%	\$66,526	—	—	\$-47,922
Litter control, recycling and resource recovery	19,535,476	17,458,051	-2,077,425	-10.6%	—	\$-2,077,425	—	—
State and regional solid waste management planning ...	<u>2,759,136</u>	<u>2,219,500</u>	<u>-539,636</u>	<u>-19.6%</u>	<u>—</u>	<u>—</u>	<u>\$-495,618</u>	<u>-44,018</u>
Total	\$23,577,465	\$20,979,008	\$-2,598,457	-11%	\$66,526	\$-2,077,425	\$-495,618	\$-91,940

GENERAL FUND SUPPORT (ITEM 190)

Item 190 proposes an appropriation of \$1,301,457 for support costs, which is an increase of \$66,526 (5 percent) over estimated expenditures in the current year. This request provides for board support in the areas of (1) local assistance and planning, (2) enforcement, (3) resource recovery, (4) administrative services and, (5) executive and board support.

Request for New Positions and Continuation of Contracts

We recommend a reduction of \$156,092 in Item 190 to delete (1) one new position for litter management, (2) one new position for technical services, (3) a moisture content study and (4) consulting contracts under the Bay Area Solid Waste Management Program.

The board's request includes a new position for litter management costing \$25,380. We recommend deletion of this position. Six positions (including one new position) are requested elsewhere in the board's budget (Item 191) for litter management under the board's Litter Control, Recycling and Resource Recovery Program. We believe that the six positions will be sufficient to meet the board's projected workload.

The board's request also includes a new position for technical services costing \$34,684. This position would be on top of the seven positions requested in the board's base budget (Items 190 and 191) for technical and engineering services to local agencies on solid waste management matters. This level of staffing appears to be adequate considering that private consultants are also available to local agencies for the resolution of technical problems. Consequently, we recommend that the proposed position be deleted.

In addition, the budget contains \$50,000 for continuation of a solid waste moisture content study in the budget year. We recommend this request be denied because no supporting information has been provided by the board to justify it. The budget also includes \$46,028 for study contracts under the Bay Area Solid Waste Management Program. According to the board, all work on this program will be completed by June 30, 1979. Consequently, these funds are not needed.

Report on Bay Area Solid Waste Management Program

We recommend the board be directed to submit a final report to the Joint Legislative Budget Committee by June 1, 1979, on its accomplishments and expenditures under the Bay Area Solid Waste Management Program.

Since 1975, the Legislature has made available \$1.8 million of General Fund monies to the board for the Bay Area Solid Waste Management Program. Under this program the board has (1) investigated waste management practices in the Bay Area, (2) studied source separation and recycling methods, (3) studied large-scale waste-to-energy conversion plants and, (4) evaluated potential markets and institutional relationships.

Several special studies and status reports pertaining to this program have been made available to the Legislature. However, the board does not plan to issue a final report. Because of the importance of this program to the Bay Area and the substantial investment of General Fund money in the studies, the board should be required to submit a final report to the

STATE SOLID WASTE MANAGEMENT BOARD—Continued

Legislature no later than June 1, 1979. This report should include: (1) a summary of all accomplishments, (2) an analysis of alternatives studied and, (3) the board's recommendations for future actions.

**LITTER CONTROL, RECYCLING AND RESOURCE RECOVERY PROGRAM
(ITEM 191)**

The board's estimated expenditure for this program in the budget year is \$17,458,051, a decrease of \$2,077,425 or 10.6 percent from the current year. As pointed out earlier, we believe program expenditures for the current year will actually be about \$7.5 million below the amount the board shows in the Governor's Budget. Thus, program expenditures in the budget year should be higher, not lower, than in 1978-79.

\$3 Million Modification of Expenditures

We recommend deletion of Budget Bill language in Item 191 which is intended to give the board authority to (1) modify litter control, recycling and resource recovery expenditures up to \$3 million and (2) exceed statutory limitations on administrative cost.

Chapter 1161, Statutes of 1977 (SB 650) contained a formula for allocation of grants and loans to specified state and local agencies and nonprofit organizations. Such loans and grants are to be used for litter cleanup, litter law enforcement, providing litter receptacles, public education and implementation of projects for recycling, resource recovery and energy conversion projects. The board's costs of administering the program are also limited by the formula. In specifying this formula, Chapter 1161 allowed some flexibility in making allocations by providing that *various classes of expenditure adhere as closely to the specified percentages as is consistent with efficient and prudent administration.*

Based on a Legislative Counsel's opinion that the Legislature could revise the formula in appropriating monies for the SB 650 program, the fiscal committees created a \$5 million reserve for large-scale waste-to-energy projects in the Budget Act of 1978. The policy committees disagreed with this action and by Chapter 1011, Statutes of 1978 (SB 1855), abolished the \$5 million reserve and amended the law to require that various classes of expenditure *adhere closely* to specified percentages.

Item 191 contains Budget Bill language which provides that, notwithstanding any other provisions of law, the board may modify the various classes of expenditure from the \$17,458,051 appropriation made in Item 191 by as much as \$3 million. This would allow the board to make substantial changes in the formula for litter control, recycling, resource recovery and education loans and grants during the budget year without requesting further authority from the Legislature or the Department of Finance.

We recommend deletion of this language because (1) it would nullify budgetary controls over the board's expenditures and (2) it is not in accordance with statutory requirements which the board endorsed in Chapter 1011.

State Task Force Needed

We recommend that the State Solid Waste Management Board be required, with the assistance of the Air Resources Board, the Water Resources Control Board and the Energy Commission, to submit a report to the Legislature by November 1, 1979, on the feasibility of constructing large-scale, solid waste-to-energy conversion projects which meet state and federal environmental requirements.

Chapter 1246, Statutes of 1976 (SB 1395) required the board to select sites and develop financing and implementation plans for construction of several large-scale solid waste-to-energy conversion projects in the state. Subsequently, Chapter 1011, Statutes of 1978 (SB 1855) appropriated \$5 million from the Litter Control, Recycling and Resource Recovery Fund to provide state assistance to local governments for preconstruction study and design of such facilities. This appropriation also provided funds for research studies and pilot tests of air and water pollution control methods and equipment to meet state and federal standards. This work is to be accomplished by the project proponents working in cooperation with the Solid Waste Management Board, the Air Resources Board, and the Water Resources Control Board.

Board Unresponsive. Although the Legislature assigned high priority to investigating and resolving the environmental problems of waste-to-energy projects, the board has been slow in responding to these problems. A task force of state agencies has not been formed, and fund transfers to the other boards which are necessary to get the work started, have not occurred. Only recently has the board recognized the critical nature of the air quality and other problems confronting the proponents of the six selected projects (Eureka, San Francisco, Alameda, Concord, Long Beach and San Diego) in meeting local, state and Environmental Protection Agency environmental standards.

Projects are Stalled. In its role as the state's enforcement agency for air quality standards, the Air Resources Board has developed New Source Review (NSR) rules. These rules are intended to assure that construction of new stationary emissions sources will be regulated in the critical *non-attainment* areas of the state where the National Ambient Air Quality Standards are not expected to be met by 1982. All six waste-to-energy projects are located in non-attainment air basins.

Technical studies indicate that it is possible for waste-to-energy conversion plants to meet point emission standards with the best available technology. However, meeting NSR rules is more difficult, if not impossible, in many locations because NSR rules go beyond point emission standards to require the attainment of offsetting emission reductions from existing sources which are equivalent to double the volume of emissions from the new facility. This, according to the project proponents, is impractical and is preventing the projects from getting started.

Task Force Needed. To overcome this major obstacle, the proponents have appealed to the Solid Waste Management Board to organize a state task force to assist them in developing a workable system for obtaining offsetting reductions. We recommend that the Legislature expedite the matter by directing the board, with the assistance of the Air Resources

STATE SOLID WASTE MANAGEMENT BOARD—Continued

Board and the Water Resources Control Board, to investigate the technical and economic feasibility of waste-to-energy conversion projects which meet state and federal air pollution requirements, and to submit a report on this matter to the Legislature no later than November 1, 1979. In addition to addressing the problems of air pollution control in this report, the task force should also investigate the potential problems of pollution due to leaching from the large volumes of residual ash which would be produced by waste-to-energy plants. This residual waste is classified as a "hazardous waste" and would therefore require disposal in Class I landfills.

If it is determined that there is no practical way for these waste-to-energy plants to conform with NSR rules, the Energy Commission should be added to the task force in order to determine whether the energy conservation advantages of such plants would justify modification of the rules. Such a modification of the rules could, if necessary, be included in the State Implementation Plan which is presently being drafted by the Air Resources Board.

GENERAL FUND LOAN (ITEM 192)

Item 192 requests \$9.9 million for a General Fund loan to the State Litter Control, Recycling and Resource Recovery Fund during the budget year. The Director of Finance would be empowered to release these funds to the board if they are needed.

The State Board of Equalization estimates that approximately \$21.7 million in revenues from a special assessment on retailers, wholesalers and manufacturers of certain products which contribute to waste and litter generation will be collected in March 1980 and deposited in the State Litter Control, Recycling and Resource Recovery Fund. The board indicates that the loan is necessary for cash flow purposes during the first eight months of the budget year.

Loan May Not be Necessary

We recommend that (1) the board be required to justify the amount of loan needed at the time of hearings on the Budget Bill and (2) Budget Bill language be added to Item 192 requiring repayment of the loan during the budget year with interest charged at the rate earned by the Pooled Money Investment Account at that time.

Given the probability that the board will have a balance of approximately \$7.5 million in the Litter Control, Recycling and Resource Recovery Fund at the start of the budget year, the requested loan may not be needed. For this reason, we recommend that the board be required to provide details on current year revenue collections and expenditures, and budget year cash flow requirements to the fiscal subcommittees at the time of the budget hearings.

Due to an oversight in preparation of the Budget Bill, Item 192 does not specify that loan principal and interest must be repaid to the General Fund during the budget year from revenues deposited in the Litter Control, Recycling and Resource Recovery Fund. We recommend that Budget Bill language be added to rectify this omission.

Need to Replace Board With Department

We recommend that legislation be enacted replacing the board with a new department and advisory commission located in the Resources Agency.

The State Solid Waste Management Board's budget has been increased to approximately \$19 million in the current year as its programs have grown. However, its accomplishments during the six years of its existence have fallen substantially short of annual goals set by the Legislature in terms of: (1) reducing the volume of wastes disposed in landfills, (2) enforcing minimum state standards for disposal of solid wastes, (3) increasing the recovery of reusable resources and conversion of wastes to energy, (4) controlling roadside litter, and (5) administering statewide loan and grants programs for litter control, recycling and resource recovery projects. In view of the board's disappointing progress, we have given careful study to replacement of the board with a department and an advisory commission in the interest of effecting a more aggressive approach to implementation of the state's solid waste management and resource recovery programs.

Board Too Large and Diverse. Chapter 342 originally established a board of seven voting members and three ex officio members representing the Director of Health, the Director of Food and Agriculture and the State Geologist. In 1976, the Legislature, after concluding that the board was seriously lacking in administrative strength, increased the board from seven to nine voting members and established the chairmanship as a full-time position.

Today the board is too large and diverse to make policy and program decisions, and move projects forward. Frequent board meetings impose a heavy workload on staff to prepare agenda and supporting materials. The board spends an excessive amount of time on routine matters which should be delegated to local agencies and the board's own staff. As a consequence, little has been done to resolve critical policy, program and regulatory problems.

Slow Progress on County Planning. Due to the overly complex planning requirements and the time consuming approval process established by the board for county solid waste management planning, none of the plans were approved by the required date of January 1976. Even now, three years later, four of the required 58 plans are still not completed. The board also did not place proper planning attention on a regional rather than a county perspective for California's urban areas, with the result that the county plans do not provide an adequate base for major new solid waste management projects.

The board has recently drafted regulations for updating county plans every three years. In drafting these regulations it has not fully recognized the state mandated cost (SB 90) issues which may arise at the local level in conforming with the board's new planning requirements.

Enforcement Program Not Working. Chapter 1309, Statutes of 1976, required that local enforcement agencies be established in all counties for the purpose of enforcing minimum state environmental standards for the operation of solid waste facilities. By over complicating its minimum state

STATE SOLID WASTE MANAGEMENT BOARD—Continued

standards and overemphasizing its review and concurrence functions under this program, the board has become too heavily involved in determining the conformance of new solid waste facilities (garbage dumps) to county plans and state minimum standards. This has placed a heavy workload on the board, its committees and its supporting staff. In addition, the board has been forced to assume the role of the local enforcement agency within 12 cities (including the City of San Diego) and the County of Sacramento.

Many local enforcement agencies exist in name only. The board has not used its authority to get the local agencies to enforce the minimum state standards. Only four enforcement actions have been taken against operators of landfill disposal sites even though many landfill operations are in serious violation of state environmental and health standards.

Litter Control, Recycling and Resource Recovery Programs are Seriously Lagging. Following the enactment of Chapter 342 in 1972, the new board set a statewide goal to reduce the tonnage of solid waste per capita that is deposited in landfills by 25 percent before 1980. To achieve this goal the board indicated it would work vigorously to: (1) reduce the generation of solid wastes; (2) dramatically increase source separation and recycling; and, (3) implement large-scale resource and energy recovery projects throughout the state. At the same time the board indicated it would also move quickly to control the proliferation of litter in our cities and rural areas.

By 1977, the Legislature concluded that the board and the state were not making sufficient progress and would not achieve any reduction in the volume of solid wastes disposed of in landfills by 1980. Therefore, it enacted (1) Chapter 1161, Statutes of 1977 (SB 650), to provide state financing for a comprehensive litter control, recycling and resource recovery program and, (2) Chapter 1011, Statutes of 1978 (SB 1855), to provide state financing of preconstruction costs for several large-scale waste-to-energy conversion plants.

The board has moved slowly in implementing its SB 650 and SB 1855 programs. As pointed out earlier, current year expenditures under these programs are likely to be \$7.5 million below the board's estimated current year budget. Out of \$5.4 million available for litter cleanup and enforcement grants in the current year, only about \$900,000 of grants have been approved to date. Applications for recycling grants were distributed by the board in October 1978, but approval of the first loans and grants is not expected until March 1979, at the earliest. The complexity of the board's applications for recycling grants poses a serious problem for small firms which will have to retain outside expertise to do the required paper work. It also appears that large, successful recycling firms and associations will get most of the state aid while small, innovative operators will get little.

The board has selected six large-scale resource recovery and energy conversion projects for preconstruction design assistance. The Legislature appropriated \$5 million for this purpose in the current year. However, no grants have been made, and it is doubtful whether any of these projects will be able to move ahead until the board, working with the local project

proponents, the Air Resources Board, the Water Resources Control Board, the Energy Commission, is able to resolve critical waste supply, air and water pollution control, market stability, project financing, and project management problems. A contributing difficulty is that conflict exists between board members who support low-technology source separation and recycling systems and members who support high-technology waste-to-energy conversion systems. This has rendered the board indecisive on many controversial issues.

Recommended Change to Department. Assigning the state's solid waste management and resource recovery responsibilities to a department within the Resources Agency would clarify the decision making process, expedite programs, secure delegation of authority and result in savings of at least \$400,000 annually in board and staff expenses. Improved responsiveness and accountability to the Governor and the Legislature should also result from such an action.

There are several examples of transition from a board to a department. The consolidation of the Division of Water Resources, the State Water Project Authority and the Water Resources Board into the Department of Water Resources and the California Water Commission provides the best pattern to follow. Organization of the Department of Water Resources and the five-member California Water Commission was necessary to aggressively implement the State Water Project. Such an organizational pattern would provide for fixing the authority to implement the important litter control, solid waste management and resource recovery programs in California while providing a commission for advice on departmental programs and review and approval of all departmental policies, rules and regulations.

**Resources Agency
AIR RESOURCES BOARD**

Items 192.5 and 198 from the
General Fund and Items 193-
197 and 199 from special
funds

Budget p. 430

Requested 1979-80	\$42,048,519
Estimated 1978-79.....	35,584,257
Actual 1977-78	25,185,610
Requested increase \$6,464,262 (18.2 percent)	
Total recommended reduction	None

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
192.5	Support, Stationary Source Pollution Control	General	\$3,165,661
193	Support, Vehicular Source Pollution Control	Motor Vehicle Account, State Transportation	14,794,607
194	Licensed Smog Stations	Automotive Repair	1,248,108

AIR RESOURCES BOARD—Continued

195	Air Pollution Research	Environmental Protection Program	2,071,475
196	Miscellaneous Support	Air Pollution Control	1,122,497
197	Motor Vehicle Emission Inspection	Vehicle Inspection	12,908,171
198	Subventions to Air Pollution Control Districts	General	3,700,000
199	Subventions to Air Pollution Control Districts	Motor Vehicle Account, State Transportation	3,038,000
	Miscellaneous Support	Federal Funds	(1,597,506)
	Miscellaneous Support	Reimbursements	(659,099)
	Total		<u>\$42,048,519</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Fleet Owner Surveillance. Recommend that the board present at budget hearings its plan for surveillance of fleet owners conducting mandatory vehicle emission inspections in the South Coast Air Basin, and the increased staffing and funding required for 1979-80. 443
2. Coordination of Power Plant Emission Studies. Recommend that the Air Resources Board, the Energy Commission, the Department of Water Resources and the Resources Secretary present during budget hearings their plans to coordinate staff expertise and research and technical assessment contract studies related to emissions from power plants. 443
3. Program Budget. Recommend that the Air Resources Board prepare a detailed program budget for 1980-81 which includes (1) listing of funding by sources for each component, (2) a description of contracts for consultant and professional services for each component and (3) supporting program statements showing the past, current and budget years. 444

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. The board's staff is under the direction of an executive officer. The administrative functions are carried out, and most of the board's staff are located, in Sacramento. Vehicle emissions testing, new vehicle emissions certification and air pollution laboratory work are located at El Monte. The board has budgeted 509 net personnel-years for 1979-80.

ANALYSIS AND RECOMMENDATIONS**Sources of Funding**

The General Fund finances expenditures for stationary pollution control (that is, emissions not related to motor vehicles). This includes expenditures for general support of the ARB (Item 192.5) in the amount of \$3,165,661 and subventions to local air pollution control districts (Item 198) in the amount of \$3,700,000.

The Motor Vehicle Account, State Transportation Fund, finances the program for vehicular emissions control (Item 193) in the amount of \$14,794,607 and subventions to air pollution control districts (Item 199) in the amount of \$3,038,000. The Motor Vehicle Inspection Fund (Item 197) will receive the fees from vehicle emission inspections when inspections begin in the South Coast Air Basin in early 1979. The fund will be used to make payments to the private contractor who is constructing and operating the inspection stations and to support the ARB and the Bureau of Automotive Repair (BAR) staff for supervision of the inspection program. Expenditures from this fund are estimated at \$12,908,171.

Money from the Automotive Repair Fund (Item 194) in the amount of \$1,248,108 is appropriated to the ARB for a contract with BAR for regulation of licensed smog stations. The California Environmental Protection Program Fund (Item 195) partially supports the board's research program in the amount of \$2,071,475. The Air Pollution Control Fund (Item 196, in the amount of \$1,122,497), federal funds (\$1,597,506) and reimbursements (\$659,099) are distributed among the board's programs.

Significant Budget Changes

The board's total expenditures for 1979-80 are expected to be \$44,305,124, an increase of \$6,232,860 or 16.4 percent above expenditures in the current year. There is a reduction of 11 authorized positions leaving 509 net personnel years. Most of the positions eliminated are in the board's vehicle emission control program at the El Monte laboratory.

Table 1 summarizes support program changes, by funding source, for 1979-80. The largest increase in expenditures is for the Vehicle Inspection Program, \$5,429,217. This increase reflects full-year funding of the program, which will begin in the South Coast Air Basin during March or April 1979. Nearly all of this increase is for payments to a contractor to operate the emission inspection stations. Expenditures for loans from the Motor Vehicle Account to initiate the motor vehicle emissions inspection program will be discontinued next year because the program will be supported completely from inspection fees. This accounts for the reduction in Motor Vehicle Account expenditures of \$2,785,978. The other significant increases proposed in the budget are for the Legal Affairs and Enforcement program and Technical Services programs. Four positions and \$159,000 are requested for testing emissions from stationary sources, and an additional \$896,000 is requested for development of a better emissions inventory. Two positions and \$40,893 for air monitoring efforts will be eliminated.

The research program remains nearly level, but there is a funding change to replace Air Pollution Control Fund support for extramural research with money from the Environmental Protection Program Fund. In 1978-79, \$362,500 of Environmental Protection Program money was diverted from ARB research to support an aerial photography mapping project in the Department of Forestry. For 1979-80, the funding pattern of previous years is resumed. The Stationary Source Control program is also virtually unchanged. This accounts for the fact that total General Fund expenditures by the ARB are approximately level.

AIR RESOURCES BOARD—Continued

The board's planning programs are reduced by two positions and \$32,679 for the evaluation of transportation projects and planning for air quality non-attainment areas. The Vehicle Emission Control program is to be reduced by \$157,292 due to a reduction of 10 positions for vehicle testing and surveillance in the board's El Monte laboratory. The budget indicates that these positions are in low priority activities of vehicle emission testing, aftermarket parts and engine modification evaluation, and surveillance of in-use vehicles. We concur with the proposed reduction because the mandatory vehicle emissions inspection program will reduce the need for these activities.

No changes in subventions to local air pollution control districts are proposed in the budget.

Control Sections 27.1 and 27.2

Not shown in Table 1 are reductions made in personal services and operating expenses in the current and budget years because of Control Sections 27.1 and 27.2 of the Budget Act of 1978. Pursuant to Section 27.1, the board is reducing its operating expenses by \$572,864. Pursuant to Section 27.2, the board will reduce personal services expenditures by \$304,000 by not filling 13 unidentified vacant and new positions. It should be noted that several of the new positions authorized for the current year have not been filled and program expansions approved by the Legislature have not occurred because of Section 27.2.

Approval Recommend for Budget Item Totals

We recommend approval of Items 192.5 through 199 in the amounts budgeted, subject to the legislative directives in the Analysis which pertain to Items 192.5 and 197.

Table 1
Air Resources Board
Support Program Changes by Funding Source

	Estimated 1978-79	Proposed 1979-80	Net Change	Changes in						
				General Fund	Motor Vehicle Account	Air Pollution Control Fund	Vehicle Inspection Fund	Other Special Funds	Federal Funds	Reimburse- ments
Research	\$5,332,854	\$5,519,074	\$186,220	\$840	\$94,710	-\$453,500	—	\$552,142 ^a	-\$7,972	—
Shift in funding for extramural research from Air Pollution Control Fund to Environ- mental Protection Program Fund										
Planning	2,412,117	2,121,460	-290,657	-24,649	8,907	—	—	—	-229,515	-\$45,400
Reduction of two positions for planning and analysis - \$32,- 679										
Vehicle Emission Control	4,340,407	4,183,115	-157,292	—	-168,405	—	—	—	—	11,113
Reduction of 10 positions in El Monte Laboratory -\$188,468										
Vehicle Inspection	8,784,784	14,214,001	5,429,217	—	-2,785,978	—	\$8,155,786	59,409 ^b	—	—
Adjustment to reflect full-year testing of vehicles in the South Coast Air Basin										
Stationary Source Control	3,562,943	3,672,722	109,779	18,354	81,114	2,086	—	—	5,809	2,416
Technical Services	5,339,172	6,076,995	737,823	-31,612	-45,447	841,680	—	—	-26,798	—
Improvements to computer- ized emissions inventory \$896,000. Reduction of two positions for air quality monitoring - \$40,893										
Legal Affairs and Enforcement	1,561,987	1,779,757	217,770	4,753	53,342	100,730	—	—	675	58,270
Addition of four positions and equipment for emission source testing \$159,000										
General Support	(2,752,085)	(2,932,162)	(180,077)							
(Distributed to other pro- grams) Reduction of one po- sition for personnel administration - \$22,988										
	<u>\$31,334,264</u>	<u>\$37,567,124</u>	<u>\$6,232,860</u>	<u>-\$32,314</u>	<u>-\$2,761,757</u>	<u>\$490,996</u>	<u>\$8,155,786</u>	<u>\$611,551</u>	<u>-\$257,801</u>	<u>\$26,399</u>

^a Environmental Protection Program Fund. ^b Automobile Repair Fund.

AIR RESOURCES BOARD—Continued**Vehicle Inspection Program Begins**

The Mandatory Vehicle Inspection Program provides for periodic emission inspections of vehicles in the South Coast Air Basin. Vehicles which fail emission standards set by the ARB, or lack emissions control equipment required by state and federal law, must be repaired. The program was established by Chapter 1154, Statutes of 1973, which required inspections upon transfer of ownership to begin in 1976 and mandatory annual inspections of all vehicles beginning in 1977. The program was postponed by Chapter 1382, Statutes of 1976, which delayed the inspection on transfer of ownership to January 1, 1979, and mandatory annual inspection until January 1, 1981. The annual inspection phase of the program may not be initiated without further legislative authorization. The program is administered by the Bureau of Automotive Repair (BAR) of the Department of Consumer Affairs under an interagency agreement with the Air Resources Board. Funding for the program is in the board's budget.

On June 30, 1977, the Executive Officer of the Air Resources Board executed a contract with Hamilton Test Systems, Incorporated, for Hamilton to construct and operate the inspection stations to be used in the program. The contract provides for (1) the construction of 14 fixed stations and 2 mobile stations and (2) the operation from January 2, 1979, until December 31, 1983, of these stations and one existing, state-owned station in Riverside. The starting date for the program was postponed 46 days for legislative review of the Hamilton contract during the summer of 1977. The starting date under the contract is now February 20, 1979. The program will be delayed further because of difficulties the contractor has experienced in acquiring land for and constructing the inspection buildings. Hamilton is projecting a March 5 starting date, but according to the BAR, a date in late March or early April is more likely.

Postponement of Loan Repayment.

The Mandatory Vehicle Inspection Program has been supported since 1974 (when preparations for the program began) by loans from the Motor Vehicle Account. These loans now total approximately \$8.4 million. The \$5.1 million in loans made from 1975 through 1977 originally had three year terms. Because implementation of the program was postponed from 1976 to 1979, the initial loans were scheduled to become due before actual inspections began and revenues became available to repay them. Therefore, the repayment dates for these loans were postponed in the 1978 Budget Act so that the first installments would begin in 1980, when the program was expected to be underway. The first loan repayment of \$755,361 plus interest is due on June 30, 1980.

The ARB and the BAR now believe that there may be insufficient revenue in 1979-80 to meet the revised repayment date. This is because the inspection program will probably be operational for nine months during calendar year 1979 rather than the 12 months originally planned. Therefore the ARB is requesting in Control Section 12.5 another postponement of the repayment date of this loan until June 30, 1981.

Fleet Owner Surveillance

We recommend that the board present at the time of budget hearings both its plan for surveillance of fleet owners conducting mandatory vehicle emission inspections in the South Coast Air Basin and the increased staffing and funding required to conduct the inspections during 1978-79 and 1979-80.

Chapter 1162, Statutes of 1978, changed the law concerning the mandatory vehicle emission inspection program to allow owners of 10 or more vehicles, including used car dealers, to conduct inspections of their own vehicles through a designated representative. Fleet owners must receive a license from the BAR to make the inspections. The BAR estimates that 200,000 vehicles will be inspected in fleet owner facilities under this provision of Chapter 1162. In order to ensure that vehicles are inspected and repaired as required by law, the bureau is planning to make frequent checks of these facilities. The bureau estimates that a staff of 25 inspectors will be needed, but these positions and the funding for them are not included in the budget. The positions will probably be added in April or May under authority provided to the Director of Finance in Control Section 28. A Department of Finance letter revising the 1979-80 budget to provide for these positions and funding will also be needed. In order to allow full legislative review of this proposed increase, we recommend that the ARB present its staffing and funding needs for this program and its plan for inspecting fleet owner facilities at the time of budget hearings.

Coordination of Power Plant Emissions Studies.

We recommend that the Air Resources Board, the Energy Commission, the Department of Water Resources and the Resources Secretary present their plans to coordinate staff expertise and research and technical assessment contract studies related to emissions from power plants at the budget hearings for the board.

During budget hearings last year, we stated that both the Air Resources Board and the Energy Commission had budgeted funds for research and technical assessment contracts on the emissions from coal-fired power plants. As a result, the Legislature eliminated some of the Energy Commission's funding for this purpose. The commission promised to coordinate its activities in this area more closely with the ARB's activities.

In May 1978, the ARB and the Energy Commission held two meetings to coordinate their research efforts for 1978-79. This is a good beginning, but the effort must continue. Subsequently, the Department of Water Resources has developed important interests in studies of power plant emissions because it is planning to participate in the construction and operation of a coal-fired power plant to provide pumping power for the State Water Project.

The Energy Commission has several staff members knowledgeable in power plant emission control. The commission again this year has substantial funding in its budget for research contracts to study control methods for coal and geothermal power plants. The ARB's 1979-80 budget has no funding for research contracts on these subjects, but the board has 11 expert positions to develop control strategies for energy related emissions

AIR RESOURCES BOARD—Continued

sources. The Department of Water Resources has State Water Project funding for research studies on coal-related emissions in 1979-80. There must be coordination of staff efforts and research studies by these agencies to prevent duplication and to ensure the best use of state resources in solving power plant emissions problems. We therefore recommend that the ARB, the Energy Commission, the Department of Water Resources, and the Resources Secretary present their plans for coordinating research and technical assessment studies on air pollutant emissions from power plants at the budget hearings for the ARB.

Program Budget Improvements Needed

We recommend that the Air Resources Board prepare a detailed program budget for 1980-81 which includes (1) listing of funding by sources for each component, (2) a description of contracts for consultant and professional services for each component, and (3) supporting program statements showing the work for the past, current and budget years.

The report of the Committee of Conference on the 1978 Budget Bill recommended that the board prepare a detailed program budget for 1979-80. The board has done so, and the result is a major improvement over previous budget submissions. For 1980-81, the board should continue its program budget development and incorporate improvements.

The report of the Committee of Conference recommended that the board report by memorandum to the Department of Finance and the Legislative Analyst in June and September 1978 on the development of the program budget. We met with the board in October and discussed the need for a program statement of expenditures by funding source for each component of the budget, showing the work for the past, current and budget years and the amount to be expended each year by funding source. The board agreed it would try to provide the information, but did not do so for the 1979-80 budget. We recommend that it do so for 1980-81. In addition, we recommend that the board describe its contracts for consultant and professional services for each component, as it is already doing for extramural research. These improvements are needed in order to give the legislature a better basis for reviewing the appropriateness of funding sources for each component and the budgeted amounts for expenditure. We recommend that the board submit this material in preliminary form by November 1, 1979.

Report on Funding Sources

The Supplemental Report of the Committee on Conference on the 1978 Budget Bill recommended that:

“The Department of Finance and the Air Resources Board shall review the distribution of the board’s support funding between the Motor Vehicle Account, the Vehicle Inspection Fund and the General Fund and spell out the legal, programmatic and fiscal basis for charges to each fund, considering the limitations of the use of Motor Vehicle Account funds contained in Article XIX, Section 2 of the State Constitution, and report on the findings to the Legislature by December 1, 1978. The 1979-80 budget for

the board shall be prepared in a manner consistent with the findings of this report.”

We recommended this study last year because it appeared that the Motor Vehicle Account was being used to support work unrelated to the control of emissions resulting from motor vehicle operation. This is contrary to Article XIX of the Constitution, which limits the use of the account to motor vehicle related pollution control.

The board and the Department of Finance submitted a report on January 9, 1979. The report states that a wide range of General Fund-Motor Vehicle Account funding ratios have been used in the past to fund the board's budget, based on the availability of General Fund or Motor Vehicle Account money. The report seems to argue that this has established a precedent for flexible funding ratios. The board's 1979-80 budget for state operations has a funding ratio of 18 percent from the General Fund and 82 percent from the Motor Vehicle Account.

The report is deficient because it ignores the constitutional limitation on the use of Motor Vehicle Account funds. The fact that past budgets have used various funding ratios does not prove that they were justified by the nature of the work financed or consistent with the constitution. The proper funding ratio should be determined according to the amount of work the board is proposing for vehicular vs. stationary source air pollution control. The display of funding by source for each component in the board's program budget should reflect both the program content and the funding ratio. Our recommendation of last year should be implemented fully.

Emission Inventory Improvements

An emission inventory is an estimate of the amount and types of air pollutants emitted by sources in a geographic area. For the most part, it covers stationary sources, although there is some cataloging of vehicular emissions. The board uses emission inventories to identify those emissions it should seek to reduce. The inventories are also used in predicting the impact of new pollution sources on air quality. Emission inventories have traditionally been made by the local air pollution control districts as part of their basic responsibilities, and submitted to the board. The inventory is one of the purposes for which the state subvenes money to districts (Items 198 and 199).

The board has steadily increased its emission inventory capability over the past few years. Three positions were added to an existing staff of five in 1976-77, and two more were added in 1977-78. In 1978-79, the board added five more positions for a total of 15. The program now costs \$600,000 annually.

We have pointed out in past issues of the *Analysis* that these increases are part of a trend toward increasing control by the ARB of stationary sources. Stationary source control is by law the primary responsibility of local air pollution control districts, but the board has increased its supervision and control of district efforts through state review of new emission sources, revision of local air quality plans, and development of model regulations which districts must adopt. According to the budget, a higher

AIR RESOURCES BOARD—Continued

proportion of the board's staff in 1979-80 will be devoted to stationary source emission control than ever before.

Meanwhile, local air pollution control districts have lost substantial revenues because of Proposition 13, and finding new sources of revenue may be difficult. Most districts are already having difficulty meeting ARB and EPA mandated requirements and workload because of funding shortages. Consequently, the eventual result of increasing state involvement in stationary source emission control together with the financial weakness of local districts may be a state takeover of local district functions.

For 1979-80, the ARB requests an increase of \$896,000 from the Air Pollution Control Fund to improve its emissions inventory system. The money would be used to fund a contract to develop better computer programs and to buy data processing equipment. The resulting inventory will provide shorter data retrieval response times and a more detailed listing of emissions according to their locations and time of day. We recommend approval of the increase because the new system is needed to meet the requirements of the 1977 Clean Air Act amendments and because most individual districts cannot afford sophisticated emissions inventories. However, the Legislature should be aware that the new system will further increase the state's involvement in local stationary source emissions control.

According to the board, there are additional costs of approximately \$90,000 for the improved emissions inventory in 1979-80 which are not included in the budget. The \$90,000 may be requested in a Department of Finance letter revising the Budget Bill.

Resources Agency

COLORADO RIVER BOARD OF CALIFORNIA

Item 200 from the General
Fund

Budget p. 440

Requested 1979-80	\$137,548
Estimated 1978-79.....	148,143
Actual 1977-78	117,265
Requested decrease \$10,595 (7.2 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Colorado River Board is responsible for protecting the state's interest in the water and power resources of the Colorado River. This is accomplished through the analysis of engineering, legal and economic matters concerning Colorado River resources, through negotiations 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 board has 11 members appointed by the Governor. Six members

are appointed from agencies with entitlements to Colorado River water. These agencies are:

1. Palo Verde Irrigation District
2. Imperial Irrigation District
3. Coachella Valley County Water District
4. Metropolitan Water District of Southern California
5. San Diego County Water Authority
6. City of Los Angeles Department of Water and Power

The other board members are the directors of the Departments of Water Resources, and Fish and Game, and three public representatives.

The board is located in Los Angeles and has a staff of 12 employees. The Colorado River Board is supported two-thirds by the six water agencies listed above and one-third by the state.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes \$137,548 in General Fund support for the Colorado River Board in 1979-80. This is a decrease of \$10,595 or 7.2 percent from the estimated expenditure in the current year.

The total 1979-80 budget for the board is \$412,643, consisting of the General Fund amount and \$275,095 in reimbursements from the six water agencies. The total budget for the board is \$31,786 or 7.2 percent less than estimated current year expenditures of \$444,429.

Position Reductions

In the current year, the board's budget was reduced by \$4,000 for personal services pursuant to Section 27.2 of the Budget Act of 1978. No reductions were made in operating expenses as provided by Section 27.1.

For 1979-80 the budget shows a reduction of two positions and \$46,740 for a senior engineer and an assistant engineer. Budget narrative states that the reduction ". . . eliminates lower priority workload."

The board has eight engineering positions including the chief engineer. We are not able to determine the effect of the proposed reduction. It is evident, however, that the staff will have to devise shortcuts and reduce the number of Colorado River matters it becomes involved in.

**Resources Agency
DEPARTMENT OF CONSERVATION**

Item 201 from the General
Fund and Items 202-204 from
special funds

Budget p. 450

Requested 1979-80	\$8,680,834
Estimated 1978-79.....	8,537,833
Actual 1977-78.....	7,649,675
Requested increase \$143,001 (1.7 percent)	
Total recommended reduction	\$158,750

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund		Amount
		Primary	General	
201	Department of Conservation Funding Source			\$7,749,762
202	State Share of California Institute of Technology Seismograph Network		State Highway Account, State Transportation	11,400
203	State Share of California Institute of Technology Seismograph Network		California Water	11,400
204	Division of Mines and Geology		Strong-Motion Instrumenta- tion Program	908,272
Total				\$8,680,834

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. **Seismic Safety.** -- Recommend that (1) membership of Mining and Geology Board be modified, (2) added statutory authority for seismic hazards and structural resistivity be enacted, (3) up to three existing Division of Mines and Geology positions may be redirected to assume Seismic Safety Commission responsibilities and, (4) the Division of Mines and Geology report at budget hearings on preparations to comply with (2) and (3) above. 451
2. **Soil Resource Planning.** *Reduce Item 201 by \$69,918.* Recommend deletion of support funds for a new soil resource protection program which has not been authorized by the Legislature. 454
3. **Open-Space Subvention.** *Reduce Item 201 by \$88,832.* Recommend deletion of funds for administration of open-space subventions. 455

GENERAL PROGRAM STATEMENT

The Department of Conservation consists of two divisions—(1) Mines and Geology and (2) Oil and Gas—and the Special Services for Resource Protection program which is administered by the director's office. The department has a total of approximately 300 employees authorized in the current year.

The Division of Mines and Geology is the state's geologic agent. It also conducts a strong-motion instrumentation program to measure and evalu-

ate the large-scale destructive motion of earthquakes. The State Geologist is responsible for the classification of certain urban and other lands according to mineral content. The division has 149 authorized positions. Policy direction to the division is provided by the State Mining and Geology Board whose members are appointed by the Governor.

The Division of Oil and Gas regulates the development, operation, maintenance and abandonment of oil, gas and geothermal wells. This division has 123 authorized positions.

The Special Services for Resource Protection activity consists of an open-space subvention program administered for the Resources Secretary, and a minor soil resource and planning program. In addition, staff is provided for the Geothermal Resources Board and Geothermal Technical Advisory Committee. There are eight authorized positions assigned to Special Services for Resource Protection.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a 1979-80 expenditure of \$8,680,834 in state funds for support of the Department of Conservation activities. This is \$143,001 or 1.7 percent more than estimated current year expenditures.

The department estimates that it will spend \$11,524,393 from all sources for support programs in 1979-80, as follows:

1. Items 201-204	\$8,680,834
2. Federal funds	572,298
3. Reimbursements	<u>2,271,261</u>
Total	\$11,524,393

Budget Changes

Table 1 summarizes the department's budget by funding source and identifies significant changes proposed for 1979-80.

The department has identified and reduced 7 positions and \$111,120 in personal services in both the current and budget years consistent with Section 27.2 of the 1978 Budget Act. The 7 positions are characterized as minor program reductions in the budget. The department has proposed a total of 299 positions for next year, which is a net reduction of 3 positions from the number authorized in the current year.

The General Fund portion of the budget is basically an extension of the current year level.

Federal funds totaling \$572,298 include \$254,750 in research grants from the U.S. Geological Survey for miscellaneous geologic and seismic investigations.

Table 1
DEPARTMENT OF CONSERVATION
PROGRAM CHANGES BY FUNDING SOURCE

Program and Significant Changes	1978-79 Estimated	1979-80 Proposed	Change in				Net Change
			General Fund	Federal funds	Reimbursements	Other ^a	
Geologic Hazards and Mineral Resources Conservation (Addition of 15.5 personnel-years, \$414,784)	\$5,571,915	\$5,541,369	\$-6,205	\$-70,660	+\$18,343	+\$27,976 ^a	\$-30,546
Oil, Gas and Geothermal Protection (Addition of 5.5 personnel-years and equipment, \$1,728,761)	4,062,104	5,645,865	+115,363	None	+1,468,398	-	+1,583,761
Special Services for Resource Protection (Continuation of soils planning staff, \$126,772)	398,817	319,370	+5,867	-85,314	None	-	-79,447
Administration							
Distributed	(1,505,444)	(1,576,279)	None	None	-	-	(+70,835)
Undistributed	17,789	17,789					
Totals.....	\$10,050,625	\$11,524,393	+\$115,025	\$-155,974	+\$1,486,741	+\$27,976	+\$1,473,768

a. Strong-Motion Instrumentation Fund.

Total reimbursements of \$2,271,261 include \$1,728,761 in anticipated fees charged for preparing environmental impact reports on geothermal exploratory projects pursuant to Chapter 1271, Statutes of 1978.

GEOLOGIC HAZARDS AND MINERAL RESOURCES CONSERVATION

The objective of the geologic hazard 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 conducted by the Division of Mines and Geology.

Total expenditures in the budget year are estimated to be \$5,541,369, compared to \$5,571,915 in the current year.

Seismic Safety Responsibilities

We recommend that:

(1) *Legislation proposed by the administration to abolish the Seismic Safety Commission include provisions to modify the existing Mining and Geology Board to ensure that members with backgrounds in seismology and geophysics are represented,*

(2) *This legislation specifically authorizes and directs the Division of Mines and Geology to develop, analyze and publish usable data and standards for evaluating seismic hazards and determining structural resistivity,*

(3) *Language be added to Item 201 as follows: . . . "provided, that up to three existing professional positions in the Division of Mines and Geology may be redirected to assume responsibilities previously exercised by the Seismic Safety Commission." and,*

(4) *The State Geologist report to the Legislature at the time of budget hearings on the division's preparations to comply with (2) and (3) above.*

The Governor proposes to abolish the Seismic Safety Commission, a separate state agency, effective January 1, 1980. He proposes to do so in order to (1) streamline governmental activity and (2) eliminate potential duplication. Funding for the Commission is provided in the budget for only half of the budget year.

We concur with the administration's proposal, which is discussed more fully in Item 211 of this Analysis. At the same time, we believe that elements of the Seismic Safety Commission's program should be continued. The Division of Mines and Geology Board is the logical agency to assume responsibility for these elements.

The Division of Mines and Geology budget includes \$2,935,673 for support of the Basic Investigations and Hazards Reduction program. The Basic Investigations element compiles technical information for (1) additions to the Fault Map of California, (2) state and regional earthquake epicenter maps and, (3) the California Earthquake Catalogue. The Hazards Reduction element identifies and evaluates specific geologic and seismic hazards which must be considered prior to making informed decisions on land use. This element also contains the Strong-Motion Instrumentation program and the Special-Studies Zone mapping program.

The State Mining and Geology Board, which is appointed by the Governor, provides policy guidance to the Division of Mines and Geology. Section 662 of the Public Resources Code requires that only one member have

DEPARTMENT OF CONSERVATION—Continued

background and experience in seismology. This individual need not be a geologist. If the division is to assume some of the Commission's responsibilities (as we recommend), Section 662 should be amended to ensure that the Mining and Geology board has the professional expertise to assume seismic hazards and structural resistivity.

We also believe that the Public Resources Code should be further amended to give more direction to the Division of Mines and Geology and the Department of Conservation. These organizations presently collect and record seismic data on faults, strains and earth movements, and information on the geology associated with seismicity. They should also analyze this information and publish it in a form that can be readily incorporated into building standards and used by designers to improve structural resistivity. A clear directive to accomplish this objective should be added to the code.

The Division of Mines and Geology has 78 authorized positions within its Hazards Reduction and Basic Investigation program elements. Three professional staff positions from within these program elements could be redirected to concentrate on activities and responsibilities transferred from the Seismic Safety Commission, without any adverse impact on the division's ongoing activities. We recommend that this be done.

Finally, we recommend that the State Geologist be prepared to report to the Legislature at the time of budget hearings on the divisions preparations to assume the Seismic Safety Commission's responsibilities, including evaluating the seismic hazards of state-owned buildings.

Surface Mining and Reclamation Act (SMARA)

The budget provides \$336,053 to support 12 existing positions for administration of the Surface Mining and Reclamation Act of 1975. The act requires the Division of Mines and Geology to classify areas that are identified by the Office of Planning and Research as subject to urbanization or other irreversible land uses, according to their mineral content. Areas with significant mineral deposits of regional or statewide economic importance are designated by the Mining and Geology Board for protection in the land use planning and regulation of local government. SMARA also requires mined lands to be reclaimed to usable condition in accordance with Mining and Geology Board policy and local ordinances.

To date, a total of 15 cities and 58 counties have complied with SMARA in developing reclamation ordinances. However, about 43 percent of all cities and counties have not approved such ordinances. The division indicates that this may be the result of the low priority given to the reclamation issue, the loss of local planning personnel due to Proposition 13 or, in some instances, the adequacy of existing local regulations.

Last year the division requested and received five new positions for land classification in the Los Angeles Basin and San Francisco Bay Area. The Legislature also provided two new geologist positions contingent on the submission of a report to the Department of Finance and the Joint Legislative Budget Committee by October 1, 1978. The report was to contain the following:

- (a) An assessment of manpower needs to complete land classification in urbanizing areas by July 1, 1983.
- (b) Definition and description of the various elements of a five-year program, with time estimates for each element; and
- (c) An assessment of the department's ability to utilize the two additional professional positions during 1978-79.

The Division of Mines and Geology has prepared the report, but as of early February, it had not been submitted. We understand that the SMARA work plan is supposed to produce several hundred mineral resource classification maps and about 75 formal reports to the Mining and Geology Board to assist local government in complying with the Surface Mining and Reclamation Act. The first maps and reports were scheduled for completion during January 1979, with several others scheduled to follow in April and May. The tentative work plan outlined in the report indicates that 7 geologists and 2 support staff will be required to complete the program within the five-year time frame specified by the Legislature. However, two of the seven geologist positions have been deleted in both the current and budget years as part of an overall department reduction of \$111,120 in personnel services pursuant to Section 27.2 of the 1978 Budget Act.

OIL, GAS AND GEOTHERMAL PROTECTION

The Oil, Gas and Geothermal Protection program is administered by the Division of Oil and Gas. The division is a regulatory agency which supervises the drilling, operation, maintenance and abandonment of petroleum and geothermal wells.

Budget year expenditures are estimated at \$5,645,865 compared to \$4,062,104 in the current year. Fees charged operators of oil, gas and geothermal wells, plus funds received from reimbursements and the sale of publications, are deposited in the General Fund. These revenues fully finance the division's expenditures.

Regulation of Geothermal Operations

The budget includes \$1,728,761 for support of 5 positions and implementation of an environmental review process for geothermal exploratory projects, pursuant to Chapter 1271, Statutes of 1978. All expenditures will be funded by reimbursements.

Chapter 1271 designates the Division of Oil and Gas as lead agency for geothermal exploratory wells (production wells or geothermal power plants are not included) under the California Environmental Quality Act (CEQA). The division is required to approve or disapprove each project within 135 days. The division is also authorized to delegate its responsibility as lead agency to any county which has adopted a geothermal element for its general plan.

The department estimates that the division will award 24 contracts for preparation of environmental impact reports (EIRs) for exploratory wells during the budget year. The estimated total value of the contract work is \$1.6 million. Five staff positions (\$76,146) and Attorney General services (\$52,615) are also included. CEQA requires that each applicant reimburse the state for the cost of the EIR preparation.

DEPARTMENT OF CONSERVATION—Continued

The division proposes to develop procedures for monitoring all producing geothermal wells approved under the new procedures. It indicates that legislation will be proposed to fund the monitoring of producing geothermal wells by levying an assessment against geothermal operators based on the amount of production.

The anticipated reimbursements of \$1,728,761 appear to be high for the preparation of the EIRs. Because the funding is by reimbursement and the work will be done by contract, a smaller workload will not significantly affect the budget or result in an overexpenditure of funds.

SPECIAL SERVICES FOR RESOURCE PROTECTION

Special Services for Resource Protection includes (1) administration of subventions to cities and counties for open-space lands, (2) a limited planning program to inventory and develop policy proposals for a departmental role in soil resource protection and, (3) administrative and technical assistance to the Geothermal Resources Board.

Budget year expenditures are estimated at \$319,370, a decrease of \$79,447 from current year expenditures of \$398,370. Most of this decrease is due to termination of a one-time grant for \$120,874 received in the current year from the U.S. Department of Energy to sponsor a series of workshops on geothermal topics and provide temporary staff assistance to the Geothermal Resources Board.

Soil Resource Planning

We recommend a reduction of \$69,918 from Item 201 to delete funds for implementation of a new Soils Resource Protection program which has not been authorized by the Legislature.

In 1977 the Legislature authorized funding to plan a limited soils program for the Department of Conservation. The purpose of the planning is to collect information on soil resource conditions in the state and to develop program proposals for the department's role in soil conservation. Last year, funding for additional staff was provided to augment the planning effort and to enable the department to assume certain responsibilities previously performed by the Resource Conservation Commission.

Authority for the soils planning effort expires at the end of the current year. Following submission of a report to the Legislature in March, the department will sponsor legislation to implement the report's recommendations. The department indicates that the planning staff will be instrumental in the development and enactment of the proposed legislation. However, the staff will also be involved in other activities, including participation on behalf of the state in developing federal soil programs in order that such programs reflect California's priorities.

Until the Legislature provides the statutory authority sought by the Department of Conservation and defines a specific role for the department, we cannot recommend continued support of planning staff beyond the current year. Developing and monitoring legislation is primarily the responsibility of the director's office and the Resources Secretary.

Funds for a CEA-I position and 0.7 personnel-years in clerical and temporary help, amounting to \$69,918, should be deleted. Any funding for

work authorized by new legislation can and should be provided in the legislation.

Open-Space Subvention

We recommend a reduction of \$88,832 from Item 201 to delete support for administration of open-space subventions to local government.

The department's budget includes \$130,116 for support of 4.5 positions to administer the open-space subvention program in behalf of the Resources Secretary.

The ineffectiveness of the open-space subvention program in preventing development of agricultural land and the impact of Proposition 13 on the taxation of open-space lands under Williamson Act contracts are discussed under Item 429 of our *Analysis*. Because of deficiencies in the program, we have recommended that the \$16 million in subventions to local governments for open-space contracts in Item 429 be eliminated by reappropriating that amount to the General Fund. If this is done, the Department of Conservation staff which administers these subventions would no longer be needed, and Item 201 could be reduced by \$88,832.

Resource Conservation Commission

The Department of Finance indicates that legislation will be introduced in conjunction with the Budget Bill to abolish the Resource Conservation Commission and delete Sections 9101-9113 of the Public Resources Code. No funds are requested for support of the Resource Conservation Commission in fiscal 1979-80. The Legislature authorized funds in the 1978 Budget Act for support of a small staff to serve as a liaison between the department and the Resource Conservation Districts of the state. These funds are continued in the budget year.

**Resources Agency
DEPARTMENT OF FORESTRY**

Items 205-206 from the General Fund and Items 207-209 from special funds

Budget p. 452

Requested 1979-80	\$87,861,512
Estimated 1978-79	92,256,177
Actual 1977-78	97,706,812
Requested decrease \$4,394,665 (4.8 percent)	
Total recommended reduction	\$871,099

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
205	Department of Forestry, Primary Funding Source	General	\$82,678,494
206	Emergency Fire Suppression	General	5,000,000

DEPARTMENT OF FORESTRY—Continued

207	Department of Forestry	Professional Foresters Registration	49,946
208	Soil Erosion Study	California Environmental Protection Program	118,662
209	Department of Forestry	Timber Tax	14,410
	Total		<u>\$87,861,512</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	<i>Analysis page</i>
1. Structural Protection. Recommend department report to the Legislature at the time of budget hearings on termination of its structural fire protection agreement with Orange County.	461
2. <i>State Responsibility Lands. Increase Item 205 by \$114,000.</i> Recommend reinstatement of state protection of state responsibility lands in Orange County if the county government does not agree to take on this responsibility prior to the onset of the 1979 fire season.	463
3. Response Strategy. Recommend department report to the Legislature at the time of budget hearings on its fire response strategy in southern California if the budgeted transfer of the state and local fire suppression work to Orange County should occur.	464
4. <i>Forest Practices Regulation. Increase Item 208 by \$164,297.</i> Recommend support of timber harvest review team activities through California Environmental Protection Program Fund.	467
5. <i>Forest Resources Assessment. Reduce Item 205 by \$305,000.</i> Recommend deletion of General Fund support for continuation of Forest Resources Assessment Program.	467
6. Relocation Costs. Recommend revised language for Item 205 to limit expenditure of funds budgeted for potential staff relocation costs.	469
7. <i>Administrative Overhead. Reduce Item 205 by \$778,831.</i> Recommend deletion of funds budgeted to offset the loss of administrative overhead from Orange County.	469
8. <i>Special Projects. Reduce Item 205 by \$65,565.</i> Recommend utilization of federal funds for support of special assistant to the director for administration of special projects.	469

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 timber, range and brushland. It also contracts with 28 counties to provide fire protection services in 36 areas which are a local responsibility. The department (1) regulates logging activities on private forestland, (2) provides advisory assistance to small landowners on forest and range management, (3) regulates controlled burning of brushlands and, (4) manages

seven state forests.

The nine-member Board of Forestry provides policy guidance to the department. It establishes forest practice rules and classifies private wildlands as state responsibility lands for fire protection purposes. The members are appointed by the Governor.

ANALYSIS AND RECOMMENDATIONS

Funding Sources

The department estimates that it will spend \$114,074,757 from all sources for support programs in 1979-80. This amount is financed from the following sources:

1. Items 205-209	\$87,861,512
2. Wildland Fire Protection and Resources Management Act of 1976.....	155,000
3. Federal funds (including reimbursements)	1,882,125
4. Reimbursements.....	<u>24,176,120</u>
Total	\$114,074,757

Most of the department's expenditures will be financed from the General Fund and by reimbursements. The major reimbursements are:

Local fire protection services performed by the Department of Forestry under contract with local agencies.....	\$18,972,490
Supervision of California Conservation Corpsmembers.....	3,761,730
Subsistence and other services to employees	430,600
Department of Corrections Conservation Center instructors	212,275
Licensing of timber operators.....	73,000

Budget Changes

Table 1 summarizes the department's budget by funding source and identifies significant changes proposed for 1979-80.

The total appropriation request of \$87,861,512 in Items 205-209 is \$4,394,665, or 4.8 percent, less than estimated current year expenditures of \$92,256,177. However, the current year amount includes estimated Emergency Fund expenditures of \$4.4 million. That amount is not continued in the 1979-80 budget. If the budget is placed on the same basis as the current year budget, it shows an increase of less than 1 percent.

Table 1
Department of Forestry
Program Changes by Funding Source

<i>Program and Significant Changes</i>	<i>Estimated Totals 1978-79</i>	<i>Proposed Totals 1979-80</i>	<i>Changes in General Fund</i>	<i>Changes in Federal funds</i>	<i>Changes in Reimbursements</i>	<i>Changes in Other^a</i>	<i>Changes From 1978-79</i>
Fire Protection, State Responsibility (Reduction of 232 personnel-years, \$8,905,658)	\$95,914,125	\$82,307,292	\$-5,475,880	\$-899,061	\$-7,231,892	-	\$-13,606,833
Fire Protection, Local Government Contract (Reduction of 470.5 personnel-years, \$10,576,737)	28,038,326	17,461,589	-	-	-10,576,737	-	-10,576,737
Resource Management (Reduction of 136 personnel-years, \$3,399,367 in support and Title II funds, augmentation to continue Forest Resources Assessment and Planning, \$425,000)	8,487,266	5,867,903	+560,294	-76,158	-3,107,538	+\$4,039	-2,619,363
Civil Defense and Other Emergencies Administration (Reduction of 152 personnel-years, \$837,624 in support and Title II funds; increase of \$1 million for potential staff relocation expenses	152,560	152,560	None	-	-	-	None
	<u>8,597,887</u>	<u>8,285,413</u>	<u>-857,600</u>	<u>None</u>	<u>+545,126</u>	<u>-</u>	<u>-312,474</u>
	<u>\$141,190,164</u>	<u>\$114,074,757</u>	<u>\$-5,773,186</u>	<u>\$-975,219</u>	<u>\$-20,371,041</u>	<u>+\$4,039</u>	<u>\$-27,115,407</u>

^a Net increase from the Professional Foresters Registration Fund (\$+874), Environmental Protection Program Fund (\$+3,125), and Timber Tax Fund (\$+40).

Current Year Reductions Continued in Budget Year. The department's budget continues in 1979-80 a \$1.1 million reduction in personal services (51.4 personnel-years) achieved during the current year pursuant to Section 27.2 of the 1978 Budget Act. Section 27.1 reduced operating expenses by \$1,114,274 during the current year. These reductions are identified by position in both the budget narrative and the authorized positions listing. Total reductions under Sections 27.1 and 27.2 were \$2,214,274 of which \$1.1 million has been achieved through program reductions in state responsibility fire protection activities. The department has closed four seasonal fire stations and four lookouts, and has eliminated two air patrol captain positions. Operating expenses for contract protection of state responsibility lands by the U.S. Forest Service and five counties were reduced by 5 percent and miscellaneous fire prevention activities were reduced by \$131,664.

Budget Year Reimbursements Decline Significantly. As indicated in Table 1, reimbursements in 1979-80 will decrease about \$21.5 million from current year levels. There are two significant reasons for the decrease. First, a total of \$10,368,986 in federal funds from the Public Works Employment Act (Title II) will not be continued, resulting in a reduction of 327 personnel-years of temporary help. These funds are received through the Employment Development Department and therefore are budgeted as reimbursements.

Second, termination of the structural fire protection contract with Orange County will result in a \$11,433,961 decrease in reimbursements received for local government fire protection services. This will result in a reduction of 473.5 firefighter and administrative positions.

Budget Year Reductions in Support Activities. As indicated in Table 2, the department proposes reductions in its 1979-80 budget totaling \$3,069,700 and 136 positions. These reductions include 47 positions and \$431,900 resulting from closure of the Orange County Ranger Unit and transfer of state responsibility lands to contract protection by local government. The Soil Vegetation Survey is proposed for elimination, resulting in a reduction of \$336,000 and 1 position.

Reductions in the fire protection program for state responsibility lands total 129 positions and \$2,556,200. Although these reductions are not significant individually, their cumulative impact on the department's ability to suppress wildland forest and brush fires during 1979 and subsequent fire seasons, cannot be predicted. It is possible that these reductions, in conjunction with those made pursuant to Section 27.2, will lengthen some initial attack times and thereby permit more small wildland fires to develop into larger fires requiring more equipment, personnel and time to suppress. The impact of the reduced payments to five counties and to the federal government for contract protection of state responsibility lands is also uncertain. Much will depend on weather conditions during the fire seasons. The possibility exists, however, that the Department of Finance will have to use money from the Emergency Fund to restore a portion of the amount cut.

DEPARTMENT OF FORESTRY—Continued

Budget Increases

The budget proposes increased funding for the following:

1. \$1,000,000 for potential staff relocation expenses due to cancellation of the local government contract for structural fire protection in Orange County.
2. \$425,000 to continue the Forest Resources Assessment Program.
3. \$366,931 to offset the loss of administrative overhead previously reimbursed through the Orange County contract.
4. \$65,565 to establish a special assistant to the director for administration of the Forest Improvement Program.

Although not specifically identified as a funding increase, the department proposes an unspecified redirection of \$431,900 in savings resulting from closure of the Orange County Ranger Unit.

Table 2
Department of Forestry
Proposed Reductions in Support Activities
1979-80

<i>Program/Description</i>	<i>Positions</i>	<i>Amount</i>
Fire Protection, State Responsibility Program		
1. 9 Bulldozer Units	18	\$607,500
2. Closure of Orange County Ranger Unit.....	47	431,900
3. Fire Station Cooks	18.2	253,000
4. Fire Prevention Aides.....	18.3	220,000
5. Fire Stations—Reduce 5 stations from 2 to 1 engine	12.5	205,000
6. Fire Prevention Captains	7	182,000
7. Contract Protection—five counties	—	171,000
8. Prescribed Burning, Crew support	—	155,000
9. Fire Prevention Officer II	3	105,000
10. Helitack Crew, Columbia Airport	4	102,000
11. Contract Protection—U.S. Forest Service	—	98,800
12. Planning Analyst, Fire Protection	1	25,000
Total Fire Protection Reductions.....	129	\$2,556,200
Other Reductions		
1. Soil Vegetation Survey	1	336,000
2. Delineator.....	2	37,000
3. Demonstration Forester—Jackson Forest.....	1	37,000
4. Program Development Officer.....	1	35,000
5. Training Officer III	1	35,000
6. Forest Practices Forester	1	33,000
Total Other Reductions	7	\$513,000
GRAND TOTAL	136	\$3,069,200

WATERSHED AND FIRE PROTECTION

The objective of the watershed and fire protection program is to protect private and state-owned watershed lands from fire, insects, disease and misuse by man. The fire protection, state responsibility element, is budgeted for a larger expenditure than any other activity in the Department of Forestry. It includes nearly all of the field organizations of the department which directly protect 28,131,509 acres of land, most of it private. These

field facilities include 225 fire stations, 74 lookouts, 7 helitack crews, 13 air attack buses, 29 conservation camps, and 8 California Conservation Corps Centers.

FIRE PROTECTION—LOCAL GOVERNMENT CONTRACT

Local Government Contract Program

The fire protection, local government contract program consists of fire protection services provided by the state in areas for which local governments normally would be responsible. The Department of Forestry currently administers 36 contracts in 28 counties for local responsibility fire protection services.

The budget contains reimbursements of \$17,461,589 for direct costs and \$1,514,601 (8.7 percent) for administrative costs in the local government program. A total of 55.1 positions and \$1,268,784 in reimbursements have been added in the current and budget years for expanded fire protection by the state in local responsibility areas.

Orange County Contract Terminated

We recommend that the department report at the time of budget hearings on the termination of its structural fire protection contract with Orange County and its progress in accomplishing an orderly transfer of responsibilities to the county.

The budget proposes termination of the department's contract to provide local fire protection services in Orange County. This will result in elimination of 449 structural firefighter and 21.5 administrative positions from state service, and reduce reimbursements by \$11,433,961. This change represents about a 36 percent reduction in the fire protection, local government program, and a 10.5 percent reduction in total authorized positions for the department.

In addition to 6 wildland fire stations and a ranger unit (county) headquarters, the Department of Forestry operates 24 fire stations, 22 engines, 6 truck companies, 10 paramedic units and 3 crash rescue units for local responsibility, structural fire fighting purposes in Orange County. The budget proposes that county government assume the local responsibility effective July 1, 1979. It also assumes that the county will operate the state's 6 wildland fire stations for protection of 206,122 acres of state responsibility lands during the 1979 and subsequent fire seasons.

The department has proposed that the county accept a transfer of state civil service employees now employed by Forestry for fire protection activities in Orange County into equivalent county classifications, without examination, effective July 1, 1979. The transferred employees would also have credited to them the same (1) seniority, (2) accumulated sick leave and (3) vacation credits as they would have been entitled to had they been employed by Orange County. Finally, the department proposes to provide reemployment rights for a period of five years to transferred employees based on the same criteria used when a layoff occurs in state service.

Sick leave, vacation, worker's compensation, medical insurance and retirement costs for the state employees should not be significantly affect-

DEPARTMENT OF FORESTRY—Continued

ed by the proposed transfer. The county under the current contract with Forestry is already paying its pro rata share of the state's cost for worker's compensation and medical insurance. Also, there is complete reciprocity between the state Public Employees Retirement System (PERS) and the Orange County retirement system.

As of early February, it was not known whether Orange County will accept all state civil service employees now involved in structural fire protection services. The county already owns the facilities and equipment utilized under the contract program. Some county administrative support already exists. Even if the county agrees to the state's proposal, it is unlikely that the transition can be completed before July 1. Some extension of the existing contract with the state will probably be required to ensure that fire protection services will not be interrupted. During budget hearings, the department should report on its progress in accomplishing a transition from state contract services to local fire protection in Orange County.

Local Fire Services Provided by State

In past years we have recommended against the continued involvement of the Department of Forestry in performing fire protection in heavily populated areas and industrial and commercial complexes. This obviously is a local responsibility. State provision of local fire services is particularly inappropriate in the case of Orange County, where the department's local contract includes fire protection for the Orange County Airport. The pressures to protect property are so overwhelming in these instances that the efforts of this department have become diverted from its basic mission of providing wildlife fire protection.

The fire protection, local government program began approximately 39 years ago when most of the rural areas of the state were sparsely populated. Rapid growth and increased populations in certain areas of the state have had a major impact on the program. Expenditures for the local government fire protection program have often increased more rapidly than expenditures by the Department of Forestry for all other state services. Since the local program is a service performed largely by state employees for counties at the level financed by local government, the state has exercised little or no control over the size or growth rate of the program. In our 1977 *Analysis*, we noted that between fiscal 1967-68 and 1977-78, the percentage of total fire protection field service positions performing local fire services had increased from 26 percent to 39 percent.

The department's structural fire protection contracts are attractive to local government because the state has a longer dutyweek and lower salary levels than most municipal fire departments, thereby minimizing local costs for fire protection. Consequently, the department indirectly subsidizes local fire protection in contract areas by insulating local government from employee organizations desirous of improving working conditions and employee salaries.

In 1977, pressure from Department of Forestry employees in Orange County resulted in reduction of the maximum dutyweek for *all* depart-

ment permanent fire suppression employees from 84 to 72 hours per week. The state cost of the 72-hour dutyweek was \$2.3 million in fiscal 1977-78. The local cost, reimbursed to the state was approximately \$3 million during the same fiscal year. The department implemented the reduced duty-week partly by reducing the level of service at 132 wildland fire stations. Without this reduction, state cost would have been higher than \$2.3 million.

Continuation of large local fire protection contracts only postpones the day when local government must prepare a long-range solution to its structural fire protection needs and the problems created by the multiplicity of local fire organizations. Instead of relying on the state, county government, cities and local fire districts should consider consolidation of local fire departments and agencies to reduce their costs for local fire protection.

State Responsibility Lands in Orange County

We recommend:

(1) The \$700,025 and 35 positions budgeted for contract fire protection by Orange County on state responsibility lands be redirected to continue state protection of state responsibility lands in Orange County; and

(2) An augmentation of \$114,000 in Item 205 for 3.5 administrative positions and related operating expenses to continue supervision of state protection activities on state responsibility lands in Orange County.

In the current year, five counties provide fire protection for state responsibility lands within their boundaries. The budget assumes that, beginning in 1979-80, Orange County will provide protection for 206,211 acres of state responsibility lands in Orange County on a reimbursable basis. The amount of state payments to the counties in 1979-80 is budgeted as follows:

1. Kern	\$1,735,791
2. Los Angeles	2,580,370
3. Marin.....	517,930
4. Santa Barbara	911,627
5. Ventura.....	918,733
6. Orange	700,025
Total.....	<u>\$7,374,656</u>

Although Section 4129 of the Public Resources Code authorizes any county, by action of its board of supervisors, to assume the state's responsibility for preventing and suppressing wildland fires and to receive reimbursement from the state, Orange County has not asked to assume this responsibility. Moreover, no provision of law permits the state to unilaterally transfer its responsibility to local government, as is proposed in the 1979-80 budget.

The Department of Forestry currently operates six wildland fire stations, eight fire engines, miscellaneous vehicles, and numerous pieces of radio equipment to provide protection of state responsibility lands in Orange County. The department estimates the value of the state's property and equipment at \$2.7 million. If Orange County decides to assume the state's responsibility and utilize Forestry's facilities and equipment, arrangements would have to be negotiated to compensate the state for

DEPARTMENT OF FORESTRY—Continued

this investment. The department indicates its stations and equipment could be leased by the county for \$228,633 per year.

State protection of state responsibility lands in Orange County would cost the department \$1,111,925 in 1979-80. This amount includes (1) \$700,025 for support of 35 state fire fighting positions and (2) \$431,900 for support of 13.5 positions for administration of the Orange County Ranger Unit.

In the event that the Orange County Board of Supervisors does not agree, prior to start of the 1979 Fire Season, to provide protection of state responsibility lands, we recommend that the \$700,025 budgeted to reimburse the County for contract protection be redirected to reinstate state operation of the state's six wildland fire stations by department employees. If this recommendation is approved, however, there would not be a need for all 13.5 administrative positions and the Orange County Ranger Unit. Cancellation of the local responsibility fire protection contract with Orange County will reduce the department's need for administrative staff. We calculate that an increase of \$114,000 (3.5 administrative positions) in Item 205 would be adequate to provide administrative support of the department's state responsibility stations in Orange County. The total cost of state responsibility operations recommended in Orange County, therefore, is \$814,025. (Deletion of the \$431,900 for administrative costs is recommended under the department's administration program where the money is budgeted.)

Effect of Budgeted Changes in Orange County

We recommend that the Department of Forestry be prepared to discuss at budget hearings its fire response strategy in southern California if the budgeted transfer of the state and local fire suppression work in Orange County should occur.

The budgeted transfer of both local and state responsibility areas to Orange County would further complicate problems confronting the Department of Forestry in Southern California. Orange County would join Los Angeles, Ventura and Santa Barbara Counties which have opted to protect both local and state responsibility areas. The major fire suppression capability in Southern California would belong to these four counties and would be beyond the direct control of the Department of Forestry.

The remaining counties receiving state protection on state responsibility areas would be San Diego, Riverside and San Bernardino. The department would have to secure backup capability for major fires in these counties by moving some of its forces from central California. Such a move, however, would take too long for speedy fire response.

We believe that the Department of Forestry should reevaluate its role in southern California and be prepared to discuss its future fire response strategies during budget hearings. The discussion should include possible changes in state operations throughout southern California, department withdrawal from southern California or conversely, department direction of the fire suppression capability in all the southern California counties in order to integrate and maximize the response to major fires.

RESOURCE MANAGEMENT

Activities in resource management include (1) regulation of timber harvesting on private lands pursuant to the Forest Practice Act, (2) management of 70,000 acres of state-owned forests, (3) operation of 3 forest nurseries, (4) emergency revegetation, (6) registration of professional foresters and, (7) administration of the Forest Resources Assessment and Planning Act (FRAPA).

Forest Improvement

The Forest Improvement Act of 1978 authorizes the department to execute cost-sharing agreements with small timberland owners who receive loans and grants to finance specified reforestation work. In addition, the department is authorized to establish an urban forestry program and conduct research on wood energy utilization. No support appropriation was included in the Act. Instead the Act states that these activities are to be carried out only to the extent that federal funds or money from other specified sources are available. Provisions not affected by the lack of state funding include a new state income tax deduction which allows timberland owners to amortize the expense of forest improvement work over five or more years.

The budget includes \$101,000 in federal funds and \$69,000 from the Public Works Employment Act (Title II) for urban forestry projects during 1979-80. A total of \$120,000 in federal funds has been spent during the current year to finance urban forestry pilot projects in Oakland and Los Angeles. A proposal to continue support of the Los Angeles urban forestry project with \$134,650 from the Environmental Protection Program fund is discussed under Item 187. Federal funds totaling \$451,773 from the Public Works Employment Act (Title II) were utilized in the current year for a feasibility study on the use of wood residue to generate steam or electricity at wood-fired power plants. Also, \$300,000 will be spent on a pilot reforestation project on 3,000 acres of public land during the current year. No additional funds are included in the budget for forest improvement or wood energy projects during 1979-80.

The department indicates that legislation will be proposed during the current session, to authorize the use of revenues from state forests to finance forest improvement projects authorized under Chapter 1181. During the 1977-78 fiscal year, revenues from sales of timber products from these forests totaled \$3,681,829. The budget anticipates revenues of \$6.2 million from this source during 1979-80.

Forest Practices Regulation

The department has requested \$2,663,212 for administration of the Forest Practice Act during 1979-80. This amount includes (1) \$57,933 to reimburse the Department of Conservation and (2) \$106,364 to reimburse the Department of Fish and Game for assistance in reviewing timber harvest plans for their compliance with Board of Forestry rules.

Purpose The objective 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." It also seeks, where feasi-

DEPARTMENT OF FORESTRY—Continued

ble, to restore, enhance and maintain the productivity of such timberlands. 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.

By statute, the department must provide for inspections of logging operations prior to commencement, when operations are well underway, following completion of timber harvesting activities, to verify stocking reports submitted by the timber owner, and 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.

Backlog In our 1978 *Analysis*, we noted that the department has processed an average of approximately 2,100 timber harvest plans per year. According to the department, a total of 7,894 plans have been approved during the last four years. However, 3,378 of these plans (43 percent) still require completion reports and inspections and 6,069 plans (77 percent) still require stocking reports from the timber owners and regeneration surveys by the department.

The large number of approved plans which have not been closed out is due to the length of time provided by the Forest Practice Act for operators to complete harvesting activities and meet replanting and regeneration requirements. After a timber harvest plan is approved, an operator has up to three years to complete the harvest and five years to meet minimum Board of Forestry stocking standards. This means that the total number of active plans continues to increase each year.

Chapter 118, Statutes of 1978, authorizes the Board of Forestry to develop regulations to simplify the stocking survey process required by the Forest Practice Act. These changes could save timber owners and the department considerable time and expense in reviewing areas that obviously meet Forest Practice Act stocking requirements. In anticipation, many timber owners have delayed filing stocking reports to take advantage of the simplified procedures.

During the current year, the department utilized Public Works Employment Act (Title II) funds to employ temporary help (4 positions) to conduct stocking surveys in Redding and Eureka. Although these crews conducted 263 surveys in 1978, there is still a considerable backlog of previous timber harvest operations for which stocking reports have not been submitted or verified by the department.

Personnel Deficiency Last year, Supplemental Report language was adopted that directed the department to submit a work plan with its 1979-80 budget covering anticipated increases in inspections and stocking surveys required by the Forest Practice Act.

The department has provided the work plan and indicates that until the results of implementing Chapter 118 are known, it is premature to provide additional permanent personnel specifically for stocking surveys. However, the report also indicates that the department has a deficiency of approximately 10 personnel-years to accomplish the inspections of timber harvest plans required by the Forest Practice Act, and 4 personnel-years

in clerical assistance. The department attributes this deficiency in part to the review team process established by the Secretary of Resources in 1975 to comply with the California Environmental Quality Act.

The Secretary directed the Departments of Fish and Game, Parks and Recreation, the State Water Resources Control Board, and other agencies to participate in timber harvest plan (THP) review teams to assist the Department of Forestry in evaluating the plans. This process was established in lieu of requiring that separate environmental impact reports be prepared for each timber harvest plan. The Department of Forestry indicates that five forester positions were abolished to provide funds to contract for three positions in the Department of Fish and Game and two positions in the Department of Conservation. These positions serve on the timber harvest review team. The five forester positions abolished were originally budgeted to provide inspections of ongoing and completed timber harvest operations to ensure compliance with Forest Practice rules and stocking requirements.

Restoration of Staff to Prior Year Levels

We recommend:

(1) *The cost of reimbursing the Departments of Fish and Game and Conservation for five positions used for timber harvest plan review be shifted from the General Fund to the Environmental Protection Program Fund (Augment Item 208 by \$164,297);*

(2) *Adding authorizing language to Item 208 as follows: “. . . and timber harvest plan review team activities”; and*

(3) *Adding language to Item 205 as follows: “. . . provided further, that \$164,297 for support of timber harvest plan review shall be used only for Forest Practice Act inspections.”*

Departmental data show that approximately 32 percent of the timber operations completed during 1977 received less than the minimum number of statutory inspections and that 25 percent of the timber harvest plan operations inspected had one or more violations of Forest Practice rules. These figures indicate that the department is not meeting its statutory inspections requirements. In order to increase inspection staffing, the costs of reimbursing review team assistance received from other state agencies should be supported from the Environmental Protection Program Fund rather than from the General Fund. The General Fund savings could then be used to reestablish the five forester positions previously used to conduct inspections.

The Department of Forestry already utilizes the Environmental Protection Program Fund (Item 208) to support a soil erosion study required by the Forest Practice Act. An augmentation of \$164,297 to Item 208 would allow the department to restore its Forest Practice Act staff to the original levels and thereby reduce the existing backlog of inspections.

Forest Resources Assessment Program

We recommend a reduction of \$305,000 from Item 205 to delete state funds for continuation of the Forest Resources Assessment Program.

The budget includes \$305,000 in support funds and \$120,000 in federal funds for eight positions to continue the Forest Resources Assessment

DEPARTMENT OF FORESTRY—Continued

Program during 1979. Included is \$44,000 in consultant and professional services for support of a ninth position—a program manager. The manager is a U.S. Forest Service employee working under an interagency agreement with the state.

Chapter 1163, Statutes of 1977, appropriated \$400,500 to the department for the purpose of developing a forest resources planning program for California. The act requires the department to report to the Board of Forestry by July 1, 1979 on the supply, demand and availability of the state's various forest resources: timber, range, watershed, recreation, wilderness, fish and wildlife. Chapter 801, Statutes of 1978, requires that (1) the July 1979 report include an economic analysis of the various costs and benefits associated with forest policy alternatives and (2) the entire report be updated by January 1, 1987 and every fifth year thereafter.

The department indicates that during the budget year, the staff will review its 1979 report and determine how to proceed toward the 1987 assessment update. In addition, the program will evaluate the significance of various data gaps identified in 1979. However, some deficiencies are already known. The July 1979 report will rely heavily on existing U.S. Forest Services data.

Budget detail does not establish that the program requires nine full-time positions and a 30 percent increase in funding during the budget year. Assuming continuation of the costs and staff levels proposed for the budget year, the 1987 report would cost \$3.2 million and require 67.5 personnel years of effort (7.5 years times 1979-80 budget resources).

The department's forest resources planning program appears to rely heavily on existing data and information developed by other state and federal agencies which is already available. The only resource area where the program indicates an effort to develop independent data is in timber. During the current year, a full time economist was hired to develop timber supply information for use in a contract study on demand for timber products. In addition, the department has indicated an interest in developing information on potential timber inventories in existing federal wilderness areas which have been withdrawn from timber production by acts of Congress.

Chapter 1163 authorized a multi-disciplinary planning effort to provide the Board of Forestry and the Legislature with information about various forest resources. If the department can define specific duties and research needs, it might be appropriate to continue two or three positions to ensure continuity between the present work and future assessments and provide a multi-disciplinary capability for long-range plan preparation and development. The \$120,000 in federal funds from the U.S. Forest Service should be adequate for this purpose.

ADMINISTRATION

Administration provides executive management, policy direction, fiscal and personnel services, public information, training and safety programs in the department. The administration program has 318 authorized positions and is budgeted for \$8,285,413 in 1979-80.

Relocation Costs

We recommend that language be added to Item 205 as follows: “. . . provided, further, that \$1,000,000 appropriated by this item may be used only for reimbursement of staff relocation costs associated with cancellation of the Orange County fire protection contract.”

The budget includes a request of \$1 million for potential staff relocation costs due to the termination of the contract with Orange County and a proposed reduction of 470.5 firefighter positions. This amount is based on an estimate of \$10,000 each for up to 100 department employees who may be eligible for reassignment and transfer. We recommend approval of this request, subject to control language to ensure that no portion of the money is used to support other programs and activities.

Loss of Administrative Overhead

We recommend that \$778,831 requested to offset the loss of administrative overhead from the Orange County local fire protection contract be deleted from Item 205.

We have already discussed the proposed termination of the department's contract to provide fire protection in Orange County. This contract includes reimbursement for administrative overhead. Line item detail supporting the budget request indicates the state would have been reimbursed \$11,433,961 for local government fire protection service in Orange County during 1979-80. That amount consists of \$10,576,737 for direct costs and \$857,224 in administrative costs. The administrative overhead charge is determined on a pro rata basis from the program time reporting system.

The department proposes a reduction of \$78,393 and 3 positions in its administrative staff made possible by the termination of the Orange County contract. This leaves a deficit of \$778,831 for administrative costs. The deficit is funded in part by using \$431,900, which is the difference between the current cost of state fire protection on state responsibility lands in Orange County and the proposed contract costs to be paid to local government for this protection. The reduced cost of \$431,900 to protect these lands has not been reflected in the department's budget. Instead, these savings have been redirected to offset the department's \$778,831 loss in administrative overhead. The remaining deficiency of \$366,931 is funded by a corresponding increase in the department's budget request for 1979-80.

Given that the Orange County contract included \$10.5 million and 470.5 fire fighting positions, it is unlikely that the department's administrative support required only the three positions. We believe that additional personnel, payroll and accounting positions can be eliminated as a result of the contract termination. In any event, the \$778,831 which is, in effect, requested for overhead has not been justified, and we recommend that it be deleted.

Special Assistant to the Director

We recommend (1) a reduction of \$65,565 General Fund from Item 205 and (2) the use of federal funds instead for a special assistant to the director.

The budget includes \$65,565 to permanently establish a CEA II position,

DEPARTMENT OF FORESTRY—Continued

plus clerical help, to serve as a special assistant to the director. This position has been administratively established during the current year.

The budget indicates that the special assistant will be responsible for developing, evaluating, and funding the implementation of new departmental programs, as assigned by the director. In addition, the department indicates that this position will (1) serve as an expert resource to the Secretary of Resources in new program areas, (2) identify and acquire funding for new Resources Agency programs and (3) participate as a permanent member of Forestry's decisionmaking team.

During the current year, this position has supervised and administered projects under the Forest Resources Improvement Act. Language in that act authorizes implementation of the Forest Resources Improvement Act only to the extent that funding or grants are received from any source other than the General Fund. Because of this restriction the department has utilized federal funds to support urban forestry and reforestation projects during the current year and is seeking legislation to make revenues from state forests available for forest improvement projects. However, the budget proposes General Fund money for the position which supervises the work.

At the present time, the Department of Forestry has two deputy director positions, in addition to two other high level positions in the Administration program. Manpower and Technical Services, Fire Protection and Resource Management program elements each have high level positions. Reductions during the current year pursuant to Section 27.2 of the Budget Act of 1978 will result in elimination of 51.4 personnel-years. Proposed reductions during 1979-80 would result in the deletion of another 606 positions. These positions represent a 13.4 percent reduction in authorized positions for the budget year. A new executive position is not needed at a time when the department is experiencing significant reductions in personnel. If the special assistant position is required to administer forest improvement or reforestation projects, it should be supported with federal funds until the Legislature provides specific authority to use General Fund money for this program.

**Resources Agency
STATE LANDS COMMISSION**

Item 210 from the General
Fund

Budget p. 464

Requested 1979-80	\$5,266,460
Estimated 1978-79	5,084,033
Actual 1977-78	4,832,388
Requested increase \$182,427 (3.6 percent)	
Total recommended reduction	\$38,384

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Petroleum Terminal Safety. Reduce \$38,384 from Item 210.* Recommend (1) elimination of budgeted petroleum terminal safety program and (2) legislation be enacted to establish a comprehensive marine petroleum terminal safety program. 475
2. *Long Beach Audits. Reduce reimbursements to Item 210 by \$30,375.* Recommend eliminating one Long Beach audit position. 477
3. *Duplication of Long Beach Oil and Gas Supervision.* Recommend supplementary report language directing the State Lands Commission to (1) initiate negotiations with the City of Long Beach to eliminate duplication of supervision of oil and gas operations at Long Beach, (2) propose a sharing of the resulting savings, (3) prepare necessary legislation, and (4) make quarterly reports on the progress of negotiations thereon. 478
4. *Overlaps with Division of Oil and Gas.* Recommend the Department of Finance report on overlapping jurisdictions of the State Lands Commission and the Division of Oil and Gas at the budget hearings. 479

GENERAL PROGRAM STATEMENT

The State Lands Commission is composed of the Lieutenant Governor, the State Controller and the Director of Finance. It is responsible for the management of sovereign 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 commission has the following major responsibilities:

1. Leasing land under its control for the extraction of oil, gas, geothermal and mineral resources.
2. Exercising economic control over the oil and gas development of the Long Beach tidelands.
3. Determining ownership of tide and submerged lands.

STATE LANDS COMMISSION—Continued

4. Overseeing land management operations including appraisals, leases, and records concerning state lands.

The commission is headquartered in Sacramento, with an office in Long Beach, and has approximately 250 employees.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes total expenditures of \$7,554,725 from all sources for support of the State Lands Commission in 1979-80. Table 1 shows the proposed sources of funding.

Table 1
State Lands Commission
Sources of Funding—1979-80

General Fund (Item 210)	\$5,266,460
Reimbursement from Long Beach Tidelands oil revenues	1,972,381
Contract with Coastal Commission for petroleum transfer safety program	140,884
U.S. Fish and Wildlife Service reimbursement for wetlands boundary determination ...	75,000
Miscellaneous reimbursements	100,000
Total expenditures	\$7,554,725

Proposed expenditures are \$1,229,281, or 14 percent, less than the \$8,784,006 estimated to be spent in the current year. Proposed General Fund support is \$5,266,460 which is an increase of \$182,427 or 3.6 percent over estimated current year expenditures. Table 2 lists the proposed changes by funding source in each of the commission's program elements.

The totals for the current and budget years include a reduction of \$75,000 and 3.2 positions in accordance with Section 27.2 of the Budget Act of 1978. The positions to be reduced have not been identified as yet.

Table 3 details the program changes between the current year and the budget year.

Table 2
State Lands Commission
Program Changes by Funding Source

Program	1978-79 Estimated	1979-80 Proposed	Changes in			Net Changes
			General Fund	Federal funds	Reimbursements	
Extractive Development						
State leases	\$2,827,032	\$1,892,939	+88,169	—	\$-1,022,262	\$-934,093
Long Beach operations	1,908,031	1,972,381	—	—	+64,350	+64,350
Land Management and Con- servation	4,048,943	3,689,405	+94,258	\$-28,884	-424,912	-359,538
Administration ^a	(1,242,558)	(1,283,321)	—	—	—	(+40,763)
Totals	\$8,784,006	\$7,554,725	\$+182,427	\$-28,884	\$-1,382,824	\$-1,229,281

^a Administration is distributed to the other programs.

Table 3
State Lands Commission
Details of Expenditure Changes for 1979-80

Total Estimated Expenditures 1978-79	\$8,784,006
Changes in 1979-80 Governor's Budget:	
Reimbursements:	
Hazard identification and removal—Santa Barbara Coast (Public Works Employment Act, Title II)	\$ -766,646
Reforestation (Public Works Employment Act, Title II)	-437,912
Environmental Impact Report—Shell Beta Project (Shell Oil Company reimbursement)	-425,000
Long Beach Operations—2 additional auditors (Long Beach Tidelands oil revenue reimbursement)	+64,350
Marine Petroleum Terminal Safety program—3 positions (Coastal Commission reimbursement from federal funds)	+140,884
Miscellaneous reimbursements	+41,500
Total change in reimbursements	-1,382,824
Federal funds	-28,884
General Fund:	
Marine Petroleum Terminal Safety program—position funded through 1978-79 extended through 1979-80 for no net change	—
Merit salary adjustments, reclassifications and increases in op- erating expenses	+182,427
Total change in General Fund	+182,427
Total change in expenditures	-1,229,281
Total Proposed Expenditures 1979-80	\$7,554,725

EXPLANATION OF PROGRAM CHANGES

The large decrease in projected expenditures is expected to occur because the 1979-80 budget will not contain funds for three special projects which are funded in the current year. Excluding these projects from expenditures in the current year, the budget shows an increase of \$400,277, or 5.6 percent, in total spending.

Santa Barbara Coast Project

The project to identify and remove hazards along the Santa Barbara Coast was originally included in the 1977-78 budget of the commission. Because of contracting delays, the commission does not expect to begin identifying and mapping the hazards until early 1979. Hazard removal will probably take place in the budget year.

Forest Rehabilitation Project

The watershed and forest rehabilitation project will probably exhaust its funds and terminate in the current year. The commission had planned a two-year effort to clear brush from more than 1,000 acres of land at various sites in northern California which are under commission jurisdiction. The plan had anticipated using the California Conservation Corps, under the supervision of Department of Forestry, and commission personnel. After clearing, commercial tree species were to be planted. It appears that the project will not go into its second year and that only 300 acres will be cleared and replanted. Two graduate forestry trainees positions, which were authorized only until June 30, 1979, will be eliminated.

STATE LANDS COMMISSION—Continued**Shell Beta Project**

The commission and the Port of Long Beach were the lead agencies for preparation of the Environmental Impact Report (EIR) on the Shell Beta project—a proposal by Shell Oil Company for oil production and processing platforms 9 miles off Huntington Beach. The commission has let two contracts totaling \$371,735 to cover most of this work. Completion of the EIR and commission action on it are expected in the current year. The proposed budget contains no major reimbursements for EIRs, but it is probable that there will be some. For example, Wickland Oil has proposed a marine petroleum terminal in the San Francisco Bay Area, and Shell Oil Company may propose expansion of its Martinez docking facility.

Commission Revenues

The Governor's budget estimates that total revenues from oil, gas and mineral revenues and royalties, land rentals and other sources will be \$79,043,100 in 1979-80. This is a decrease of \$10,275,300 from the current year revenue estimate of \$89,318,400. The decrease is primarily due to decreasing oil and gas production at East Wilmington.

Most of the revenue of the State Lands Commission is derived from the sale of oil. The federal government controls petroleum prices through regulations issued by the Department of Energy. The price paid for most of the oil from state lands is kept below world market prices by the federal controls. Although the statutory mandate for federal oil price control expires on May 31, 1979, the President is authorized to extend the controls until October 30, 1981. If the price controls and entitlement program expire or are phased out, state oil revenues could increase dramatically.

The state will receive \$58.6 million in revenues from the Long Beach tidelands in 1979-80. Production from the tidelands is approximately 80,000 barrels per day. As of October 1978, about 82 percent of the oil had an average posted price of \$5.20. This was oil classified in the lower tier (old oil) under federal price controls. The remaining 18 percent of the tidelands oil was classified in the upper tier (new oil) and had an average posted price of \$11.02. There is no physical difference between oil in the two tiers. If federal controls were to allow only a \$1 per barrel increase in the price of lower tier oil, revenues from the Long Beach tidelands would increase by approximately \$23 million in 1979-80. The Governor's Budget last year included \$52.6 million in oil revenues from Long Beach in 1978-79. The federal regulations were changed and the Governor's Budget now estimates that Long Beach will produce \$65.8 million.

More than one-half of the geothermal steam used to produce electricity at The Geysers in Sonoma County is produced from land for which the state has sold the surface rights but reserved the mineral rights. A Superior Court decision in 1977 established the state's ownership of the geothermal mineral resource. The case is now on appeal. As of June 30, 1978, \$9,400,000 in geothermal lease revenues claimed by the state had accumulated in a court-supervised trust account. The State Lands Division estimates that \$4,300,000 more will be placed in the trust account in 1978-79 and \$5,100,000 more in 1979-80, for a total of \$18,800,000 plus interest.

Petroleum Terminal Safety

We recommend (1) a reduction of \$179,268 (\$38,384 from Item 210 and \$140,884 in reimbursements) to eliminate four positions in the marine petroleum terminal safety program and (2) that legislation be enacted to establish a comprehensive marine petroleum terminal safety program.

Last year, the State Lands Commission requested \$30,258 from the General Fund for one engineer to inspect petroleum transfer terminals located on state leased lands. In our *Analysis*, we noted that the commission's proposal addressed only part of this very important problem. Many federal, state, and local agencies have responsibilities pertaining to tanker operations and petroleum transfers which should be considered. The terminals on state leased lands handle only approximately half of the petroleum transferred. The remainder of the transfer operations would not be inspected. As a consequence, the proposal was not complete. We also noted that the Resources Secretary had established an Interagency Tanker Task Force to coordinate information and recommend state action on tanker-related safety issues.

The Legislature approved the new position for only one year, in order to trigger reconsideration of the petroleum terminal inspection program after the Tanker Task Force had completed its report. This position has not been filled because of the current hiring freeze.

Tanker Task Force Report. The Interagency Tanker Task Force was created by the Resources Secretary in response to a request by members of the Legislature for specific recommendations on a strong state tanker safety program, including proposals for new laws or regulations. In October 1978, the Resources Secretary issued the task force report. It found that problems were arising because several state agencies were issuing permits for terminals and attaching safety conditions to them. The permit conditions might not be identical, and each agency held itself ultimately responsible for determining operator compliance. The report stated "there is clear potential for confusion and duplicated effort on the part of both permit-issuing agencies and permit applicants." In response to this finding, the task force recommended that "The Coastal Commission, BCDC [San Francisco Bay Conservation and Development Commission], and the State Lands Commission should devise procedures for coordinating their permit conditions and review criteria." The task force also recommended that the three agencies jointly prepare a model terminal operations manual and, with the Department of Fish and Game, a model oil spill contingency plan.

The task force did not develop a petroleum transfer inspection program or designate the agency to perform the inspection. Instead, it restated the need for a coordinated and comprehensive terminal safety program. Thus, more than a year's effort by the Resources Agency did not produce specific recommendations on the inspection problem.

State Lands Program. The State Lands Commission is now requesting authority to spend \$179,268 in 1979-80 for an enlarged marine petroleum transfer safety program similar to the one that the Legislature authorized last year for one year. The Coastal Commission would contribute \$140,884 to the new program from the federally funded Coastal Energy Impact

STATE LANDS COMMISSION—Continued

Program to support one supervisor and two associate engineers. The State Lands Commission is seeking \$38,384 from the General Fund for a third associate engineer position, which is the position authorized last year and limited to June 30, 1979. The supervisor, who would be located in Sacramento, would write a model terminal operations manual and develop a standardized training program. The three engineers would be at the commission's Long Beach office. They would inspect terminals located on state leased lands or under authority of cooperative agreements with the Coastal Commission and BCDC. Funding by the Coastal Commission is expected for an additional year, but the State Lands Commission expects to continue the terminal inspection program as a permanent function, even if Coastal Commission support ends.

The program now proposed by the State Lands Commission will continue to be a fragmented, ad hoc approach to petroleum terminal safety. The commission has no police power or specific authority to regulate or inspect marine petroleum terminals for safety. Instead, it is drafting regulations which would make continuation of its long-term leases for terminals on state tide and submerged lands contingent on compliance with its safety regulations. The only enforcement action available to the commission would be termination of the lease. Such an action could result in refinery output curtailments and petroleum interruptions. Enforcement through lease termination is not an adequate basis for a continuing safety program.

Terminals on granted lands, such as at the Ports of Long Beach and Los Angeles, operate under local rather than state leases. Section 6301 of the Public Resources Code leaves with the State Lands Commission any state authority not conveyed to a local government with the grant to the lands, but the extent of this residual authority is uncertain. Regulation and inspection of terminals on granted lands could occur if cooperative agreements are executed with the grantees. State Lands also proposes to inspect new terminal facilities which have received development permits from the California Coastal Commission or BCDC. These permits would contain language requiring the permittee to allow State Lands to enforce the terminal safety regulations. However, each of the two commissions would continue to retain final authority over permit conditions and enforcement policy. The cooperative effort being proposed by these agencies is commendable, but it is not sufficient to assure an effective program.

A comprehensive petroleum terminal safety program is needed. An inadequate program which gives the appearance of more protection than actually exists should not be approved. Much effort has gone into contingency planning for oil spills and other accidents, but we believe too little effort has been spent on preventing such accidents.

Because the State Lands Commission's proposed marine petroleum terminal safety program is not adequate, we recommend a reduction of \$179,268 to eliminate the four positions requested. We also recommend that legislation be enacted to establish a strong marine petroleum safety program in California with proper funding. The legislation should:

1. Establish clear statutory authority, using the police power as needed, for the uniform state regulation of marine petroleum terminals and

- petroleum transfer operations.
2. Designate a state entity to be responsible for regulating the terminals.
 3. Designate the state entity responsible for inspection and enforcement.
 4. Authorize a variety of sanctions for violations, including citations, cease and desist orders, civil fines, and criminal penalties.

Long Beach Audits

We recommend that reimbursements from Long Beach tidelands oil revenue be reduced by \$30,375 to delete one auditor for Long Beach oil and gas operations.

The commission is requesting \$64,350 for two additional auditors to audit tidelands oil and gas revenues and operating expenditures at Long Beach. The cost of these two positions is handled as a reimbursement from oil revenues.

The East Wilmington tidelands oil field was granted to the City of Long Beach by the Legislature. Chapter 138, Statutes of 1964, First Extraordinary Session, gave Long Beach the authority to control the day-to-day activities of the consortium of private oil companies that operates the field. The State Lands Commission is responsible for overseeing the oil and gas operations.

In accordance with state law and its own charter, the city has in the past audited the tidelands oil accounts. However, the city's effort has been reduced in recent years, and now consists of a contract for one auditor which the city does not wish to continue. The city receives a fixed amount of oil and gas revenues each year. It therefore has no economic incentive to maximize total oil and gas revenues because any increase in net revenues is received by the State Lands Commission. Audits of the revenues therefore do not have as high a priority with the city as with the state.

The State Lands Commission now has four audit positions assigned to the Long Beach operations. One position is supervisory. Another was recently assigned to audit oil revenue and expenditures. The other two auditors examine city reimbursement claims for subsidence costs and city expenditures of tidelands trust funds. In view of the decreased effort by the city, the division is requesting the two added auditors.

The city auditor of Long Beach has indicated that he is willing to cooperate in an audit effort with the state. This cooperation would reduce city audit costs and increase state revenues. The city auditor has suggested that two auditors are sufficient to serve the needs of both the city and state, provided one is experienced and knowledgeable in tidelands oil matters. The commission has based its current staffing proposal on the city auditor's recommendation.

The State Lands Commission should enter into an audit agreement with the City of Long Beach so that between the two entities no more than two auditors are regularly assigned to the tidelands oil revenue accounts. If such an audit agreement is executed, only the new senior audit position being requested is needed. The commission already has the second audit position. Therefore, one of the new auditing positions is not needed and

STATE LANDS COMMISSION—Continued

\$30,375 for it can be removed.

Duplication of Long Beach Oil and Gas Supervision

We recommend supplemental report language be adopted that directs the State Lands Commission to (1) initiate negotiations with the City of Long Beach to eliminate duplication of supervision of oil and gas operations at Long Beach, (2) propose a sharing of the resulting savings, (3) propose necessary legislation and (4) make quarterly progress reports to the Legislature on the progress of negotiations.

The preceding discussion of auditing at Long Beach is symptomatic of a much larger problem: duplicate responsibilities assigned to the State Lands Commission and the City of Long Beach because of the provisions of Chapter 138, Statutes of 1964.

When the Legislature enacted Chapter 138, it recognized a need for three entities to participate in the oil operations. As a consequence, the East Wilmington oil field is operated by THUMS, a consortium of five oil companies which produces and purchases the oil and gas. The City of Long Beach insisted on the necessary authority to prevent subsidence and to supervise the operations of THUMS in order to protect its tidelands grant interests and the quality of its waterfront where the oil extraction occurs. Finally, the State Lands Commission was given the authority to disapprove expenditures of the oil revenues which the city receives if the expenditure is not consistent with tidelands trust purposes, and to protect the state's interest in maximizing the net profits from the oil and gas operations that accrue to the state.

Since the enactment of Chapter 138, the compromises involved in this duplicative structure have been reviewed and criticized by this office and others. However, no improvement has occurred because there has been no incentive to make a change, and no acceptable proposal for a change, particularly with respect to the major duplication between the city and the commission.

The duplication has continued with both the City of Long Beach and the State Lands Commission spending approximately \$2 million per year (a total of about \$4 million) to supervise oil and gas production and to manage the revenues from the sale of the production. Up to half of this money could theoretically be saved. In practice such a large savings would probably not occur.

The time may have come when some of this savings can be realized. The circumstances surrounding the Long Beach oil and gas operations are changing. The City of Long Beach will begin to receive less of the oil revenues because its statutory allocation decreases in 1980 to a maximum of \$8 million per year (compared to \$9 million in recent years). The allocation will decrease to \$1 million in 1988. In addition, Long Beach needs more tidelands revenue because of its heavy investment in the Queen Mary and the continuing operating losses resulting from that venture. Finally, both the city and the state need to economize and reduce costs because of the impacts of Proposition 13.

The state would maximize its revenues by avoiding the costs of any

duplication. The city would have an incentive to reduce duplication if it could receive a portion of the money saved. The experience of past years, however, has demonstrated that a unilateral change in Chapter 138 is unlikely. Therefore, agreement with the city on eliminating the duplication and sharing the resulting savings is a prerequisite to any change in working relationships between the city and the state and in the provisions of Chapter 138. Such an agreement would expand the precedent of the audit work to include as much more work as possible.

We recommend that supplemental report language be adopted as follows: "The State Lands Commission is directed to initiate negotiations with the City of Long Beach to (1) eliminate duplication and consolidate supervision of the oil and gas operations at Long Beach, (2) propose a sharing of the resulting savings and (3) propose appropriate amendments to Chapter 138 to implement any agreement. The commission should report the results of its negotiations to the Joint Legislative Budget Committee, the fiscal committees, and appropriate policy committees by means of quarterly progress reports."

Overlaps With the Division of Oil and Gas

The Department of Finance should report to the Legislature at the time of budget hearings on overlaps between the State Lands Commission and the Division of Oil and Gas in regulating offshore oil and gas wells. The department should also recommend any staff revisions or legislation needed in this area.

The Supplemental Report of the Committee of Conference on the 1978 Budget Bill directed the Department of Finance to study the overlapping jurisdiction between the State Lands Commission and the Division of Oil and Gas in the regulation of offshore oil and gas operations. The department was to include in the 1979-80 budget staffing revisions resulting from the study and propose any legislation needed to revise assessments on production from offshore wells. The department has not completed this study and has not made any budget revisions or recommendations for legislation. It should do so at budget hearings.

Resources Agency
SEISMIC SAFETY COMMISSION

Item 211 from the General
Fund

Budget p. 471

Requested 1979-80	\$193,126
Estimated 1978-79.....	460,342
Actual 1977-78	227,334
Requested decrease \$267,216 (58 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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| 1. Legislation to Abolish Commission. Recommend that during budget hearings the Department of Finance advise the Legislature of the status of proposed legislation to abolish the commission. | 481 |
| 2. Mining and Geology Board. Recommend modification of the board to assure that emphasis is placed on current responsibilities of the Seismic Safety Commission. | 482 |

GENERAL PROGRAM STATEMENT

The Seismic Safety Commission was created by Chapter 1413, Statutes of 1974, effective January 1, 1975, with termination of the commission scheduled for February 1977. Chapter 112, Statutes of 1976, extended the termination date to January 1, 1981. The Governor's Budget indicates that legislation will be proposed to abolish the Seismic Safety Commission effective January 1, 1980.

The commission consists of 15 members. It 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. Under the Government Code the commission is responsible for the following in connection with earthquake hazard reduction:

1. Setting goals and priorities in the public and private sectors;
2. Requesting appropriate state agencies to devise criteria to promote seismic safety;
3. Recommending program changes to state agencies, local agencies, and the private sector where such changes would reduce the earthquake hazard;
4. Reviewing reconstruction efforts after damaging earthquakes;
5. Gathering, analyzing and disseminating information;
6. Encouraging research;
7. Sponsoring training to help improve the competence of specialized enforcement and other technical personnel;
8. Helping to coordinate the seismic safety activities of government at all levels; and
9. Establishing and maintaining necessary working relationships with

any boards, commissions, departments, and agencies or other public or private organizations necessary to further an effective seismic safety program for the state.

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 on the installation and maintenance of strong motion instruments throughout the state.

ANALYSIS AND RECOMMENDATIONS

Proposed Abolition of Seismic Safety Commission

We recommend that prior to final legislative action on the commission's budget, the Department of Finance advise the Legislature of the status of proposed legislation to abolish the commission.

The Governor's Budget includes \$193,126 for support of the Seismic Safety Commission in 1979-80. This is a \$267,216 reduction or 58 percent from the anticipated expenditures in 1978-79 and represents one-half year funding. Under the Governor's plan, legislation will be proposed to abolish the commission effective January 1, 1980. We concur with this proposal. As discussed below the commission's responsibilities can be continued by redirection of staff in the Department of Conservation and by modifying the state Mining and Geology Board. The Department of Finance, however, should advise the Legislature of the status of the proposed legislation prior to final legislative action on the commission's budget.

Sustain Commission's Responsibilities Within the Department of Conservation

For the most part, the responsibilities assigned to the Seismic Safety Commission should continue to be met and not discarded simply because the commission may be abolished. This is especially true with respect to the following:

- Setting goals and priorities,
- Promoting seismic safety,
- Gathering, analyzing and disseminating information, and
- Coordinating seismic safety activities.

The Seismic Safety Commission has undertaken a study at the request of the Legislature to determine a method to evaluate the seismic hazard present in state-owned buildings. The results of this study will provide a methodology to (1) estimate the magnitude of the seismic hazard problem, (2) establish priorities for rehabilitating buildings or change their use in order to lessen the hazard and (5) compute a general estimate of the potential cost of such measures. The need for such a methodology became apparent in 1976 when segments of higher education indicated the need for more than \$100 million to provide seismic rehabilitation of campus facilities. In addition to this study the Seismic Safety Commission has

SEISMIC SAFETY COMMISSION—Continued

participated in activities such as (1) the Auburn Dam review process, (2) review of the Special Studies Zone Act, and (3) a study of the rules of state and local governments and the private sector in the abatement of earthquake hazardous buildings. Activities of this nature are important and can be sustained within the Department of Conservation, Division of Mines and Geology.

The Division of Mines and Geology develops initial information and makes interpretive judgments about the geology and seismology of California. The division employs 160 persons, of which 78 are in the Land Use Geology and Seismology Element. This element provides comprehensive geotechnical information and interpretive judgments about the basic geology and seismic conditions affecting California. Within this element there is adequate professional expertise to sustain the responsibilities of the Seismic Safety Commission.

The commission has three professional staff positions to assist in carrying out its responsibilities. The remaining seven staff positions are clerical or administrative. In our analysis of the Department of Conservation, Item 201, we have recommended that the Division of Mines and Geology redirect three existing positions to concentrate on the activities and responsibilities that are now assigned to the commission. These positions are equivalent to the professional positions presently in the commission. To further assure that the commission's activities and responsibilities are continued and to provide a bridge to assure the practical application of geological/seismological knowledge to general public safety and seismic resistivity of buildings, we believe it is essential to modify the state Mining and Geology Board.

Modify the Composition of the State Mining and Geology Board

We recommend that the Mining and Geology Board, within the Department of Conservation, be modified to assure that emphasis is placed on current responsibilities of the Seismic Safety Commission.

The State Mining and Geology Board consists of nine members appointed by the Governor. The board must have a composite of members with the following qualifications:

- mining geologist
- mining engineer
- civil engineer
- urban planner
- environmental protectionist
- geologist/engineer with background and experience in seismology
- landscape architect
- mineral resources conservation/development/utilization
- unspecialized experience

Only one member is required to have background and experience in seismology. To assure that the efforts of the Seismic Safety Commission are continued, we believe that the board should either be expanded or its composition changed to provide at least three members with background and experience in seismology and/or building structural design. These

changes could be accomplished within the legislation that abolishes the Seismic Safety Commission. In our opinion the modifications to the State Mining and Geology Board coupled with the redirection of the three existing positions within the Department of Conservation will provide the necessary emphasis on general public safety and seismic resistivity of buildings. At the same time this will accomplish the objective of streamlining governmental activities and eliminating duplication between governmental agencies.

**Resources Agency
DEPARTMENT OF FISH AND GAME**

Items 212-213 from the General Fund and Items 214-219 from special funds

Budget p. 473

Requested 1979-80	\$33,390,144
Estimated 1978-79.....	34,625,551
Actual 1977-78	32,465,304
Requested decrease \$1,235,402 (3.6 percent)	
Total recommended increase	\$715,040

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
212	Nongame species and environmental protection programs	General	\$3,943,669
213	Free licenses	General	781,740
214	Nongame species and environmental protection program	Environmental Protection Program	1,124,108
215	Primary funding source	Fish and Game Preservation	26,711,242
216	Crab research and management	Fish and Game Preservation	309,937
217	Duck Stamp Account—migrating waterfowl projects	Fish and Game Preservation	354,400
218	Training Account—employee education and training	Fish and Game	165,053
219	Native Species Conservation and Enhancement Account	Fish and Game Preservation	30,870
Total			\$33,390,149

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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|---|----------------------|
| 1. Budgeting of Nongame Programs. Recommend department (a) report at time of budget hearings on increases in General Fund expenditures due to revised budget format, and (b) be directed to incorporate work objectives for nongame activities into 1980-81 budget. | 489 |
| 2. <i>Enforcement Activities.</i> Recommend \$253,415 reduction in Fish and Wildlife Assistance Program and a correspond- | 491 |

DEPARTMENT OF FISH AND GAME—Continued

- ing increase in the enforcement program to provide funding for warden positions.
- 3. *Hatchery Closures. Increase Item 215 by \$790,040.* Rec- 492
ommend restoration of funds for operation of Darrah Springs and Kern fish hatcheries and propagation of 2 million trout.
- 4. *Duck Stamp Projects. Reduce Item 217 by \$75,000.* Rec- 493
ommend reduction to reflect actual cost of projects for 1979-80.

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 sets policies to guide the department in its activities, and regulates the taking of fish and game under delegation of authority from the Legislature pursuant to the Constitution. Although the Legislature has granted authority to the commission to regulate the sport taking of fish and game, it has reserved for itself the authority to regulate commercial taking of fish and game.

The department will have approximately 1,357 net positions located throughout the state next year. Field operations are supervised from regional offices in Redding, Sacramento, Yountville (Napa County), Fresno and Long Beach. Department headquarters is located in Sacramento.

ANALYSIS AND RECOMMENDATIONS

The department estimates it will spend \$45,020,085 for support programs in 1979-80. This amount is derived from the following sources:

1. Fish and Game Preservation Fund (Items 215-219)	\$27,540,632
2. General Fund (Items 212, 213)	4,725,409
3. California Environmental Protection Program Fund (Item 214)	1,124,108
4. Chapter 1340, Statutes of 1978	75,000
5. Federal funds	8,394,881
6. Reimbursements	3,160,055
Total	\$45,020,085

An explanation of the funding sources follows:

1. *Fish and Game Preservation Fund.* The department is primarily a special fund agency which is financed through the Fish and Game Preservation Fund. This fund receives revenues from the sale of hunting and fishing licenses and stamps, and from commercial fish taxes and court fines. Article 16, Section 9, of the California Constitution limits expenditure of revenues in the fund to activities relating to fish and game.

a. *Duck Stamp Account, Fish and Game Preservation Fund.* Chapter 1582, Statutes of 1970, created this account and requires any person who hunts ducks and geese to purchase a duck stamp. Legislation effective last year raised the cost of a duck stamp from \$4 to \$5 a year.

b. *Training Account, Fish and Game Preservation Fund.* Chapter 1333, Statutes of 1971, established this account which receives funds through a penalty assessment of \$5 for every \$20 of fine imposed and collected by a court for violation of the Fish and Game Code.

c. *Crab Account, Fish and Game Preservation Fund.* 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 tax.

d. *Native Species Conservation and Enhancement Account, Fish and Game Preservation Fund.* This account was established by the Legislature in 1974 to receive donations for the support of nongame species conservation and enhancement programs. Chapter 1181, Statutes of 1977, authorized donations for support of a threatened native plant program.

2. *General Fund.* This fund finances nongame, plant protection and environmental protection activities. Chapter 855, Statutes of 1978, prohibits its use for sport hunting and fishing programs generally. In 1978, the Legislature authorized the transfer of money from the General Fund to the Fish and Game Fund to compensate for the loss of revenues resulting from distribution of free fishing licenses.

3. *California Environmental Protection Program Fund.* Revenue from this fund is derived from the sale of personalized automobile license plates. Appropriations to the department from the fund are used for programs relating to environmental protection and nongame species preservation work.

4. *Federal funds.* The state-federal cooperative programs are based on five federal acts which provide funding as follows:

- a. Federal Aid in Wildlife Restoration Act (Public Law 75-415), otherwise known as the Pittman-Robertson Act. Excise tax on sporting arms, ammunition, pistols and revolvers, \$2,935,993.
- b. Federal Aid in Fish Restoration Act (Public Law 81-681), known as the Dingell-Johnson Act. Excise tax on sport fishing equipment, \$1,198,086.
- c. Commercial Fisheries Research and Development Act (Public Law 88-309), known as the Bartlett Act. Federal General Fund, \$150,116.
- d. Anadromous Fisheries Act (Public Law 89-304). Federal General Fund, \$590,205.
- e. Federal Endangered Species Act (Public Law 93-205). Federal General Fund, \$788,158.

Funding Changes

Table 1 summarizes the department's budget by funding source and program, and indicates significant changes.

The total support request of \$33,390,149 in Items 212-219 is \$1,235,402, or 3.6 percent, less than estimated expenditures in the current year. The decrease is due to two reasons. First, shifts in program support from the Fish and Game Preservation Fund to the General Fund for certain nongame and environmental activities will cause a reduction in expenditures from the Fish and Game Preservation Fund. This shift includes a budget request of \$781,740 from the General Fund to reimburse the Fish and

DEPARTMENT OF FISH AND GAME—Continued

Game Preservation Fund for the value of free fishing licenses issued by the department.

Second, the budget reflects significant reductions in program activities supported by the Fish and Game Preservation Fund and General Fund. According to information from the department, these reductions total \$3,268,600 or approximately 10 percent of the 1979-80 base budget request. Although the department cannot furnish a detailed listing of these reductions, in general they include (1) proposed closure of two fish hatcheries, (2) elimination of the warm water reservoir management study program, (3) decommissioning of the research vessel Alaska, (4) termination of various marine species studies and data collection efforts and, (5) elimination of the Marine Research Committee.

Budget Increases

The budget includes funding for the following program increases (all funds):

1. \$195,000 for expanded production of King salmon, pursuant to Chapter 961, Statutes of 1978.
2. \$141,512 in increased expenditures for waterfowl habitat improvement projects.
3. \$70,000 for expansion of the Tule Elk relocation program.
4. \$50,000 for publication of the revised Fish and Wildlife Plan.

Table 1
DEPARTMENT OF FISH AND GAME
PROGRAM CHANGES BY FUNDING SOURCE

<i>Program and Significant Changes</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Changes in Fish and Game Preservation Fund^a</i>	<i>Changes in General Fund^a</i>	<i>Changes in Environmental Protection Program Fund</i>	<i>Changes in Federal funds</i>	<i>Changes in Reimbursement</i>	<i>Changes in Other</i>	<i>Changes from 1978-79</i>
Enforcement of Laws and Regulations (reduction of 18 personnel-years including 10 wardens, \$565,004)	\$14,913,070	\$15,031,724	\$-335,896	\$+647,312	—	\$+9,855	\$-202,617	—	\$+118,654
Wildlife Management (Reduction of 116 personnel-years, \$333,711; and increased waterfowl habitat acquisitions and Tule Elk relocation activities, \$211,512)	7,882,670	7,865,167	-748,642	+586,558	\$+2,350	+242,375	-100,144	—	-17,503
Inland Fisheries (Reduction of 34 personnel-years, closure of 2 hatcheries, elimination of warmwater reservoir program, \$1.2 million)	9,639,578	8,676,012	-1,160,695	+168,296	+13,700	+71,027	-55,894	—	-963,566
Anadromous Fisheries (Miscellaneous reductions, \$107,081; and additional staff to raise King salmon, \$205,323)	5,418,139	5,501,671	+118,248	—	+3,250	+195,861	-108,827	-25,000	+83,532
Marine Resources (Reduction of 42 personnel-years, decommission of research vessel, \$850,305)	5,100,397	4,256,004	-957,335	+94,287	+5,700	+62,638	-49,683	—	-844,393
Environmental Services (Reduction of 10 personnel-years, \$224,946)	3,417,831	2,938,637	-279,728	+147,811	-291,488	+3,355	-159,144	—	-479,194
Administration (pro rata) Reduction of 3 personnel-years, \$342,999)	(3,702,258)	(3,520,716)	—	—	—	—	—	—	(-181,542)
Free Licenses (Full-year reimbursement of revenue lost due to free fishing licenses, \$781,740)	(161,696)	(781,740)	—	(+620,044)	—	—	—	—	(+620,044)
Total	\$46,371,685	\$44,269,215	\$-3,364,048	\$+2,264,308	\$-266,488	\$+585,111	\$-776,300	-25,000	\$-2,102,470

^a Includes funding shifts from Fish and Game Preservation Fund to General Fund recommended by Department of Finance funding criteria study.

DEPARTMENT OF FISH AND GAME—Continued**Control Sections 27.1 and 27.2**

The department indicates that 81 positions and \$627,000 in personal services will be eliminated in the current and budget years pursuant to Section 27.2 of the 1978 Budget Act. All but 8.5 of these positions are temporary help. Section 27.1 reductions for operating expenses and equipment are \$713,000.

Position Changes

The budget proposes to establish 149 new positions and delete 231.1 for a net decrease of 82.1 positions. Most new positions are funded through cooperative federal programs or reimbursements from other state agencies. Some of the new positions reflect administrative adjustments to shift support from the Fish and Game Preservation Fund to federal funds. Four new positions in the Anadromous Fisheries Program are proposed to increase production of King salmon. The 50 new conservation aid positions in the budget offset a reduction of 50 temporary wildlife assistant positions which are financed during the current year with federal funds.

STATUS OF FISH AND GAME PRESERVATION FUND

Recent Developments. In prior years, we have commented on the deteriorating fiscal condition of the Fish and Game Preservation Fund. However, the fund's condition has changed significantly during the current year due to several factors:

1. Chapter 855, Statutes of 1978, increased sport fishing license fees, effective January 1, 1979, and authorized the Department of Finance administratively to increase various sport fishing and hunting license fees according to an inflation factor. Other legislation effective during the current year will raise commercial fishing taxes by an average of 25 percent. In combination, it is estimated that these two measures will provide a \$2.4 million increase in revenue to the Fish and Game Preservation Fund during the budget year.

2. During the current year, the Department of Finance and the Department of Fish and Game jointly developed criteria for more accurately determining the activities that should be financed from each of the department's different funding sources. The results of this effort, as reflected in the department's 1979-80 budget, are shifts in support of various program activities from the Fish and Game Preservation Fund to the General Fund. The effect of this funding shift is discussed below.

3. Chapter 1259, Statutes of 1978, provides for an annual appropriation from the General Fund to the Fish and Game Preservation Fund for the loss of revenue attributed to the provision of free fishing licenses to certain elderly persons. This legislation appropriated \$161,696 from the General Fund to reimburse the Fish and Game Preservation Fund for part of the current year revenue loss. The budget provides \$781,740 from the General Fund to cover the full revenue loss anticipated during 1979-80.

4. Reductions imposed pursuant to Sections 27.1 and 27.2 of the 1978 Budget Act will result in unanticipated savings of \$1,245,000 to the Fish and Game Preservation Fund. Miscellaneous shifts in the cost of certain

program activities during the current and budget year from the Fund to federal funds will provide additional savings.

5. State employees received no cost-of-living salary increase for 1978-79.

Estimated Surplus. On July 1, 1978, the Fish and Game Preservation Fund had an accumulated surplus of \$6,682,711. The budget estimates that the fund will have a surplus of \$6,249,524 on July 1, 1979, and \$7,100,240 on July 1, 1980. Certain nonrecurring capital outlay projects proposed for the budget year will increase expenditures \$4,026,508 over the current year. Were it not for these increased expenditures for capital outlay, the fund surplus at the end of the budget year would be \$11,126,748.

As in previous years, the budget as submitted does not include money for a salary increase for department employees. The department indicates this salary increase could be between \$1.5 million and \$1.8 million. Based on the higher amount, this would leave a surplus of approximately \$5,300,240 at the end of the budget year.

Budgeting of Nongame Programs

We recommend that:

(1) *The department (a) report at the time of budget hearings on proposed increases in General Fund expenditures resulting from new funding criteria developed by the Department of Finance and (b) be directed to incorporate appropriate work objectives for nongame activities in preparation of its 1980-81 budget consistent with these criteria; and*

(2) *Approval of the 1979-80 budget in its present format not be construed to establish a precedent for future budget years. This format should not be adopted on a permanent basis until the Legislature has an opportunity to review the department's experience with this format and with a revised cost accounting system.*

Chapter 855, Statutes of 1978, states legislative intent that the General Fund support the actual costs of nongame and free license programs. In addition, this legislation specified that the department's commercial fishing, sport fishing and hunting programs shall each be supported from their respective sources of taxes, license fees, reimbursements and federal funds.

Budget Criteria Study. Last year the Departments of Finance and Fish and Game initiated a study to develop criteria for identifying programs benefiting nongame species so that financing for these programs could be budgeted from the General Fund. Supplemental report language directed that the study be expanded to include identification of all game, nongame and commercial fishery activities for budgeting and accounting purposes, and that a report be submitted to the Legislative Budget Committee by November 1, 1978. As of early February, 1979, the report had not been formally submitted. While we have been informally advised of its contents, this analysis is necessarily prepared on the basis of limited and unofficial information.

The Department of Fish and Game completed its work on the study in time for the study to be used in preparing the 1979-80 budget to identify game, nongame, and general activities. The study also provided the administration with revised criteria for determining the levels of General

DEPARTMENT OF FISH AND GAME—Continued

Fund support for the budget year.

Funding Shifts Unidentified. The department's 1979-80 budget does not specifically identify how the General Fund increases reflect the application of revised criteria for funding nongame activities that are recommended in the Budget Criteria Study. As indicated in Table 1, the General Fund request in Items 212 and 213 is \$2,264,308 or 96 percent higher than estimated General Fund expenditures in the current year.

Approximately 43 percent of this increase is due to (1) full year funding for the free fishing license program and (2) a shift in funding source, and an increase in the level of activity for, the Tule Elk relocation program. Presumably the balance of the increase (\$1,357,437) reflects shifts in funding from the Fish and Game Preservation Fund to the General Fund, an increase in the level of program activity or both. Neither the Department of Finance nor Department of Fish and Game have been able to provide information on this shift. It is also unknown how the current and proposed budget year reductions in personnel and operating expenses are affected by the 1979-80 General Fund request. The Department of Fish and Game should be prepared to report on these matters at the time of budget hearings. Based upon this report, we may find it necessary to modify or supplement the recommendations contained in this analysis.

Work Objectives Needed. Most of the General Fund increase for next year is distributed to support activities for which program objectives are only generally identified, if at all. We understand that the Budget Criteria Study recommends that the Department of Fish and Game incorporate work objectives for nongame General Fund-financed activities into its annual planning process. Evaluation of the extent to which the objectives have been achieved can then be used in the budgetary process. We agree with the study's conclusion, and recommend that the Legislature direct the department to incorporate work objectives in the 1980-81 budgets through appropriate supplemental report language. In future budgets, the department should be able to demonstrate its success or accomplishments in meeting program objectives in order to justify the level of General Fund support requested.

Revised Budget Format and Cost Accounting System Needs Review.

The format of the department's 1979-80 budget has been significantly revised from the current year format. The law enforcement program now identifies a separate element for protection of nongame species. The wildlife management program has consolidated four separate program elements into two new elements: "species improvement and preservation—game," and "species improvement and preservation—nongame." Each of these include new recreation services subelements for appropriate and nonappropriate use of game and nongame species. The marine resources program for 1979-80 contains similar revisions in format. The environmental services program in the current year contains two program elements: (1) "land and water," and (2) "water quality." The 1979-80 budget format identifies two additional program elements: "environmental review and evaluation," and "nongame." All of the changes in budget format reflect an attempt to provide compatibility

between the budget and cost accounting needs.

The budget identifies General Fund expenditures more explicitly by individual program elements. However, as we noted last year, changes are also needed in the department's present cost accumulation system to conform to the new funding and budgeting formats. The Departments of Finance and Fish and Game should develop new time reporting instructions in time for installation by July 1, 1979. The new budget format cannot be properly evaluated until the present cost accumulation system is converted to a more accurate cost accounting system and experience has been gained with it.

Many of the changes in the department's budget format are the result of recommendations from the joint Department of Finance-Department of Fish and Game Budget Criteria Study. As noted above, we were not provided with an official copy of this study in time to use in our analysis of the department's 1979-80 budget. Consequently, we have not had an adequate opportunity to review the study. We therefore recommend the budget be approved with the understanding that (1) the contents of the Budget Criteria Study, (2) the new budget format and (3) the revised cost accounting system will all be subject to further review by the Legislature during 1979-80.

Enforcement Activities

We recommend (1) a \$253,415 reduction in the Fish and Wildlife Assistance program to delete funding for 12.5 conservation aide positions and (2) use of these funds, instead, for support of 10 warden positions proposed for deletion.

The budget requests \$154,914 from the General Fund in Item 212 and \$864,255 from the Fish and Game Preservation Fund to continue support of 50 conservation aide positions established during the current year. Concurrently, the budget proposes a \$253,415 reduction in the department's law enforcement program to delete 10 warden positions. Two of these positions would come from the nongame wildlife protection element, while the remaining eight positions would come from the game wildlife protection element.

Two years ago, the Committee of Conference on the 1977 Budget Bill added a new Budget Item containing \$1 million from the General Fund to augment the department's budget for support of additional law enforcement activities. The Governor subsequently vetoed this item, but indicated that federal funds would be used to provide positions to assist game wardens.

During fiscal 1977-78, the department received \$1,060,350 in Public Works Employment Act (Title II) funds for 70 temporary wildlife protection assistants. These positions were used solely to assist the wardens. Last year the department established 50 new conservation aide positions to provide assistance on a permanent basis to existing staff in the law enforcement and fish and wildlife management programs. The budget in the current year provides \$500,000 from the General Fund and \$500,000 in federal funds for these positions.

The department indicates that conservation aides will now be depu-

DEPARTMENT OF FISH AND GAME—Continued

tized to enforce provisions of the Fish and Game Code and regulations of the Fish and Game Commission. The aides will also be provided weapons for this purpose.

At the same time the department is requesting \$1,019,169 to continue the conservation aide positions for assistance in law enforcement activities, it is proposing a reduction of \$471,440 to delete funding for 16 positions under the enforcement program element, 10 of which are wardens. This is illogical.

The warden positions are filled with experienced personnel who have been department employees for many years. The conservation aides would occupy new positions for the wildlife protection and enforcement program. Most of the conservation aide positions authorized in the current year are vacant, and the department indicates it does not intend to fill all of the vacant positions.

In any judgment, part of the \$1,019,169 requested to continue assistance in law enforcement activities would be better spent for the 10 warden positions during the budget year. Therefore, we recommend that funds totaling \$253,415 be redirected from the conservation aides and used to retain the wardens. This action would still provide funds for 37.5 conservation aide positions.

Hatchery Closures Inconsistent with License Fee Increase

We recommend an increase of \$790,040 to Item 215 to restore support funds for production of 2 million trout and operation of the Darrah Springs and Kern fish hatcheries.

The budget proposes a \$990,489 reduction in the department's trout program element to (1) delete support funds for 26.4 positions, (2) decrease production of catchable trout by 2 million and (3) close the Kern and Darrah Springs fish hatcheries. The Kern Hatchery capacity will be shifted to the Black Rock Hatchery which is proposed for expansion as part of the department's 1979-80 capital outlay program. No substitution is proposed for the loss of production resulting from closure of the Darrah Springs Hatchery.

The department currently operates a total of 16 fish hatcheries under its Inland Fisheries program. These hatcheries produce approximately 12 million catchable trout in addition to 10 million subcatchables and fingerlings per year. In 1979-80, the department proposes to reduce production of catchable trout by 2 million or approximately 17 percent. The reduction will be accomplished through closure of the two hatcheries (1.4 million trout) and a decrease in production of 600,000 trout at the remaining hatcheries.

The proposed reduction in the department's trout program is ill-advised for two reasons. First, the proposed expansion of the Black Rock Hatchery in Inyo County will not occur in time to offset the loss of production at the Kern Hatchery. Although monies were provided in the current year to prepare working drawings for the expansion, the drawings are not completed. As a consequence, under Item 459(f) we have withheld recommendation on whether the Legislature should approve funding for

construction in 1979-80.

Second, the Governor recently signed Assembly Bill No. 3416 (Chapter 855, Statutes of 1978), which increased the cost of a fishing license for residents by 11 percent, effective January 1, 1979. In addition, this legislation authorizes the Department of Finance to increase fishing license fees in subsequent years based on an inflation factor. Previously, license fee increases required approval of the Legislature.

Fishing license fees are the largest single source of revenue to the Department of Fish and Game. These revenues presently exceed expenditures for programs related to trout, anadromous and inland fisheries. In fiscal 1976-77, total revenues exceeded program expenditures by \$6.9 million. This excess is utilized for hunting and commercial fishing programs which are not self-supporting.

The department estimates the recent increase in the cost of a fishing license will produce an additional \$1,581,532 in revenue during 1979-80. Yet, instead of continuing program expenditures, the budget proposes a \$1,215,668 reduction in the Inland Fisheries program and production of 2 million less trout than in the current year. The resulting savings to the Fish and Game Preservation Fund will increase the amount of the surplus at the end of the budget year. Article 16, Section 9, of the Constitution restricts the use of revenues deposited in the fund to activities relating to fish and game.

We believe the department's proposed reduction is unjustified, particularly in view of the license fee increase, and recommend that funding be restored for the propagation of 2 million trout and operation of the Kern and Darrah Springs hatcheries in 1979-80. When expansion of the Black Rock Hatchery is completed, closure of the Kern Hatchery should be reevaluated.

DUCK STAMP PROJECTS

We recommend a reduction of \$75,000 from Item 217 to reflect the department's actual 1979-80 project proposals.

The budget requests \$354,000 in Item 217 from the Duck Stamp Account for developing migrating waterfowl breeding habitat in California and Canada. However, this amount was based on a request for six projects in California (\$157,400) and three projects in Canada (\$197,000) for fiscal 1979-80. The department now indicates that five projects will be constructed in California and four in Canada as follows:

	<i>Location</i>	<i>Cost</i>
California Projects		
South Fork Mountains Reservoir		\$41,000
Bear Valley Reservoir		4,000
Porcupine Reservoir		5,000
Halls Flat Reservoir		4,000
Pine Creek Wetlands, Poison Lake and Feather Lake		8,400
Total California Projects		\$62,400
Canadian Projects		
Century Marsh #1, Alberta		45,000
Century March #2, Alberta		57,000
Chilicotin Lake, British Columbia		95,000
108 Mile Marshes—Phase #2, British Columbia		20,000
Total Canadian Projects		\$217,000

DEPARTMENT OF FISH AND GAME—Continued

The amount required for the revised list of projects is \$279,400, which is \$75,000 less than the amount requested in the budget. Item 217 should be reduced accordingly.

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

Item 220 from the Wildlife Restoration Fund

Budget p. 492

Requested 1979-80	\$293,963
Estimated 1978-79.....	284,678
Actual 1977-78	163,479
Requested increase \$9,285 (3.3 percent)	
Total recommended reduction/increase	None

GENERAL PROGRAM STATEMENT

The Wildlife Conservation Board was created by the Legislature in 1947. It acquires property for the purpose of (1) protecting and preserving wildlife, and (2) providing fishing, hunting and recreational access facilities.

The board is composed of (a) the Director of the Department of Fish and Game, (b) the President of the Fish and Game Commission, and (c) the Director of the Department of Finance, and has a staff of eight. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

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

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

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item requests \$293,963 from the Wildlife Restoration Fund to support the staff of the Wildlife Conservation Board. The board's current year expenditure estimates and budget year request indicate that no reductions in personal services or operating expenses were imposed by the Department of Finance pursuant to Sections 27.1 and 27.2 of the 1978

Budget Act. The \$9,285 increase in budget year expenditures reflects higher costs as follows:

1. \$1,820 in personal services due to merit increases;
2. \$5,375 in staff benefits for retirement contributions; and
3. \$2,375 in operating expenses and equipment.

The budget request continues the existing level of service and staff.

**Resources Agency
DEPARTMENT OF BOATING AND WATERWAYS**

Items 221-226 from the General
Fund and the Harbors and
Watercraft Revolving Fund

Budget p. 497

Requested 1979-80	\$12,280,916
Estimated 1978-79	13,597,208
Actual 1977-78	14,489,928
Requested decrease \$1,316,292 (9.7 percent)	
Total recommended reduction	Pending

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
221	Support of beach erosion control program	General	\$230,782
222	Support of boating programs	Harbors and Watercraft Revolving	2,030,134
223	Loans to local agencies for marina and harbor development	Harbors and Watercraft Revolving	6,350,000
224	Grants to local agencies for launching facilities	Harbors and Watercraft Revolving	1,670,000
225	Subventions to counties for boating safety and law enforcement	Harbors and Watercraft Revolving	1,900,000
226	For emergency repairs and payment of deficiencies in appropriations	Harbors and Watercraft Revolving	100,000
	Total		\$12,280,916

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | <i>Analysis page</i> |
|--|----------------------|
| 1. <i>Fund Balances.</i> Recommend department report on possible reductions in boating revenues and alternative uses of surplus balances in the Harbors and Watercraft Revolving Fund to the Joint Legislative Budget Committee by November 1, 1979. | 497 |
| 2. <i>Channel Island Marina.</i> Recommend Budget Bill language prohibiting encumbrance of funds for construction until the project is approved by the California Coastal Commission. | 501 |
| 3. <i>Long Beach Downtown Marina. Reduce Item 223(c) by \$100,000.</i> Recommend deletion because the city has decided to construct an alternate project. | 501 |

DEPARTMENT OF BOATING AND WATERWAYS—Continued

- | | |
|--|-----|
| 4. <i>Redwood City Marina. Reduce Item 223(e) by \$1,000,000.</i> | 501 |
| Recommend deletion because the environmental impact report has not been completed. | |
| 5. <i>Local Assistance, Boating Law Enforcement. Recommend approval of \$1,900,000 in Item 225 be withheld. Additional information is needed to determine the adequacy of the requested appropriation.</i> | 502 |

GENERAL PROGRAM STATEMENT

Chapter 365, Statutes of 1978, changed the name of the Department of Navigation and Ocean Development to the Department of Boating and Waterways in order to better describe the department's functions.

The department has three major functions. First, it constructs recreational boating facilities for the state park system and State Water Project reservoirs. It also makes loans to local government to help finance the development of small craft marinas and harbors, and makes grants to help finance new boat launching facilities.

Second, the department makes grants to local agencies for boating safety and for law enforcement, and coordinates education programs of boating organizations.

Third, the department administers the state's yacht and ship brokers' licensing program to protect the public from fraud.

In addition, the department coordinates the work of other state and local agencies and the U.S. Corps of Engineers in implementing the state's beach erosion control program. As part of this program, the department participates with other agencies in studies of beach erosion and associated shore zone processes.

The department consists of approximately 65 employees and has a seven-member advisory commission.

ANALYSIS AND RECOMMENDATIONS

The department's total expenditures for support and local assistance, by program, are shown in Table I. Total expenditures for the budget year are \$12,430,916, which is a net decrease of \$1,316,292 or 9.6 percent from the amount estimated to be expended in the current year. The decrease is due primarily to: (1) a \$330,000 reduction in reimbursements for beach erosion control local assistance projects, and (2) a \$913,000 reduction in local assistance loans for small craft marina projects. Such changes in program level are not unusual because the number of local beach erosion and marina projects ready for budgeting varies from year-to-year.

Total expenditures in Table I differ from the total appropriations shown in the Budget Bill because (1) \$250,000 of unappropriated federal funds are included in the table and, (2) the \$100,000 appropriation in the Budget Bill for emergency repairs (Item 226) is not included in the table because it is in essence an emergency fund which may not be needed. In addition, program expenditures for marina loans shown in the table exceed the expenditure shown in the Governor's Budget because the department has improperly reduced the estimated total of the loans by \$981,322, which is the amount estimated to be received in repayment of principal on out-

standing loans. This amount is actually a revenue to the Harbors and Watercraft Revolving Fund and should be shown as such rather than as an expenditure reduction. This budgeting practice understates total expenditures and should be discontinued. However, because this has been done in past years, the current year and budget year expenditure comparisons are not distorted.

Table 1
Department of Boating and Waterways
Program Changes by Funding Source

<i>Program</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Changes in General Fund</i>	<i>Changes in Harbors and Watercraft Revolving Fund</i>
Support				
Beach erosion control	\$246,064	\$230,782	\$ -15,282	—
Boating facilities	1,130,974	1,127,582	—	\$ -3,392
Boating safety and enforcement	\$1,130,170	1,152,552	—	22,382
Local Assistance				
Beach erosion control—subventions	405,000 ^a	—	-405,000	—
Harbors and marinas—loans	7,263,000	6,350,000	—	-913,000
Launching ramp—grants	1,672,000	1,670,000	—	-2,000
Boating safety and enforcement— subventions	1,900,000 ^b	1,900,000 ^b	—	—
Totals	\$13,747,208	\$12,430,916	\$ -420,282	\$ -896,010

^a Includes \$330,000 reimbursement from Collier Park Preservation Fund.
^b Includes \$250,000 federal funds.

It is anticipated that total revenues will be approximately \$11,663,217 in the budget year. Revenue sources are shown in Table 2. Except for money from the General Fund to support beach erosion control, all revenues are deposited in the Harbors and Watercraft Revolving Fund.

Table 2
Revenues by Sources of Funding in Fiscal Year 1979-80

Transfer from Motor Vehicle Fuel Account (boaters' gasoline taxes)	\$6,600,000
Revenue from boat registration fees	137,869
Boat launching fees (state park reservoirs)	338,649
Interest on loans to local agencies	944,595
Repayment of principal on loans to local agencies	981,322 ^a
Interest from surplus money investment fund	2,100,000
Yacht brokers' license fees and penalties	80,000
General Fund (for beach erosion control)	230,782
Federal funds (for boating safety subventions)	250,000
Total revenues	\$11,663,217

^a Shown incorrectly in Governor's Budget as a negative expenditure rather than as revenue.

Fund Balances in Excess of Needs

We recommend that the department be directed to submit to the Joint Legislative Budget Committee by November 1, 1979, an analysis of possible reductions in boating revenues and alternative uses of surplus balances in the Harbors and Watercraft Revolving Fund.

Harbors and Watercraft Revolving Fund. The department estimates

DEPARTMENT OF BOATING AND WATERWAYS—Continued

that the unappropriated surplus in the Harbors and Watercraft Revolving Fund will be approximately \$2 million on July 1, 1979, and that this balance will be reduced to approximately \$1.1 million by the end of the budget year. However, past experience indicates that the department's estimates of program expenditures have been substantially overstated, as shown in Table 3. This has occurred because many marina loan projects have proceeded more slowly than anticipated or have been stalled due to various environmental and technical problems.

Table 3
Harbors and Watercraft Revolving Fund
Estimated and Actual End of Year Surplus

<i>Fiscal Year</i>	<i>Original Estimated Surplus</i>	<i>Mid-Year Budget Estimated Surplus</i>	<i>Actual Surplus</i>
1975-76	\$97,458	\$7,629,393	\$10,992,173
1976-77	1,866,074	3,537,037	6,943,164
1977-78	98,187	2,618,516	3,295,410
1978-79	67,267	2,067,178	—
1979-80	1,224,393	—	—

Based on experience, the ending balances in the current year and again in the budget year may be much higher than estimated. In addition, the accumulated surplus undoubtedly will increase due to reversions of monies which are currently encumbered under contracts with local agencies. For example, we anticipate that \$2 million which is under contract for the Port San Luis Harbor project will be returned to the fund when the contract expires in the budget year. This project has been disapproved by the California Coastal Commission. As a consequence, the unappropriated balance in the fund at the end of the budget year may be \$5 million to \$6 million rather than \$1.1 million as estimated.

Surplus Money Investment Fund. The department deposits its surpluses from the Harbors and Watercraft Revolving Fund, including unexpended funds which are encumbered under contract to local agencies, in the Surplus Money Investment Fund. This fund serves as an investment account for idle monies from various state funds.

On November 30, 1978, the department had \$27,129,000, including \$21,058,856 previously appropriated and encumbered under contract to local agencies on deposit in the Surplus Money Investment Fund. During the budget year the department has budgeted interest earnings of approximately \$2.1 million. This indicates that deposits averaging approximately \$30 million are anticipated in the budget year.

Analysis Needed. The continuing presence of a substantial surplus of boating monies in the Harbors and Watercraft Revolving Fund and the Surplus Money Investment Fund clearly indicates that the department's projects are lagging and its available resources are in excess of its actual needs. As a consequence, we recommend that the department be directed to investigate and consider: (1) possible reductions in its revenues from boaters' fees and gas tax transfers, and (2) alternative uses of the surplus for other boating related purposes.

In view of the impacts of Proposition 13 on government agencies supported from General Fund revenues, the department should give priority in its analysis to use of its surplus monies to aid local agencies and the Department of Parks and Recreation in meeting operation and maintenance costs for marinas, launching ramps and other facilities used by boaters, such as recreational day-use areas and boat-in campgrounds. Some local boating facilities are self-supported through collection of various fees and concession rentals. However, many other facilities are by law either free to the boaters or generate insufficient revenues to defray all costs. Use of surplus boating revenues to supplement or supplant local property tax revenues or state General Fund resources for support of such boating facilities might be appropriate.

BEACH EROSION CONTROL (ITEM 221)

The objectives of the department's Beach Erosion Control program are: (1) to participate in joint studies of beach erosion and other coastal processes with the U.S. Corps of Engineers, the U.S. Geological Survey and the National Oceanic and Atmospheric Administration and (2) coordinate and implement measures to protect and preserve the state's coastal resources such as beaches, harbors and shoreline (including wildlife habitat areas) from erosion and wave damage. This program involves cooperative efforts with federal, state and local agencies. Major beach, harbor and shoreline protection projects are constructed by the U.S. Corps of Engineers.

The department's request from the General Fund for the budget year totals \$230,782 (3 personnel-years), a decrease of \$420,282 or 65 percent from current year expenditures for support and local assistance. This decrease is due primarily to a reduction of \$405,000 in local assistance for beach erosion control projects. No local assistance projects were included in the department's request for the budget year. In the current year, \$75,000 was appropriated from the General Fund for beach erosion control at La Playa Beach, San Diego Bay. In addition, \$330,000 was transferred to the department from the Collier Park Preservation Fund for sand replenishment at Bolsa Chica State Beach (Item 459(b), Budget Act of 1978). We believe by the beginning of the 1979-80 fiscal year, there may be some projects ready for state assistance. To the extent that these projects are necessary the budget is underfunded.

Studies of Coastal Processes

The coastline of California, particularly its sandy beaches, is being eroded by waves and wave generated longshore currents. To further compound this problem, the urbanization of many coastal areas and the construction of water conservation and flood control dams and channels has seriously reduced sources of sediments which are needed for continual natural replenishment of coastal beaches.

Since the beach erosion control program was established in 1969, the department has been primarily involved in studies of coastal processes such as wave and wind climates, regional sand movement patterns, sediment transport in coastal rivers and streams, and shore line and beach profiles. In addition, it has also studied erosion control procedures, sand

DEPARTMENT OF BOATING AND WATERWAYS—Continued

replenishment methods, and the effects of coastal structures on waves and sand movement.

In performing these studies, the department has collected useful information about coastal processes. However, erosion control projects have been undertaken to only a limited extent at critical locations, particularly in southern California, which need protection. For example, although beach areas in the Counties of Los Angeles, Orange, and San Diego were seriously damaged by storm waves in March and April 1978, no projects to protect these beaches have been undertaken.

Assignment of Responsibility

In response to questions we raised in prior years about the lack of effective erosion control projects and fragmentation of responsibilities for the erosion control program among various departments (primarily Department of Boating and Waterways, State Lands Division, and California Coastal Commission), the Resources Agency in 1977 created a coordinating group to study the state's role in beach erosion control. The Supplemental Report of the Committee of Conference on the 1977 Budget Bill requested the Legislative Analyst to monitor the study. Subsequently, the Supplemental Report of the Committee of Conference on the 1978 Budget Bill requested the Resources Agency to complete its study on beach erosion and submit a report to the Legislature by September 1, 1978, on: (1) specific program plans and policies, (2) needed funding sources and levels, and (3) assignment of program responsibilities.

The agency has not submitted the required report to the Legislature. By letter dated September 4, 1978, the Resources Agency indicated to our office that it intended to respond fully to the Legislature on this matter in the Governor's 1979-80 Budget. However, no proposal has been included in the Governor's Budget. We have been informed that legislation is being drafted by the agency which will assign primary responsibility for management of the program to the California Coastal Commission on January 1, 1980.

DEPARTMENTAL SUPPORT (ITEM 222)

The department's request for support of its boating facilities and boating safety and enforcement programs is \$2,030,134 in Item 222. This reflects an increase of \$31,010 or 1.5 percent above the current year.

We recommend approval.

LOANS FOR MARINA AND HARBOR DEVELOPMENT (ITEM 223)

The department's request for marina and harbor development loans to local agencies is \$6,350,000, as shown in Table 4. The loans provide for repayment terms of 30 years at 4.5 percent interest. The requests for Benicia Channel Islands, Oyster Point and Richmond are continuations of projects begun in previous years. Long Beach and Redwood City are new projects.

Table 4
Small Craft Harbor Loans
1979-80 Fiscal Year

<i>Project</i>	<i>Number of Boaters</i>	<i>Description</i>	<i>Project Status</i>	<i>Amount</i>
1. Benicia Marina, Solano County	309	Construction	Continuing	\$400,000
2. Channel Islands Marina, Ventura County	—	Construction	Continuing	2,000,000
3. Long Beach Downtown Marina	650	Plans and Specifications	New	100,000
4. Oyster Point Marina, San Mateo County	317	Construction	Continuing	1,800,000
5. Redwood City Marina, San Mateo County	200	Rehabilitation	New	1,000,000
6. Richmond City Marina	500	Construction	Continuing	1,000,000
7. Planning loans—statewide	—	—	—	50,000
Total proposed loans				<u>\$6,350,000</u>

Channel Islands Marina

We recommend the addition of Budget Bill language prohibiting encumbrance of funds for construction of the Channel Islands Marina until the project is approved by the California Coastal Commission.

The department requests \$2 million for expansion of the Channel Islands Harbor Marina. The total cost of the project is estimated to be \$3.3 million. Berthing facilities in the new basins will be financed by a private concessionaire.

This is a continuing project which received \$600,000 in the current year. However, the project is delayed awaiting approval by the California Coastal Commission. We recommend adoption of Budget Bill language to require that approval of the California Coastal Commission be secured before any of the new funds are encumbered for construction purposes.

Long Beach Downtown Marina

We recommend deletion of \$100,000 for the Long Beach Downtown Marina (Item 223 (c)) because local residents have approved an alternate project.

The department requests \$100,000 as an initial appropriation for the Long Beach Downtown Marina project located on the downtown shoreline of Long Beach. The total cost of the project is estimated to be approximately \$11,370,000. Financing is planned with \$8,850,000 of state loan funds and \$2,520,000 of city revenue bonds.

This appropriation is not needed. In the November 1978 election, city voters selected an alternate project in the vicinity of Grissom Island. This alternate project has been given priority in the Local Coastal Program which is being developed for the Long Beach area. This is the second time we have recommended deletion of this project because of changes in its geographic location.

Redwood City Marina

We recommend deletion of \$1,000,000 for the Redwood City Marina (Item 223(e)) because the Environmental Impact Report for this project has not been completed.

The proposed project consists of the rehabilitation of the existing Redwood City Marina including expansion of the boat basin for 200 berths, the

DEPARTMENT OF BOATING AND WATERWAYS—Continued

upgrading of facilities, and the improvement of commercial areas (restaurant, yacht sales, marine stores and other ancillary facilities). The total cost of the project is estimated to be approximately \$1 million with all funds coming from the requested loan.

This appropriation should be deleted because the environmental impact report for the project has not been completed and approved as provided by the California Environmental Quality Act.

LAUNCHING FACILITY GRANTS (ITEM 224)

The department requests \$1,670,000 for 10 launching facility grants to local governments as shown in Table 5. Two grants involve new facilities, two involve continuation of new projects which are underway, and five are for expansion and improvement of existing facilities. These projects generally include restrooms, parking areas and landscaping, but funds for floating restrooms and for emergency repairs and extensions to existing launching ramps are also provided.

Table 5
Launching Facility Grants
1979-80 Fiscal Year

<i>Project</i>	<i>Launching Lanes</i>	<i>Project Status</i>	<i>Grant Amount</i>
1. Basso Bridge, Stanislaus County.....	2	New	\$135,000
2. Crescent City	2	Continuing	60,000
3. East Bay, San Leandro	2	New	300,000
4. Lucerne, Lake County	Existing	Expansion	50,000
5. Monterey	2	Continuing	115,000
6. Redwood City	Existing	Expansion	300,000
7. Skinner Lake, Riverside County	Existing	Expansion	100,000
8. Stones' Landing, Lassen County	Existing	Expansion	250,000
9. Suisun City, Solano County	Existing	Expansion	220,000
10. Floating Restrooms			100,000
11. Ramp repairs and extensions			40,000
Total			<u>\$1,670,000</u>

GRANTS FOR BOATING LAW ENFORCEMENT (ITEM 225)

Item 225 requests \$1.9 million for local assistance grants to cities and counties which are involved in boating safety and law enforcement. The purpose of the program is to provide financial assistance to those cities and counties where nonresident boats are used extensively.

Indirect Impact of Proposition 13

We recommend that approval of \$1,900,000 (Item 225) for the Boating Law Enforcement program be withheld. Additional information is needed to determine the indirect impact of Proposition 13 on local boating law enforcement agencies and the adequacy of the requested appropriation.

The department's request for \$1.9 million for subventions to local boating enforcement agencies (primarily county sheriffs) is based on the calculated difference between the level of funding needed in prior years and any deficiencies in local property tax resources to finance the need. Ap-

plications are presently being received by the department from qualified local agencies for subventions in the budget year.

Proposition 13 reduced taxes on real property, and because the California Constitution (Article 13, Section 2) provides that "(taxes) on personal property shall not be higher than (taxes) on real property in the same jurisdiction," there has also been a reduction of personal property tax revenues from boats. This is evident in the requests for increased subventions in the applications received to date.

We recommend that approval of the department's request be withheld. More information is needed in order to determine the immediate affects of Proposition 13 on this local assistance program and the level of funding needed in the budget year.

EMERGENCY REPAIRS AND PAYMENT OF DEFICIENCIES (ITEM 226)

Item 226 provides \$100,000 to the department for emergency repairs to boat launching ramps and other facilities which have been damaged by such things as tidal waves or severe storms. This money would also be available to meet deficiencies in appropriations made for the department's boating programs.

We recommend approval.

**Resources Agency
CALIFORNIA COASTAL COMMISSION**

Items 227-229 from the General
Fund

Budget p. 506

Requested 1979-80	\$5,841,530
Estimated 1978-79.....	6,189,711
Actual 1977-78	6,428,707
Requested decrease \$348,181 (5.6 percent)	
Total recommended reduction	None

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
227	State Operations	General	\$5,085,105
228	Assistance to Local Planning Agencies	General	356,425
229	Legislative Mandates	General	400,000
Total			\$5,841,530

GENERAL PROGRAM STATEMENT

The California Coastal Commission implements the coastal management program as provided in the California Coastal Act of 1976 and subsequent amendments. The act created a 15-member, part-time state commission and, for an interim period, six regional commissions. Chapter 1076, Statutes of 1978, extended the termination date of the regional commissions from June 30, 1979 to June 30, 1981.

The commission regulates development in the coastal zone. It also assists local government in preparing local coastal programs (LCPs) which will implement the policies of the California Coastal Act at the local level.

CALIFORNIA COASTAL COMMISSION—Continued

After the commission certifies the LCPs, regulation of most coastal development will be delegated to local government.

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

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 210 employees serving as staff to the commissions.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The Governor's Budget proposes total expenditures of \$10,290,530 from all sources for support of the California Coastal Commission in 1979-80 as indicated in Table 1.

Table 1
California Coastal Commission
Source of Funding 1979-80

General Fund (Item Nos. 227, 228, 229)	\$5,841,530
Federal coastal zone management funds	2,690,000
Federal coastal energy impact funds	1,705,000
Reimbursements	54,000
Total Expenditures	<u>\$10,290,530</u>

The total proposed expenditure of \$10,290,530 is a decrease of \$1,759,773 or 14.6 percent from estimated current year expenditures of \$12,050,303. The decrease does not reflect any change in the commission's ongoing support activities. Rather, it reflects the fact that 1978-79 expenditures were higher than normal because of certain nonrecurring costs. These include \$1.8 million in federal funds carried over from 1977-78 for local assistance and \$500,000 expended in 1978-79 to complete liquified natural gas (LNG) and short-term studies. The 1979-80 budget proposes increased expenditures of \$500,000 in federal coastal energy impact funds and approximately \$200,000 for operating expense price changes, merit salary adjustments and increased staff benefits. Our review indicates these changes are justified. Table 2 shows the expenditure changes for 1979-80.

Table 2
California Coastal Commission
Expenditure Changes from 1978-79 to 1979-80

Total 1978-79 Estimated Expenditures.....		\$12,050,303
1. Carryover from 1977-78 to 1978-79 only of local assistance federal coastal zone management funds	\$-1,820,021	
2. Completion of LNG studies in 1978-79 funded by Chapter 855, Statutes of 1977	-443,703	
3. Completion of 4 miscellaneous short-term studies in 1978-79 financed by federal funds or reimbursements.....	-93,531	
4. Increase in federal coastal energy impact funds for 1979-80	501,960	
5. Merit salary adjustments for 1979-80	36,667	
6. Increased staff benefits in 1979-80	59,246	
7. Other changes	-391	
Total Change.....	<u>\$-1,759,773</u>	
Total 1979-80 Proposed Expenditures		<u>\$10,290,530</u>

Reductions Per Sections 27.1 and 27.2

The commission's budget indicates a reduction in 1978-79 of \$205,000 in personal services (9.9) and \$107,000 in operating expenses and equipment pursuant to Sections 27.2 and 27.1, Budget Act of 1978. The Department of Finance indicates that salary savings will be increased in 1978-79 by \$205,000 to accomplish the reduction in personal services.

For 1979-80 the reduction of \$205,000 pursuant to Section 27.2 in personal services is as follows:

1. Reduction of 6 identified positions	\$83,964
2. Reduction equivalent to 3.9 positions through increase in salary savings	96,036
3. Reduction in staff benefits	25,000
Total Section 27.2 reduction	\$205,000

The budget narrative indicates that the position reductions will be prorated among elements of the coastal management program as follows:

<i>Program Element</i>	<i>Positions</i>
Regulation of development	4
Local coastal program preparation	1
Statewide planning and support studies	1
Total reduction	6

The budget continues the regional office staffing of 141 positions through 1979-80.

COASTAL MANAGEMENT PROGRAM IMPLEMENTATION

The major program of the California Coastal Commission (CCC) provides for the implementation of the California Coastal Act of 1976. Total funding of \$8,095,885 from all sources is budgeted for this program to assist local agencies in bringing their general plans into conformity with the Coastal Act, and to regulate development in the coastal zone during the time the planning is being done. In addition, the CCC carries on planning and support studies involving major issues related to local coastal plans and permit regulations. Finally, 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 and, through the regulatory process, developing standards for oil and gas facilities.

Revised Budget Format

Last year in the *Analysis of the Budget Bill* we commented that the commission's budget format did not show the effort proposed for permits separately from local coastal plan (LCP) work because the two activities were budgeted within one program element. The 1979-80 budget shows

CALIFORNIA COASTAL COMMISSION—Continued

the permit and LCP work in separate elements.

Regulation of Development

Commission regulation of coastal zone development is primarily a short-term workload. After local governments have prepared, and the commission has certified, the LCPs, most development controls will revert to local government and the role of the state will be largely appellate.

However, at present about 7,150 applications for development permits are filed annually with the regional commissions and the state commission processes over 500 appeals of regional commission decisions. For 1979-80, the budget shows 99 personnel-years and \$2,795,447 will be devoted to regulating development. The amount of effort budgeted for this element has been declining slightly because the commission has favored an increased effort to prepare LCPs.

Local Coastal Program (LCP) Preparation

The California Coastal Act requires each local government within the coastal zone to prepare an LCP and submit it to the commission for certification by January 1, 1981. There are 15 counties and 53 cities involved. 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 California Coastal Act policies and (2) developing planning work programs for preparation of appropriate local coastal programs. For 1979-80 the budget shows 68 personnel-years and \$4,249,007 devoted to LCP work including federal local assistance funds.

Most of the local agencies have begun their LCP work. However, the preparation or modification of existing land use plans is a slow process. The commission estimates that about 80 percent of the LCPs will be certified by the July 1, 1981 deadline specified in the Coastal Act. If the LCP work results in quality, workable programs, an 80 percent completion rate should be acceptable. Continuing LCP work beyond July 1, 1981, however, would result in the continuation of state expenditures for planning and the certification process.

Federal Consistency

The federal courts have upheld the U.S. Department of Commerce's action in approving the California Coastal Zone Management Program submitted by the commission. Under terms of the federal Coastal Zone Management Act, all federal agencies must now carry out their activities consistent with the state coastal program. The California Coastal Commission has the responsibility for determining consistency of federal activities in the coastal zone with the state program.

The effect of the court's ruling on the commission's budget is uncertain. In December 1978, the commission entered into a contract with the U.S. Environmental Protection Agency which provides a legal counsel to the commission for one year to develop regulations on federal consistency and assist on other energy-related legal matters. It appears likely that most added commission workload which might arise from federal consistency

requirements will be federally funded and will not increase state or local costs.

COASTAL ENERGY IMPACT PROGRAM

The objective of the Coastal Energy Impact Program (CEIP) is to prevent and mitigate the adverse effects of energy development in the coastal zone. The total program cost is estimated to be \$1,238,685 in 1978-79 and \$1,740,645 in 1979-80. The budget year cost is financed by \$1,705,000 in federal funds and \$35,645 from the General Fund.

Six positions are funded by this program. Two of those positions, established in the current year, are to coordinate and develop the state's position on federal outer continental shelf lease sales, exploration and development.

Coastal Energy Impact Program Grants

Item 227(c) provides \$1,516,420 for federal CEIP grants to state and local agencies and councils of government which can be used to:

1. Plan for the impact of coastal energy activities.
2. Plan for the onshore and offshore effects of outer continental shelf oil and gas exploration.
3. Prevent, reduce or repair damages to environmental or recreational resources caused by coastal energy activities.

Projects must qualify under federal guidelines and reflect the allocation priorities developed by the Coastal Commission and the Office of Planning and Research. Priority is given to projects which assist the LCP process.

The 1979-80 projects to be funded from the federal grant money are unknown because applications for 1979-80 grants need not be submitted until July 1979.

Local agencies which received grants in calendar year 1978 include Santa Barbara and Ventura Counties, the cities of Laguna Beach and Huntington Beach, several regional planning agencies and the San Diego Air Pollution Control District. Grant projects have included monitoring of air quality in the Santa Barbara Channel and determining the air quality and land use impacts of outer continental shelf activity in the San Diego area.

LOCAL ASSISTANCE (ITEM 228) AND LEGISLATIVE MANDATES (ITEM 229)

Local Assistance

The budget provides \$2,101,425 for local assistance in 1979-80 consisting of:

Federal funds.....	\$1,345,000
Item 228, General Fund	356,425
Item 229, Legislative Mandates	400,000
Total.....	\$2,101,425

The California Coastal Act provides that at least 50 percent of 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 commission expects to receive \$2,690,000 in federal funds (Section 306 management grants) in 1979-80 of which one-half (\$1,345,000) is budgeted

CALIFORNIA COASTAL COMMISSION—Continued

for local agencies. The budget also includes \$356,425 from the General Fund to provide the local match for the federal grants.

Legislative Mandates

Item 229 provides \$400,000 for state mandated local costs attributable to the Coastal Act. This item funds local costs that may not be eligible under Item 228 (local assistance). The item also includes control language specifying that none of the funds may be disbursed to any local entity unless the Coastal Commission has first determined that federal funds are not available to cover the costs.

Chapter 1075, Statutes of 1978, clarified the procedure for approving the payment of local costs. It requires that local claims for mandated costs be submitted to the Coastal Commission for review by the executive secretary to determine that each claim is based on authorized work programs and is not otherwise funded. The executive secretary then refers the claim and his recommendation to the Controller for payment.

Resources Agency**DEPARTMENT OF PARKS AND RECREATION**

Items 230 and 235 from the
General Fund and Items 231-
234 and 236 from various
funds

Budget p. 516

Requested 1979-80	\$84,840,006
Estimated 1978-79	110,671,370
Actual 1977-78	84,449,614
Requested decrease \$25,831,364 (23.3 percent)	
Total recommended reduction	\$11,058,864

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
230	Department Support	General	\$52,588,937
231	Department Support	Park and Recreation Revolving Account, General Fund	225,256
232	Department Support	Collier Park Preservation	1,451,723
233	Department Support	Off-Highway Vehicle	929,760
234	Boating Safety	Harbors and Watercraft Revolving	246,780
235	Local Assistance Grants for urban parks	General	10,000,000
236	Local Assistance Grants for historic preservation and recreation projects	Federal funds	19,397,550
	Totals		\$84,840,006

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

- | | |
|--|-----|
| 1. Recommend department report to fiscal subcommittees on its progress in state park planning, and on its ability to do this work with reduced staff. | 512 |
| 2. Recommend department submit to fiscal subcommittees a report on its acquisition backlog showing priorities and completion dates. Recommendations for needed reversions of low priority projects should be included. | 513 |
| 3. Recommend department report to fiscal subcommittees on progress of Irvine Coast acquisition. | 520 |
| 4. <i>Recommend increased reimbursements in Item 230 of \$133,717</i> to restore five positions in department's acquisition program. | 520 |
| 5. Recommend department submit to the fiscal subcommittees a report on pending condemnations and inverse condemnations with recommendations for establishing reserves for litigation awards. | 521 |
| 6. <i>Recommend increase of reimbursements in Item 230 of \$235,667</i> to restore nine positions in department's facilities design and construction program. | 528 |
| 7. Recommend department submit to the Joint Legislative Budget Committee by November 1, 1979, an analysis of possible reductions in Off-Highway Vehicle Fund revenues and alternate uses of fund surpluses. | 528 |
| 8. Recommend the department study state, local and federal park user fees and increase state fees to improve revenue-to-operating cost ratio for the state park system. | 532 |
| 9. <i>Recommend reduction of \$338,158 in Item 230</i> to delete 8.5 positions for patrol of new acquisitions and operation of new park units. | 533 |
| 10. Recommend disapproval of "proposed" conversion of \$207,418 from temporary help and operating expenses to 17.8 permanent ranger and headquarters positions. | 534 |
| 11. <i>Recommend deletion of \$10,000,000 under Item 235.</i> Grants for acquisition and development of new local parks are not a high priority following passage of Proposition 13. | 536 |
| 12. <i>Recommend reduction of \$1,090,090 in Item 230</i> for professional and consulting services because of insufficient justification. | 537 |

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

DEPARTMENT OF PARKS AND RECREATION—Continued

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 consists of approximately 257 units containing over one million acres with park visitations of over 66 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 237 and 238.

ANALYSIS AND RECOMMENDATIONS

The department's total proposed expenditures in the budget year for support and local assistance are \$103,368,924 (2,541.3 personnel-years). This includes expenditures from all sources, including federal funds and reimbursements and represents a net decrease of \$68,609,741, or 39.9 percent, from the amount estimated for the current year. The decrease is due primarily to a \$65,265,504 or 61.2 percent reduction in state and federal financial assistance to local recreational agencies.

The department's proposed General Fund budget, as requested in Items 230-236, is \$84,840,006. This reflects a net decrease of \$25,831,364, or 23.3 percent below the current year.

The department's grant programs for local park projects will peak in the current year. The state funded grant programs are expected to be completed by the middle of the 1980-81 fiscal year unless new funds are made available. Federally funded grant programs are expected to continue in future years, but at a reduced rate.

The department's proposed support budget also provides for a net decrease of \$3,344,237, or 5 percent, in its support expenditures. This primarily results from planned reductions of 380 net positions in headquarters and operations staff. Most of this reduction in staff (330 positions) is attributed to the completion in the budget year of short-term projects which are funded under Title II of the Public Works Employment Act. These projects entail (1) archeological and historical research, (2) repair of storm damage at Big Basin State Park and other units and (3) restoration of historic railroad equipment for the State Railroad Museum.

The proposed cutback in staffing also includes a reduction of 127 positions in headquarters staff in response to the Governor's order to reduce state expenditures, and a reduction of 90 positions pursuant to Control Section 27.2 of the 1978 Budget Act. The budget also includes staff increases of 141 new positions for field operations and for fabrication of exhibits for the State Railroad Museum and for the State Capitol Museum area in the west wing.

Table 1 summarizes estimated and proposed expenditures by program and funding source for the current and budget years.

Table 1
Department of Parks and Recreation
Program Changes by Funding Source

<i>Program Expenditures</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Changes In</i>				<i>Increase Over 1978-79</i>	<i>Percent Decrease</i>
			<i>General Fund</i>	<i>Special Funds</i>	<i>Federal Funds</i>	<i>Reimbursements</i>		
Statewide parks planning	\$952,431	\$765,496	\$-124,451	\$44,264	\$1,102	\$-107,850	\$-186,935	19.6%
Development of the state park system	6,840,511	5,775,427	-125,461	-365,901	3,210	-576,932	-1,065,084	15.6%
State park operations	55,073,877	53,394,246	1,236,215	-119,263	67,388	-2,863,971	-1,679,631	3.1%
Resources preservation	2,431,618	2,019,031	-146,095	5,895	10,845	-283,232	-412,587	16.9%
Assistance to local park agencies..	106,680,228	41,414,724	-22,722,046	-39,335,027	-3,334,719	126,288	-65,265,504	61.2%
Administration (distributed)	(7,191,186)	(6,587,404)	—	—	—	—	(-603,782)	8.4%
	<u>\$171,978,665</u>	<u>\$103,368,924</u>	<u>\$-21,881,838</u>	<u>\$-39,770,032</u>	<u>\$-3,252,174</u>	<u>\$-3,705,697</u>	<u>\$-68,609,741</u>	<u>39.9%</u>

DEPARTMENT OF PARKS AND RECREATION—Continued**STATEWIDE PARKS AND RECREATION PLANNING (ITEMS 230-233)**

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 the (1) Continuing Statewide Planning Process, (2) State Park System Plan and (3) Multi-Year Capital Outlay Program.

The proposed expenditures for this program are \$765,496 (28.2 person-years), a decrease of \$186,935, or 19.6 percent from the current year. Five positions would be reduced for pre-acquisition and development planning. Five positions would be reduced for the Statewide Needs Analysis Study. One position would be reduced for planning of Off-Highway Vehicle (OHV) projects. Two and one-half positions would be added for capital outlay planning.

Management Deficiencies Delay Planning

We recommend the Department of Parks and Recreation report to the fiscal subcommittees at the time of budget hearings on its progress in implementing the state park system planning programs and on its ability to continue this work with reduced staff.

The Legislature in the Budget Act of 1976 and again in the Budget Act of 1977, directed the department to establish an ongoing process for developing state park system plans. These actions were taken because the master plan for the state park system was last revised in 1968 and the department was lacking adequate planning capability to update its plans for orderly acquisition, development and operation of the state park system.

To assist the department in this essential task, the Legislature provided funds for additional planning positions and for a Statewide Needs Analysis Study. In the interest of obtaining results as quickly as possible, the Legislature also directed the department, in the Budget Act of 1978, to submit an updated state park system plan to the Legislature on a biennial basis, with the first one due on September 1, 1979.

In spite of commitments made by the department in fiscal and policy committee hearings that it would aggressively implement an effective planning program, it is not getting the job done. Problems are not being thought through and progress is, for the most part illusory. The problem appears to be fundamentally the result of management deficiencies in setting objectives and directing the work of planning staff.

We doubt that the department can reduce its planning staff by 8.5 positions and still provide adequate and timely plans for future state actions in the park and recreation area. We particularly question the department's intention to delete 5 positions for the Statewide Needs Analysis Study. This will leave only one position to implement and update this computerized system for which the Legislature has provided over \$1 million. Lacking a thorough impact analysis of the department's proposed cuts, we are not in a position to recommend an augmentation to restore these planning positions, at this time. To permit such an analysis, we recommend that the department report to the fiscal subcommittees at the

time of budget hearings on its progress in implementing the planning program and on its ability to get the job done with reduced staff.

DEVELOPMENT OF THE STATE PARK SYSTEM (ITEMS 230-233)

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 proposed expenditures for this program total \$5,775,427, a decrease of \$1,065,084 or 15.6 percent, from the current year. This decrease reflects a net reduction of 49 positions. Thirty positions would be eliminated from Title II, Public Works Employment Act projects for cataloging artifacts and restoring historic railroad equipment. Five positions would be eliminated from acquisition projects and property management. Eighteen positions would be eliminated from general development planning and coordination of facility design and construction projects. Ten positions would be added for design and fabrication of interpretive exhibits for the California State Railroad Museum and the State Capitol. Six positions would be deleted from support of department management and administrative services.

Backlog of Acquisition Projects

We recommend that the Department of Parks and Recreation submit a report on its acquisition backlog to the fiscal subcommittees at the time of budget hearings. This report should place all projects in descending order of priority and show planned completion dates. Recommendations for needed reversion of low priority projects also should be included.

In our 1977-78 Analysis, we included a list of 130 uncompleted state park acquisition projects amounting to \$114 million. By the following year, we found that the backlog of uncompleted acquisition projects had increased to 149 projects amounting to \$185 million. The purpose of including these lengthy lists in our Analyses was to inform the Legislature of: (1) the magnitude and significant growth of the department's backlog of acquisition projects, (2) the department's inability to handle the backlog due to complexities and deficiencies of its acquisition process, (3) the need for increased coordination between the Department of Parks and Recreation, the Real Estate Services Division of the Department of General Services and the Attorney General's office and (4) the need to limit appropriations for new projects until the existing backlog has been substantially reduced.

Previous Backlog Understated. Table 2 shows that the department's backlog is now 135 projects amounting to \$196 million. It would appear from this table that the backlog (in dollar terms) has grown in spite of the fact that project completions increased from \$30 million to \$48 million during the 1978 calendar year. On closer examination, however, we found that the backlogs previously reported were understated. The current listing appears to present the first complete picture of the department's actual backlog.

In 1977, the Legislature urged the department to form an acquisition task force made up of staff from the department and the Real Estate Services Division to facilitate improved program coordination and increase output. Although a task force, of the type intended by the Legisla-

DEPARTMENT OF PARKS AND RECREATION—Continued

ture has not been formed, both organizations have taken steps over the last 14 months to bring about improvements in coordination and communications. A goal was set to complete \$75 million of acquisitions during the 1978 calendar year. This goal was not achieved, but output was increased to \$48 million. This increase, however, does not mean that the department was successful in closing out older projects in the pipeline. In fact, the increase was due to the department's success in moving a number of new acquisition projects which received appropriations for the first time in the Budget Act of 1978. For the most part, these were high value properties owned by willing sellers.

It is doubtful that this increased level of project completions will be sustained in the budget year because the existing backlog includes properties which either (1) are owned by unwilling sellers, (2) require updating of appraisals, (3) require rescoping of project boundaries or (4) are in the process of condemnation. In view of these problems we believe that the level of project completions in calendar year 1979 may be less than the \$48 million achieved in 1978. This would mean that four to five more years would be required to remove the backlog even if no new acquisitions are added by the Legislature.

Priority of Acquisitions. The department and the Division of Real Estate Services still lack the capability to handle the large backlog of funded acquisition projects on a timely basis. The most important projects are not always acquired first, and in fact there is a tendency for the department to move the easy ones first. Continued delays in acquiring the remaining projects means that the state will ultimately pay much higher prices for these properties. As evidence of this, the Public Works Board has routinely been augmenting projects above their legislative appropriations. Money for these augmentations must come from other projects in the backlog or from the unappropriated balances in various special funds.

In order to ensure that the most important acquisition projects are completed as soon as possible, we recommend the department be required to review its backlog and submit a priority listing to the fiscal subcommittees at the time of budget hearings. This listing should show the projects in descending order of priority along with planned dates of acquisition. Included with this listing should be the department's recommendations for any needed reversions of low priority projects.

Table 2

Department of Parks and Recreation

ACQUISITION PROJECTS NOT COMPLETED

APPROPRIATIONS AND EXPENDITURES AS OF JANUARY 1, 1979

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

<i>Project (Appropriations)</i>	<i>Amount Available</i>	<i>Balance</i>	<i>Acres Acquired To Date</i>	<i>Acres To Be Acquired</i>
Ahjumawi Lava Springs SP 1484/74, 410.7B(dd).....	\$150,000	\$133,303	5,890.00	—
Ahwahnee Round House Project 253/78, Sec. 2.....	95,000	11,242	9.61	—
Andrew Molera SP (Ch. 1109/77, Item Sec. 3(c).....	2,750,000	2,722,822	—	2,649.90
Ano Nuevo SR 219/77, 402(B).....	670,000	633,875	—	48.00
Antelope Valley Calif. 1521/74, W.....	975,000	300,000	1,690.51	69.50
Antelope Valley Indian Museum 511/78, Sec. 1.....	300,000	300,000	—	147.34
Anza-Borrego Desert SP 350/76, 411.2C(O).....	1,200,000	670,502	1,790.00	4,875.00
Anza-Borrego Desert SP 1484/74, 410.7B(W).....	1,100,000	177,273	2,110.50	525.00
Anza-Borrego Desert SP 350/76, 411.2C(C).....	377,500	8,046	626.44	40.00
Atascadero SB 350/76, 411.2C(P).....	900,000	896,426	—	40.00
Backbone Trail 1257/78, 512F(a).....	3,000,000	3,000,000	—	—
Batiquitos Lagoon 1109/77, 443.2B(U).....	1,200,000	1,185,969	—	35.00
Bear Harbor Ranch Project 1521/74, (f).....	250,000	62,056	59.00	79.00
Big Basin Redwoods SP 350/76, 411.2C(D).....	1,250,000	752,310	404.44	665.56
Big Basin Redwoods SP 1484/74, 410.7B(CC).....	250,000	225,042	—	173.00
Big Basin Redwoods SP 219/77, 403(A).....	137,500	137,500	—	360.00
Bodie SHP 1484/74, 410.7B(AA).....	75,000	63,659	—	132.00
Border Field SP 1484/74, 410.7B(o).....	3,000,000	2,867,302	—	446.74
927/75, (A).....	3,000,000	2,998,800	—	—
Burton Creek Project 1064/73, Sec. 9.3(A).....	10,000,000	702,775	1,885.68	109.00
Candlestick Point SRA 129/73, 350(GC).....	10,000,000	3,703,428	68.57	31.43
Carmel River SB 1484/74, 410.7B(II).....	1,987,000	139,070	—	35.60

DEPARTMENT OF PARKS AND RECREATION—Continued

Carnegie Cycle Park 496/78, Sec. 2(a)	1,200,000	1,200,000	—	1,539.82
Carpinteria SB 1109/77, 443.2B(a)	887,000	876,465	—	7.00
Castle Rock SP 350/76, 411.2C(M)	762,923	534,685	400.00	408.00
Castle Rock SP 320/76, 387(B)	63,050	53,122	40.00	200.50
Castle Rock SP 219/77, 403(B)	57,750	57,750	—	50.00
Clear Lake SP 219/77, 400(B)	300,000	285,288	—	37.00
Columbia SHP 1484/74, 410.7B-GG	430,000	364,589	0.26	25.10
Cuyamaca Rancho SP 1484/74, 410.7B(r)	1,800,000	198,313	2,023.78	—
320/76, 387(c)	900,000	100,150	1,748.00	—
320/76, 386(c)	600,000	65,871	75.00	—
Dana Point Palisades Project 1109/77, 443.2B(b)	4,000,000	3,978,156	—	47.00
Delta Channel Island Project 1484/74, 410.7B-U	500,000	470,919	—	500.00
Delta Meadows Project 1484/74, 410.7B(tt)	958,665	908,052	—	662.00
Delta Meadows Project 320/76, 403.1(j)	970,000	912,636	—	662.00
Doheny SB 1521/74, (R)	750,000	747,896	—	3.30
East Bay Corridor Trail 945/77(A)	500,000	499,800	—	—
El Capitan SB 1484/74, 410.7B-K	2,500,000	2,465,193	—	285.26
El Capitan SB 1109/77, 443.2 BC	880,000	878,969	—	143.00
El Matador Beach Project 1440/76, Sec. 5B(7)	1,000,000	981,620	17.85	—
502/76, Sec. 1 & 2	1,299,953	—	—	—
El Pescador 359/78, 512(n)	1,000,000	247,122	2.75	1.05
El Presidio de Santa Barbara SHP 359/78, 457(a)	875,000	874,403	—	0.94
Folsom Lake SRA 219/77, 400(C)	165,000	151,465	0.27	4.64
Forest Nisene Marks SP 219/77, 400(E)	800,000	772,511	—	39.90
Forest Nisene Marks SP 350/76, 411.2CE	220,000	100,362	8.03	7.00
Fort Ross SHP 129/73, 350(ee)	742,217	—	617.62	—
1521/74(1)	750,000	277,057	—	—
1109/77, 443.2B(p)	1,047,500	17,051	384.00	—
Frank's Tract SRA 571/78, Sec. 1	15,000	15,000	—	—
Gaviota SP Ch. 1109/77, 443.2B(e)	3,150,000	3,116,042	3.82	28.84
Garrapata Beach Ch. 1109/77	5,360,000	5,316,600	—	3,137.00
Greenwood Creek Ch. 1109/77, Sec. 3(b)	400,000	373,541	47.00	19.20

Items 230-236

Haskell's Beach				
Ch. 1109/77, Sec. 3(d)	500,000	491,385	—	27.00
Hendy Woods SP				
983/73, Sec. 1(D)	300,000	265,037	11.23	17.17
Hollister Hills SVRA				
542/74(A)	1,400,000	229,214	3,086.99	—
Humboldt Lagoon				
359/78, 512(f)	1,000,000	1,000,000	—	300.00
Humboldt Redwoods SP				
176/75, 367(A)	300,000	266,500	5.91	133.79
Humboldt Redwoods SP				
375/74, 382.1A	135,000	135,000	—	130.00
Hungry Valley Project				
219/77, 403.5(A)	7,500,000	7,434,070	320.00	10,366.81
359/78, 461(c)	6,500,000	6,498,585	—	4,764.00
Hunter's Lagoon				
1109/77, 443.2B(f)	1,352,000	1,344,962	19.60	40.40
Indian Grinding Rock SHP				
1201/75, 387N(A)	250,000	8,000	86.98	—
Irvine Coast Project				
219/77, 443(R)	15,000,000	14,999,500	—	3,200.00
375/74, 410.2	7,600,000	7,373,345	—	—
Jack London SHP				
320/76, 386(E)	325,000	—	35.60	15.00
359/78, 457(b)	900,000	889,792	—	710.84
Jug Handle Crk (Pygmy Forest)				
1109/77, 443.2B(g)	900,000	503,846	99.71	12.29
Julia Pfeiffer Burns SP				
1484/74, 410.7B(i)	125,000	114,796	—	40.00
La Piedra Beach Project				
1440/76, Sec. 5B(9)	1,568,000	8,111	10.94	—
1109/77, Sec. 3(e)	500,000	20,743	3.26	—
La Purisima Mission SHP				
219/77, 402(E)	80,000	73,787	—	27.11
Lake Earl/Lake Talawa Project				
1109/77, 443.2B(h)	6,000,000	5,951,284	—	6,373.00
Las Tunas SB				
1521/74(ff)	250,000	166,627	0.84	—
Leo Carillo SB				
1484/74, 410.7B(L), 983/73	1,930,000	1,157	20.60	0.30
Leo Carillo SB				
1109/77, 443.2B(s)	504,000	2,133	3.50	—
Lighthouse Field Project				
219/77, 443(G)	4,600,000	4,136,158	9.40	28.20
MacKerricher SP				
Ch. 1109/77, 443.2B(j)	1,000,000	932,005	16.80	692.20
Malakoff Diggins SHP				
219/77, 402(f)	69,000	65,342	—	149.54
Malibu Bluffs Project				
Ch. 1109/77, 443.2B(k)	5,500,000	5,481,698	—	54.31
Malibu Creek SP				
1521/74, (T)	7,000,000	2,335,017	1,084.30	17.04
Malibu Creek SP				
129/73, 379(c)	6,700,000	77,923	2,724.05	—
219/77, 443(n)	4,200,000	4,153,341	—	213.96
1257/78, 512F(b)	1,100,000	1,100,000	—	—
Malibu Beach and Pier Project				
Ch. 782/78	2,500,000	2,500,000	—	2.10
Manchester SB				
129/73, 350(dd)	400,000	89,040	126.00	—

DEPARTMENT OF PARKS AND RECREATION—Continued

Manchester SB				
462/76, Sec. 2(A)	495,000	172,224	115.55	99.05
Manresa SB				
Ch. 1109/77, 443.2B(L)	1,000,000	982,188	—	16.50
Marina Beach Project				
350/76, 411.2C(L)	2,000,000	484,055	129.79	34.76
Marshall Gold Discovery SHP				
350/76, 411.2C(I)	427,800	118,658	4.20	1.93
Marshall Gold Discovery SHP				
987/78, Sec. 1	175,000	175,000	—	11.33
McArthur-Burney Falls Memorial SP				
320/76, 386(h)	304,500	2,823	203.77	—
Mendocino Headlands SP				
1521/74, (H)	550,000	167,706	196.70	118.70
McNee Ranch				
Ch. 1109/77, 443.2B(I)	1,000,000	978,509	—	1,472.00
Monterey SHP (Old Whaling Station)				
320/76, 386(J)	564,000	547,796	—	0.40
Morro Bay SP				
Ch. 1109/77, 443.2B(M)	3,000,000	2,972,270	—	885.00
Morro Bay SP				
1514/74, 410.3H(A)	1,000,000	226,079	553.40	33.40
Mount Diablo SP				
219/77, 443(H)	2,250,000	2,236,138	—	1,748.64
Mount Diablo SP				
129/73, 350(VV), 1484/74, 410.7B(S)	4,000,000	179,464	2,962.57	627.00
North Coastal				
1139/73	1,000,000	451,873	—	—
Ocotillo Wells SVRA				
741/75	2,375,000	237,514	12,220.00	289.00
Oxnard Beach				
359/78, 512(m)	3,500,000	3,499,860	—	109.76
Pan Pacific				
219/77, 435(n)	3,000,000	3,000,000	—	28.05
Old Sacramento SHP				
219/77, 402(H)	72,000	70,242	—	4.17
Old Town San Diego SHP				
129/73, 379(g)	950,000	450,445	8.44	0.68
Old Town San Diego SHP				
1484/74, 410.7B HH	350,000	348,308	—	0.68
Pescadero SB				
1484/74, 410.7B(G)	700,000	—	—	—
320/76, 411.2C(b)	200,000	84,052	218.47	132.00
Petrified Forest				
359/78, 460(c)	685,000	685,000	—	502.80
Pismo Dunes SVRA				
1440/76	4,000,000	3,188,979	366.91	1,302.00
Pacifica Beach				
853/75, Sec. 1(a)	250,000	218,969	—	26.84
Point Dume				
359/512(i)	6,250,000	2,266,322	30.50	2.95
Portola SP				
219/77, 403(C)	350,000	350,000	—	270.50
Recreational Trails				
East Bay Corridor	500,000	500,000	—	—
Lake Tahoe Corridor	500,000	500,000	—	—
Monterey Peninsula	200,000	200,000	—	—
Pacific Ocean Corridor	1,000,000	1,000,000	—	—
945/77				

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Red Rock Canyon SRA				
1521/74(v)	450,000	405,954	1,466.95	—
Salt Point SP				
1521/74(s)	1,100,000	49,953	225.45	—
Salt Point SP				
1440/76	3,000,000	1,051,124	1,345.93	1,454.00
San Bruno Mt.				
320/76, 411.2C(f)	4,000,000	3,975,124	—	400.00
San Elijo SB				
1484/74, 410.7B(n)	960,000	203,233	1.25	—
San Luis Island Project				
1484/74, 410.7BJJ	1,814,000	1,797,683	—	4,939.70
Santa Barbara/Ventura Counties				
1019/75	940,000	452,102	0.09	0.34
Santa Cruz Mountains				
1423/72	2,500,000	677,676	1,745.60	120.00
744/75(A)	300,000	298,223	—	—
Santa Cruz Co. Trails Project				
1529/74	150,000	67,645	45.30	14.20
Santa Cruz Co. Trails Project				
1529/74	285,000	73,880	53.00	20.60
Santa Monica Mtns. Project				
1014/75	1,000,000	402,499	153.56	184.70
Santa Monica Mountains Project				
2/66, 423(t)	8,000,000	232,265	2,364.00	—
1257/78, 512F(d)	14,900,000	14,900,000	—	—
1257/78, 512F(c)	1,467,000	1,467,000	—	—
Santa Susana Mtns. Project				
219/77, 443	2,500,000	2,468,504	—	480.00
359/78, 457(d)	1,650,000	1,650,000	—	363.68
Secombe Park				
359/78, 458.1(a)	1,000,000	999,715	—	10.00
So. Monterey Bay Dunes Project				
1109/77, 443.2B(A)	6,000,000	5,884,787	—	90.00
Sonoma Coast SB				
129/73, 350(AA)	4,606,500	916,914	814.97	154.03
Sonoma Coast SB				
1109/77, 443.2B(Q)	1,793,600	54,754	903.75	65.25
South Carlsbad SB				
1484/74, 410.7BZ	3,070,000	772,352	33.04	0.23
South Yuba River Trail				
946/77(b)	116,500	104,126	—	405.35
946/77(c)	116,500	116,500	—	698.78
Stanford Home Project				
129/73, 379(a)	951,000	6,013	0.88	—
Tomales Bay SP				
1521/74, M	2,000,000	868,182	270.26	145.77
Topanga SP				
757/65, 362(A)	7,247,960	1,096,795	31.21	—
Topanga SP				
1484/74, 410.7BP	3,900,000	3,812,941	—	1,645.00
219/77, 443(P)	3,000,000	3,000,000	—	—
Sunset SB				
Ch. 1109/77	219,200	200,825	—	6.07
Torrey Pines SR				
1109/77, 443.2B(O)	2,218,750	1,724,272	39.24	113.76
Torrey Pines SR				
219/77, 401(C)	84,000	847	0.84	0.26
Truckee River Outlet Project				
320/76, 386(K)	386,500	77,315	4.20	—

DEPARTMENT OF PARKS AND RECREATION—Continued

Ventura/Santa Barbara Co. Trails Projects				
1019/75	50,000	32,449	—	0.58
Ward Creek Project 375/74, 382(c)	500,000	181,500	173.00	—
Wilder Ranch SP 129/73, 350NN	6,000,000	984,850	3,150.80	427.62
	350,000	350,000	—	—
Willowbrook SRA 219/77, 443(Q)	3,000,000	165,418	92.27	—
Woodland Opera House Project 219/77, 435.5(A)	Title transfer		—	.26
Yolanda Ranch Project 219/77, 400(G)	600,000	590,499	—	90.00
Totals.....	\$299,613,868	\$195,543,819	57,494	65,134

Irvine Coast Acquisition Project Delayed

We recommend that the Department of Parks and Recreation report to the fiscal subcommittees at the time of budget hearings on the progress of the Irvine Coast Acquisition project.

The Budget Act of 1974 (Item 410.2) appropriated \$7.5 million for acquisition of coastal and upland property at the Irvine Coast in Orange County. In addition to the property to be acquired by the state, land valued at \$7.5 million was to be given to the state by the owner, the Irvine Company. The Legislature, in making the appropriation, assigned high priority to completion of the project.

Initially, the project was delayed by a court injunction preventing dissipation of Irvine Company assets by making a gift to the state. When this injunction was removed in 1977, the Legislature again emphasized the importance of the project and appropriated an additional \$15 million in the Budget Act of 1977 (Item 443r) to allow for the rising cost of coastal property in southern California.

In spite of commitments made by the department that this project would receive high priority, it has not yet been brought to the Public Works Board for site selection and authorization of negotiations. Continuing delay will require the department to substantially reduce the scope of this important project in order to remain within the available appropriations. For this reason, we recommend that the department report to the fiscal subcommittees on the status of this acquisition.

Acquisition Staff Increases

We recommend an increase in reimbursements of \$133,717 in Item 230 and a corresponding increase in Item 232 to restore five positions in the department's acquisition program.

The department proposes to delete five positions in the acquisition staff during the budget year. These positions are currently used for planning trails projects, researching ownership records, and managing real property acquired by the department.

This reduction in staff is not consistent with the department's need to accelerate processing the backlog of acquisition projects. Therefore, we recommend that the Legislature increase reimbursements to Item 230 by

\$133,717 and provide for a corresponding increase in Item 232, in order to restore these five positions. If the work presently assigned to these positions is not the highest priority in the department's acquisition effort, the positions should be used to speed-up planning of acquisitions before they are transferred to the Real Estate Services Division for appraisals, and to resolve problems that arise in acquiring the properties.

Reserves for Litigation

We recommend that the Department of Parks and Recreation submit to the fiscal subcommittees at the time of budget hearings a report on all pending condemnations and inverse condemnations showing state appraisals and owner valuation contained in court records. The report should include recommendations for establishing sufficient reserves for settlement of the litigation.

In recent years the Public Works Board has approved a large number of *condemnation* actions for state park acquisition projects. Condemnation is usually required when there is a significant valuation difference between the property owners and the state. Experience has shown that the condemnation awards can be up to 100 percent more than the state's appraisal and the available appropriation.

In addition, a number of *inverse condemnation* actions have been brought against the state. Inverse condemnation actions result where property was authorized for acquisition and statements were made by state officials that such acquisitions would occur, but, the acquisitions did not proceed on a timely basis for various fiscal, policy or technical reasons. When such cases are decided in favor of the property owners, the state will not only be required to pay the court determined property value but any damages assessed as well. Together these amounts can greatly exceed the appropriation.

The state has a substantial contingent liability because of the large number of condemnations and inverse condemnations which are pending. The amount of this contingent liability cannot be accurately determined in advance of final settlements and court decisions. However, based on our discussions with representatives of the Real Estate Services Division and the Attorney General's office, a conservative estimate of the state's contingent liability is \$15 million.

Up to this time, condemnation and inverse condemnation settlements on judgments have been paid from unappropriated balances remaining in various funds and from small reserves established for litigation. Because many of these balances and reserve appropriations will soon be exhausted, we recommend that the state set aside sufficient reserves to cover pending litigation. To facilitate doing so, we recommend that the department submit a report on all pending condemnations and inverse condemnations to the fiscal subcommittees at the time of budget hearings. Included in this listing should be the amount of state appraisals and property owner valuations and possible damages if such information is available from public records. In addition, the report should also include the department's recommendations to set aside sufficient reserves to cover pending litigation.

DEPARTMENT OF PARKS AND RECREATION—Continued**Backlog of Design and Construction Projects.**

Table 3 shows the most current information relative to the department's backlog of uncompleted design and construction projects for the state park system. This backlog consists of 101 projects totaling \$41 million of unencumbered funds. It is split between the department (\$39 million) and the State Architect (\$2 million).

Table 3

**DEPARTMENT OF PARKS AND RECREATION FACILITY DESIGN AND CONSTRUCTION PROJECTS NOT COMPLETED
APPROPRIATIONS AND EXPENDITURES AS OF JANUARY 1, 1979**

Funding provided by the State Beach, Park, Recreational, and Historical Facilities Funds of 1964 and 1974, Recreation and Fish and Wildlife Enhancement Fund of 1970, the State Urban and Coastal Park Bond Fund of 1976, General Fund, Park and Recreation Revolving Account, State Park Highway Account, Off-Highway Vehicle Fund, Bagley Conservation Fund, Collier Park Preservation Fund, and the Hostels Facilities Use Fees Account

<i>Unit</i>	<i>Description</i>	<i>Chapter/Item</i>	<i>Appropriation</i>	<i>Balance Department</i>	<i>Scheduled Completion</i>	<i>Balance State Architect</i>
<i>1964 BOND ACT</i>						
Andrew Molera SP	Campground, Trails	320/76-403 (E)	\$220,624	\$220,624	Project Dropped	—
Emma Wood SB	Camping and Service Area	219/77-428 (A)	135,250	—	12-30-79	135,250
Old Sacramento SHP	Fence Relocation	320/76-403 (C)	75,000	16,300	—	—
Salt Point SP	Camping and Day Use	359/78-498 (B)	1,397,000	1,126,200	5-01-80	—
San Onofre SB	Camping, Day Use	219/77-428 (C)	1,072,290	4,200	10-31-79	—
San Onofre SB	Water Reservoir	359/78-498 (C)	100,000	100,000	—	—
South County Park	Development	1325/76-403.1 (A)	766,886	766,886	11-30-80	—
<i>70 BOND ACT</i>						
Bethany Reservoir SRA	Tree Planting	375/74-405 (A)	60,000	24,800	3-30-79	—
Castaic Lake SRA	Camping, Marina Facility	320/76-405.5 (A)	2,000,000	2,000,000	—	—
Lake Oroville SRA	Lime Saddle Day Use	219/77-433 (A)	765,819	34,300	6-30-80	533,900
Ritter Canyon SRA	Picnic Area	375/74-405 (F)	3,874,205	3,656,400	12-30-81	—
Silverwood Lake SRA	Access Road & Camping	219/77-433 (B)	1,121,390	1,029,300	6-30-80	—
Silverwood Lake SRA	Landscaping & Water	359/78-501 (A)	157,250	157,250	—	—
<i>74 BOND ACT</i>						
Andrew Molera SP	Campground	320/76-411A	24,710	12,910	Project Dropped	—
Angel Island SP	Immigration Station	353/76-411.1A (A)	250,000	216,000	9-30-79	—
Bale Crist Mill SHP	Restoration	219/77-435 (A)	402,215	344,600	10-30-79	—
Bothe-Napa Valley SP	Campground	219/77-435 (B)	724,453	639,800	6-30-80	—
Clear Lake SP	Campground (W.D.)	359/78-503 (B)	89,925	4,000	3-30-79	—
Col. Allensworth SHP	Group I—Reconstruction					
	General Store, Drug Store	176/75-387.4 (E)	300,000	40,400	1-01-80	—

Table 3—Continued

**DEPARTMENT OF PARKS AND RECREATION FACILITY DESIGN AND CONSTRUCTION PROJECTS NOT COMPLETED
APPROPRIATIONS AND EXPENDITURES AS OF JANUARY 1, 1979**

Funding provided by the State Beach, Park, Recreational, and Historical Facilities Funds of 1964 and 1974, Recreation and Fish and Wildlife Enhancement Fund of 1970, the State Urban and Coastal Park Bond Fund of 1976, General Fund, Park and Recreation Revolving Account, State Park Highway Account, Off-Highway Vehicle Fund, Bagley Conservation Fund, Collier Park Preservation Fund, and the Hostels Facilities Use Fees Account

<i>Unit</i>	<i>Description</i>	<i>Chapter/Item</i>	<i>Appropriation</i>	<i>Balance Department</i>	<i>Scheduled Completion</i>	<i>Balance State Architect</i>
<i>1964 BOND ACT</i>						
Col. Allensworth SHP.....	Group II—Reconstruction	320/76-411 (V)	250,000	159,100	1-01-80	—
Col. Allensworth SHP.....	School House	375/74-410 (A)	268,600	13,100	7-30-79	—
Columbia SHP.....	D. O. Mills Building	176/75-387.4 (F)	202,250	7,800	1-28-80	—
Columbia SHP.....	Fallon Hotel (W.D.)	219/77-435 (D)	129,000	48,900		55,500
		219/77-435 (R)	78,000	69,400	2-28-79	—
Emma Wood SB.....	Day Use Area	219/77-435 (E)	644,977	41,800	12-30-79	567,100
Empire Mine SHP.....	Stabilization	219/77-435 (F)	273,768	14,100	5-30-79	—
Fort Humboldt SHP.....	Restoration (W.D.)	359/78-503 (C)	50,000	25,900	6-15-79	19,000
Fort Ross SHP.....	Kuskov House	219/77-435 (G)	509,625	447,300	11-30-79	—
Fort Ross SHP.....	Officials Barracks	320/76-411 (D)	255,800	5,000	11-30-79	—
Monterey SHP.....	Cooper Molera (Planning)	320/76-411 (F)	143,875	7,700	3-15-81	—
Monterey SHP.....	Cooper Molera (W.D.)	176/75-387.4 (H)	92,225	4,800	3-15-81	—
Monterey SHP.....	Cooper Molera (Const.)	359/78-503 (D)	1,294,556	1,294,556	3-15-81	—
Old Sacramento SHP.....	Railroad Museum	219/77-435 (J)	8,078,981	1,623,600	8-15-80	—
Old Sacramento SHP.....	1849 Scene (W.D.)	359/78-503 (E)	162,500	162,500	11-30-78	—
Old Town San Diego SHP.....	Plaza Restoration	359/78-503 (F)	653,848	593,800	5-30-80	57,200
Plumas Eureka SP.....	Restore Stamp Mill	359/78-503 (I)	209,150	7,000	1-30-80	—
Point Mugu SP.....	Camping & Day Use (W.D.)	219/77-435 (P)	200,000	139,500	12-15-79	—
Point Mugu SP.....	Camping & Day Use	359/78-503 (J)	3,165,772	3,033,600	4-30-82	—
Salt Point SP.....	Camping & Day Use	359/78-503 (K)	1,266,200	1,233,200	5-01-80	—
S.P. Taylor SP.....	Cross Marin Trail	320/76-411 (S)	235,000	226,500	—	8,500
San Juan Bautista SHP.....	Plaza Hotel	359/78-503 (L)	1,006,185	981,200	12-30-81	—
San Onofre SB.....	Camping, Day Use	219/77-435 (M)	2,646,620	258,900	10-31-79	—
San Onofre SB.....	Sanitary Facilities	320/76-411 (N)	454,764	58,900	10-31-79	—
San Onofre SB.....	Sanitary Facilities	176/75-387.4 (C)	1,034,600	181,100	10-31-79	—
Sonoma SHP.....	Barracks Restoration	176/75-387.4 (L)	937,172	172,428	9-15-79	—
Topanga SP.....	Multi-Use	219/77-435 (Q)	750,000	706,200	1-01-81	36,900

Woodland Opera House.....	Restoration	219/77-435.5(A)	280,000	280,000	—	—
Town of Locke.....	Study	793/78	40,000	40,000	6-30-79	—
<i>76 BOND ACT</i>						
American River Bikeway Proj.....	Development	1258/78	1,550,000	1,550,000	8-01-80	—
Empire Mine SHP.....	Restoration	359/78-512(A)	605,000	605,000	2-01-80	—
Empire Mine SHP.....	Water System	359/78-512(A)	34,100	34,100	7-30-80	—
Huntington SB.....	Equipment	359/78-512(B)	81,400	81,400	—	—
Huntington SB.....	Restoration (W.D.)	359/78-512(C)	317,550	317,500	6-30-80	—
L.A. Flood Control Proj.	Lario Trail	359/78-512(O)	1,000,000	1,000,000	4-30-80	—
Malibu Creek SP.....	Camping & Day Use (W.D.)	219/77-443(M)	200,000	174,400	1-30-80	—
Malibu Creek SP.....	Camping & Day Use	359/78-512(D)	1,189,600	1,189,600	5-30-81	—
<i>GENERAL FUND</i>						
American River Bikeway Proj.....	Development	320/76-Sec. 19.3	550,000	254,300	12-30-79	—
Hearst San Simeon SHM.....	Repairs & Restoration	219/77-399(A)	399,000	11,800	10-13-78	—
Hearst San Simeon SHM.....	Repairs & Restoration	359/78-456(A)	442,600	50,000	6-30-79	—
Hearst San Simeon SHM.....	Security Fencing	219/77-399(B)	110,000	—	4-30-79	93,797
Old Sacto. to Isleton.....	Study	1342/78	45,000	45,000	—	—
<i>PARK & RECREATION REVOLVING ACCOUNT</i>						
Antelope Valley California						
Poppy Reserve.....	Interpretive Planning	978/78-Sec. 1	50,000	50,000	9-15-80	—
Anza-Borrego Desert SP.....	Visitor Center	1305/76	400,000	137,300	12-20-78	—
Col. Allensworth SHP.....	Reconstruction	835/77-Sec. 1	460,000	422,500	1-01-80	—
Fresno Agricultural Museum.....	Restore and Convert	947/77	3,000,000	3,000,000	—	—
Indian Grinding Rock SHP.....	Indian Center	1328/76-Sec. 1	477,000	112,800	11-30-78	—
Lake Elsinore SRA.....	Maintain Water Level	1066/76-Sec.1	200,000	200,000	—	—
Lake Elsinore SRA.....	Maintain Water Level	1066/76-Sec. 2B	820,000	238,600	—	—
Old Town San Diego SHP.....	Mission Playhouse	219/77-400(F)	604,814	4,000	1-04-79	—
Pac. Ocean Corridor Trail.....	Long Beach Bikeway	945/77-Sec. 1D	750,000	749,800	12-30-79	—
Pac. Ocean Corridor Trail.....	South Bay Bikeway	945/77-Sec. 1D	250,000	250,000	12-30-79	—
Tahoe Area Parks.....	Sewage	320/76-383(A)	50,376	50,376	—	—
San Pasqual Battlefield SHP.....	Visitor Center	977/78-Sec. 1	150,000	150,000	6-15-82	—
<i>STATE PARK HIGHWAY ACCOUNT</i>						
Millerton Lake SRA.....	Road Development	646/75	200,000	200,000	9-30-80	—
<i>OFF-HIGHWAY VEHICLE FUND</i>						
Carnegie Cycle Park.....	Development	496/78-Sec. 2(B)	300,000	300,000	—	—
Hollister Hills SVRA.....	Erosion Study	359/78-461(A)	49,955	49,955	8-15-79	—
Hollister Hills SVRA.....	Recreational Facilities	359/78-461(B)	378,300	378,300	6-01-81	—

Table 3—Continued

DEPARTMENT OF PARKS AND RECREATION FACILITY DESIGN AND CONSTRUCTION PROJECTS NOT COMPLETED
APPROPRIATIONS AND EXPENDITURES AS OF JANUARY 1, 1979

Funding provided by the State Beach, Park, Recreational, and Historical Facilities Funds of 1964 and 1974, Recreation and Fish and Wildlife Enhancement Fund of 1970, the State Urban and Coastal Park Bond Fund of 1976, General Fund, Park and Recreation Revolving Account, State Park Highway Account, Off-Highway Vehicle Fund, Bagley Conservation Fund, Collier Park Preservation Fund, and the Hostels Facilities Use Fees Account

<i>Unit</i>	<i>Description</i>	<i>Chapter/Item</i>	<i>Appropriation</i>	<i>Balance Department</i>	<i>Scheduled Completion</i>	<i>Balance State Architect</i>
1964 BOND ACT						
Hollister Hills SVRA	Erosion Control	359/78-461 (A)	150,000	150,000	6-01-81	—
Lake Oroville SRA	OHV Development	1329/76-Sec. 2(A)	150,000	149,000	4-15-80	—
Pismo Dunes SVRA	OHV Area (W.D.)	359/78-461 (D)	113,400	83,146	1-30-81	20,000
BAGLEY CONSERVATION FUND						
Angel Island SP	Sewer	156/72-318.2(B14)	275,000	71,400	12-15-78	—
Kings Beach SRA	Planning and Development	448/78-Sec. 3	250,000	250,000	—	—
Mount Tamalpais SP	Hostel—Steep Ravine	219/77-Sec. 12	50,000	50,000	—	—
Mount Tamalpais SP	Hostel—Steep Ravine	1440/76-Sec. 5C(2)	125,000	125,000	—	—
Natural Bridges SP	Hostel	1440/76-Sec. 5C(2)	550,000	550,000	—	—
Pigeon Point Project	Hostel	1440/76-Sec. 5C(2)	100,000	100,000	—	—
Point Montara Project	Hostel	1440/76-Sec. 5C(2)	150,000	150,000	—	—
Hostel Development	Projects Undefined	1440/76-Sec. 5C(2)	975,000	975,000	—	—
San Buenaventura SB	Pier Area	901/75	528,000	18,000	3-31-80	471,261
Seacliff SB	Day Use	219/77-401 (B)	619,457	572,400	12-30-79	—
COLLIER PARK PRESERVATION FUND						
Bolsa Chica SB	Sand Replenishment	359/78-459 (B)	963,600	100	5-30-79	—
Huntington SB	Reconstruction (W.D.)	219/77-402 (D)	260,040	206,200	6-30-80	—
John Marsh Home Project	Restoration	1339/78-Sec. 1	1,500,000	1,500,000	—	—
MacKerricher SP	Sewer	320/76-386 (F)	95,000	6,800	—	—
McGrath SB	Sewer	219/77-402 (G)	347,200	138,500	3-15-80	194,800
Picacho SRA	Residents	359/78-459 (G)	145,530	60,000	7-30-79	—
Saddleback Butte SP	Road Improvement	219/77-402 (K)	353,500	326,000	9-30-79	—
San Buenaventura SB	Vehicle Storage	219/77-402 (L)	145,650	—	8-01-79	139,190
Woodson Bridge SRA	Bank Protection Study	359/78-459 (E)	25,000	25,000	6-30-79	—

HOSTELS FACILITIES ACCOUNT

San Mateo Bikeway Project	Crystal Springs Bikeway	744/75-Sec. 2(B)	200,000	200,000	7-30-80	—
Santa Cruz County Trails	Development	1529/74-Item(B)	100,000	100,000	—	—
Ventura/Santa Barb. Bikeway	Development	1019/75-Sec. 2	354,000	354,000	9-01-79	—
TOTALS.....			<u>\$70,553,557</u>	<u>\$39,074,181</u>		<u>\$2,332,398</u>

DEPARTMENT OF PARKS AND RECREATION—Continued

The purpose of including this list of design and construction projects in the *Analysis* is to (1) inform the Legislature of the magnitude of the department's uncompleted projects which have been funded in previous years and (2) to point out the need to limit appropriations for new projects until the department has made significant progress in reducing the backlog.

Many of the projects in the backlog require extensive design work. The projects include construction of roads, trails, water systems, sewer systems, buildings and other facilities. In recent years, the department and the State Architect have added staff to increase their collective capabilities in this area. Private architects and engineers have also been utilized on many projects. This has served to increase output, but the backlog has continued to increase due to a large number of new projects added each year.

Given the ability of the department and the State Architect to complete \$15 million to \$20 million of design and construction projects each year, two to three years may be required to significantly reduce the existing backlog.

Facilities Design and Construction Staff Increases

We recommend an increase in reimbursements of \$235,667 in Item 230 and a corresponding increase in Item 232 to restore nine positions in the department's facilities design and construction program.

The budget includes only one new design and construction project. The project is \$268,350 for working drawings for a day use area at Candlestick State Recreation Area in San Francisco. The budget also proposes to reduce 18 existing landscape architect positions from the facility design and construction program.

Because the department and the State Architect have such large backlogs of design and construction projects, we concur with the decision to seek funding for only one new project. However, we do not believe that the proposed cutback in staff is warranted in view of the large backlog of projects. We believe that the Legislature should again emphasize the need for the department to handle its backlog aggressively. Tens of thousands of acres of undeveloped lands have been added to the state park system in the last 15 years. The development of new facilities on these lands is essential in order to facilitate public access and provide protection of resources.

We recommend that the Legislature restore nine of the eighteen positions proposed for reduction. Nine vacancies presently exist in the program. Restoring the nine positions which currently are filled will permit the department to maintain its current level of effort on preliminary planning work which must be accomplished before the projects can be transferred to the State Architect for final design and construction.

Growing Surplus in Off-Highway Vehicle Fund

We recommend that the department submit an analysis of possible reductions in Off-Highway Vehicle Fund revenues and/or alternative uses of surplus balances in the fund to the Joint Legislative Budget Committee

by November 1, 1979.

Existing law provides that Off-Highway Vehicle (OHV) in-lieu taxes and special fees paid by OHV owners are to be deposited in the Off-Highway Vehicle Fund, which is administered by the Department of Parks and Recreation. In addition, state excise taxes paid on gasoline used by OHV owners are also transferred annually to the fund from the Motor Vehicle Fuel Tax Account in the Transportation Tax Fund. Fines collected from violators of OHV regulations and special use fees charged at state OHV parks are also deposited in the fund. Total revenues ranging from \$11 million to \$15 million are deposited annually in this fund. Monies deposited in the fund are available for appropriation by the Legislature for acquisition, development and operation of state OHV parks and for local assistance grants for local OHV parks.

The department estimates that the unappropriated surplus in the fund will be approximately \$20.2 million at the end of the budget year. This reflects a growth in the surplus of about \$12.5 million since June 30, 1977.

Analysis needed. The continuing growth of the unappropriated surplus in the OHV Fund clearly indicates that the department's available resources are in excess of its actual needs. This stems from the department's inability to find well-conceived projects for support—primarily because of strong objections raised by conservationists to new OHV projects at both the state and local levels. As a consequence, we recommend that the department be directed to investigate: (1) possible reductions in OHV revenues from special fees and gas tax transfers and (2) alternative uses for other related purposes.

STATE PARK SYSTEM OPERATIONS (Items 230-234)

The department's Operations Division has the responsibility to manage, operate and maintain the state park system. The proposed expenditures for this program are \$53,394,246 (2,200 personnel-years), a decrease of \$1,679,631 of the surplus or 3.1 percent from the current year. This decrease reflects a net reduction of 282 positions. Three hundred and thirty-two positions would be deleted from Title II, Public Works Employment Act projects, for storm repair and fire control. Twenty positions would be deleted by transferring three state redwood parks to the National Park Service. One position for management studies also would be deleted. One hundred and twelve new positions would be added for operation of new facilities and patrol of new acquisitions. Ten positions would be deleted in public information services. Six positions would be deleted in concessions management. Twenty-five positions would be deleted for operations management, general management and administrative services.

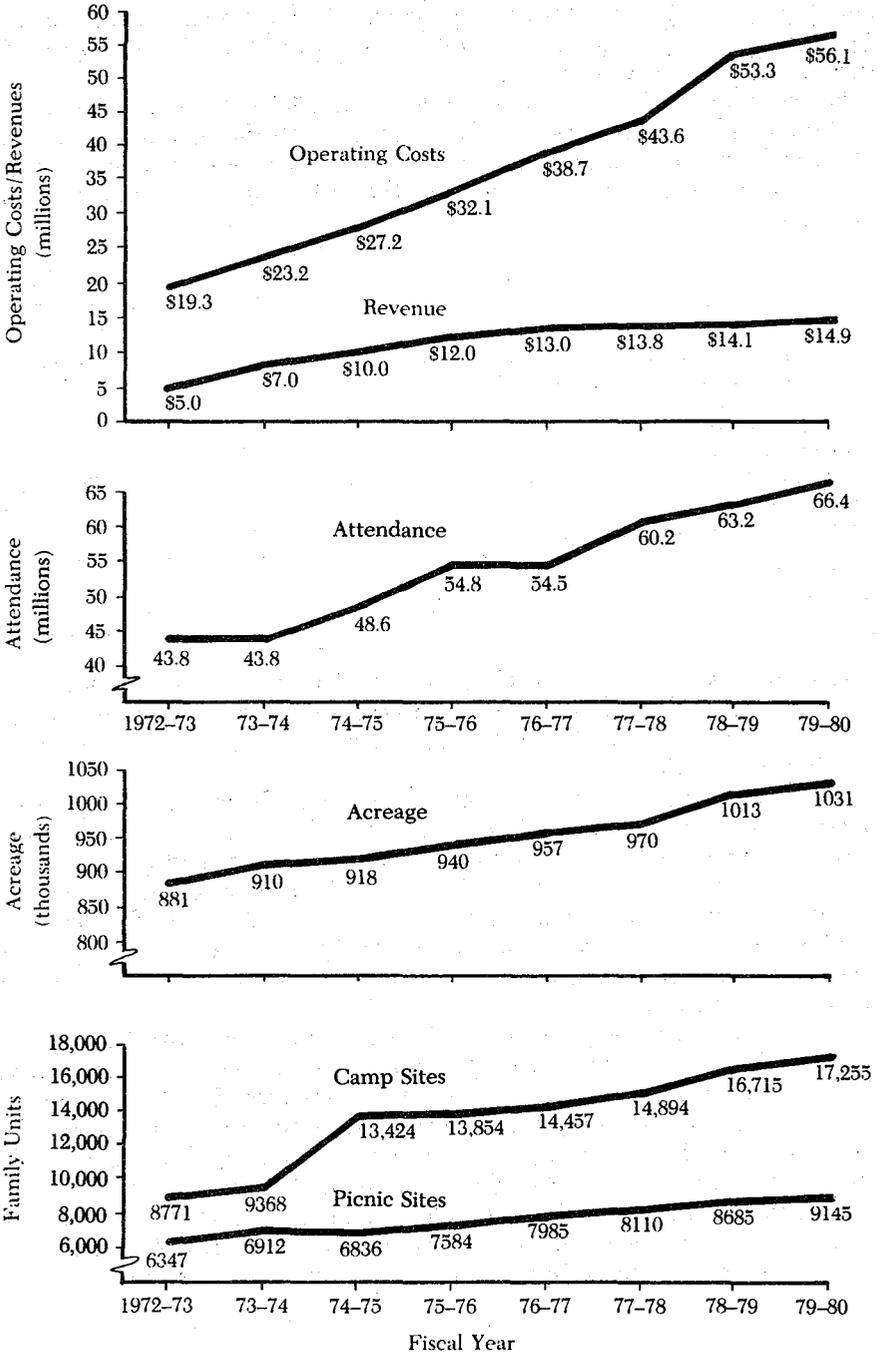
State Park System Operations Cost, Revenue and Attendance

Chart I provides a graphic comparison of operations costs, revenues, visitor attendance, acreage and number of family units (picnic and camping) for the state park system. The comparison clearly shows that operating costs, visitor attendance, acreage and the number of family units have increased substantially in recent years, while revenues from use fees and concession rentals have increased only slightly. It is important to note that, of the \$14.9 million in revenue estimated in the budget year, \$7.9 million

DEPARTMENT OF PARKS AND RECREATION—Continued

will be deposited in the General Fund, leaving the remaining \$7 million for deposit in the Collier Park Preservation Fund for planning, acquisition, and development of new units for the state park system. Because of this diversion, none of the \$7 million is available to cover any portion of the department's operation and maintenance costs.

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



DEPARTMENT OF PARKS AND RECREATION—Continued

Park User Fees

We recommend that the department be directed to study state, local and federal park user fees in California and neighboring states, and to increase state fees in order to improve the ratio of revenue to operating costs for the state park system.

Existing law (Public Resources Code Section 5010) permits the Director of the Department of Parks and Recreation, with the concurrence of the State Park and Recreation Commission, to set user fees for facilities in the state park system. In the budget year the following fee schedule will be in effect:

	<i>Estimated Revenue</i> 1979-80
Campsite fees	\$5,494,639
\$5.00 hookup sites	
4.00 developed sites	
2.00 primitive sites	
20.00 ten nights	
Day-use parking fees	3,857,799
\$1.50 daily	
15.00 annual pass	
Hearst San Simeon tour fees	4,342,444
\$2.50 under age 18	
5.00 over age 18	
	<hr/> \$13,694,882

Existing law (Government Code Section 50402) also permits local governments to set the user fees for local parks provided that such fees do not exceed the fees charged by the State Department of Parks and Recreation for similar facilities.

The County of Los Angeles has recently approved an increase in its day-use parking fees from \$1.50 to \$2. In this way more of the costs of providing lifeguards and beach maintenance will be paid by the people who use the beaches and thus benefit from these services. This places the county's parking fees in conflict with state law because the day-use parking fee for state beaches is \$1.50. Many local jurisdictions throughout the state are in a similar predicament because they imposed fee increases after passage of Proposition 13.

The conflicts between local user fees and state law, and the growing divergence between state park operating costs and revenues (as shown in Chart 1), warrant a careful study of state user fees. For this reason, we recommend that the Legislature direct the department to study state, local and federal park user fees in California and in neighboring states. We recommend further that the department, based on the results of this study, increase its user fees to (1) allow local governments more latitude in recovering their operating costs through user fees; and (2) improve the ratio of revenue to operating costs for the state park system.

Operations Staff Reductions

We recommend a reduction of \$338,158 in Item 230 to delete 8.5 positions for patrol of new acquisitions and operation of new park units.

Candlestick Point State Recreation Area. The department proposes the expenditure of \$212,110 for 7 new positions and associated operating expenses and equipment at Candlestick Point State Recreation Area in San Francisco.

The Conference Committee on the Budget Bill of 1978 deleted the department's first request for staffing this urban park unit. This action was taken because property acquisitions were still in progress and planning had not been completed either for clearing large amounts of refuse and debris deposited in open dumps on the property or for construction of day-use facilities for public use.

As a first step towards making a portion of the land available for public use, the department is obtaining fill material from a developer at no cost. An application has been made for \$100,000 of federal funds to permit immediate construction of simplified facilities by July 1, 1979. A request for \$268,350 is also included in the Budget Bill under Item 463(b) for working drawings for \$4 million of permanent facilities which are scheduled for completion in 1981. In view of the department's new approach to providing immediate use facilities at this important urban park, we recommend that some operations staffing be funded in the budget year. Experience gained from early operations is needed to assist in developing facility designs which will be best suited for the park. We believe, however, that the department's request should be reduced by \$103,977 and approved only in the reduced amount of \$108,133. This level of funding will provide for two rangers (permanent), one ranger (intermittent), four park aides, two pickup trucks, three radios and associated operating expenses. The park aide positions will enable young people from the Hunters Point area to be hired in order to assist the rangers in operation and maintenance of initial facilities.

Mendocino Area. The department proposes expenditure of \$94,099 for 2.8 new positions and associated operating expenses and equipment for patrol of new acquisitions and operation of an underwater park in the Mendocino area. We concur with the need to patrol new acquisitions. However, we recommend a reduction \$26,052 (1 personnel-year) in Item 230 for operation of an underwater park at Point Arena.

The department has failed to submit a plan for its underwater parks and reserves to the Joint Legislative Budget Committee as required by the Legislature in the Supplemental Report of the Committee of Conference on the Budget Act of 1977 (Item 221). This plan, which was to have been submitted by December 1, 1977, was to include planning for preservation and interpretation of ocean resources, safety of divers, development of onshore facilities and estimates of capital outlay budget requirements. Lacking the required plan, it is unclear what benefits would be gained by stationing state park divers at Point Arena.

Monterey Area. The department proposes to spend \$182,051 for 5.8 new positions and associated operating expenses and equipment for patrol of a new acquisition and operation and maintenance of two historic sites

DEPARTMENT OF PARKS AND RECREATION—Continued

in the Monterey Area.

We concur with the need to patrol and maintain Garrapata Beach, a recent acquisition, and to operate and maintain Casa Soberanes, a recently acquired historic adobe in Monterey State Historic Park. However, we recommend a reduction of \$81,033 (2.2 positions) in Item 230 for operation and maintenance of El Castillo, an historic military site in Monterey. In 1977, the Legislature denied authorization of the department to acquire El Castillo.

Rancho Olompali. The department proposes expenditure of \$102,530 for 3.8 new positions and associated operating expenses and equipment at Rancho Olompali, a recent acquisition in Marin County.

We recommend a reduction of \$74,194 (2.8 personnel-years) in Item 230 for operation and maintenance of this unit. The funding of only one park maintenance worker position and a four-wheel-drive pickup with a radio is needed for maintenance of this 700-acre park unit until improvements are provided to permit public use and access to the historic adobe and Indian village site which are on the property.

Twin Lakes State Beach. The department proposes expenditure of \$52,902 for 2.5 new positions and associated operating expenses and equipment for operation and maintenance of a proposed acquisition at Twin Lakes State Beach, Santa Cruz County.

We recommend deletion of \$52,902 (2.5 personnel-years) for operation and maintenance of this beach property. Under Item 508(f) we recommend that this acquisition not be funded until the department reduces its existing backlog of uncompleted acquisition projects.

Conversion of Temporary Positions

We recommend that the proposed conversion of \$207,418 of temporary help and operating expense authorizations into 17.8 permanent ranger and headquarters staff positions be disapproved.

The department's budget includes a request to convert temporary help authorizations amounting to \$123,660 and related operating expense authorizations amounting to \$83,758 into 17.8 permanent positions. This conversion is proposed in order partially to offset cutbacks in permanent positions in headquarters staff and in field operations which have been made by the administration.

Conversion of \$123,660 of temporary help authorizations would mean that up to 49.5 park aides (seasonal) would be eliminated to provide sufficient funds for 10.6 permanent ranger and headquarters staff positions. (Conversion of \$83,758 of related operating expenses would provide funds for the other 7.2 permanent positions.) This would greatly reduce the department's ability to provide seasonal staff to assist park visitors during the busy summer months in which the state park system experiences 75 percent of its annual visitor days. If funds are needed for additional permanent positions, the department should request a corresponding increase in its support budget rather than proposing that needed temporary help positions be sacrificed.

Transfer of State Redwood Parks

The Supplemental Report of the Committee on Conference on the Budget Bill of 1975 recommended that "the Department of Parks and Recreation negotiate with the National Park Service for the latter to take over responsibility for operation (not title) of the three state redwood parks (Jedediah Smith, Prairie Creek and Del Norte Coast) that are within the Redwood National Park."

Subsequently, Public Law 95-250, which was enacted on March 27, 1978, authorized the federal government to operate and construct facilities on these state park units without owning fee title to the lands and improvements. Based on this change in federal law, the department has drafted an agreement to lease the parks to the National Park Service for 15 years commencing on July 1, 1979. The only remaining problem to be resolved is the state's request for a "hold harmless" clause in the contract which would absolve the state of any liability for personal injury claims by park visitors. The National Park Service has refused to agree to that provision.

The department expects that full agreement will be reached by July 1, 1979, and therefore proposes to reduce its field operations budget by \$428,583. Lost revenue is estimated to be about \$180,000 in the budget year, for a net savings to the General Fund of approximately \$248,583.

Concessions Services

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

Contract Extensions:

1. Old Town San Diego State Historic Park—Artisan Imports, Inc.
2. Old Town San Diego State Historic Park—Mexico Shop
3. Columbia State Historic Park—Columbia House Restaurant
4. Folsom Lake State Recreation Area—Brown's Ravine Marina

Concession Bid Proposals:

1. Columbia State Historic Park—Douglas and St. Charles Street Sa-loons
2. Big Basin Redwoods State Park—Gift Shop

We recommend approval.

RESOURCE PRESERVATION (Items 230-233)

The department's Resource Preservation and Interpretation Division has been assigned the responsibility to protect the natural, cultural and historic resources of the state park system. The proposed expenditures for this program are \$2,019,031 (61.9 personnel-years), a decrease of \$412,587 or (16.9 percent), and 29 positions from the current year. Included are nineteen positions that will be eliminated from Title II, Public Works Employment Act projects for archeological and historical research. Three positions will be eliminated from resource inventory studies. Five positions will be eliminated from historical studies. One position will be eliminated from preparation of environmental impact reports for projects which are external to the department's programs. One position will be eliminated from support of department management and administrative services.

DEPARTMENT OF PARKS AND RECREATION—Continued

ASSISTANCE TO PUBLIC AND PRIVATE RECREATIONAL AGENCIES
(Items 235-236)

The department's Recreation and Local Services Division is responsible for providing financial and technical assistance to public and private recreational agencies. The proposed expenditures for this program are \$41,-414,724 (41 personnel-years), a decrease of \$65,265,504, or 61.2 percent, from the current year.

This decrease results primarily from a peaking in the current year of the department's grant programs for local capital outlay projects. State-funded programs are expected to be completed by the middle of the 1980-81 fiscal year unless new funds are made available. Federal-funded grant programs are expected to continue in future years, but at a reduced rate. Some of the decrease is also due to the department's practice of showing all appropriations for grant programs in the current year as well as any carryover from appropriations made in prior years, as being fully expended in the current year. In reality, there will probably be a substantial carryover of unused appropriations into the budget year.

Table 4 shows the estimated grant amounts for the current year and the budget year from various funding sources.

Table 4
Parks and Recreation Grants by Source of Funding
Estimated Expenditures

<i>Fund Sources</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Budget Bill Item</i>
General Fund	\$32,612,995	\$10,000,000	235
State Beach, Park, Recreational and Historical Facilities Fund of 1974	10,633,397	1,533,741	504
State, Urban and Coastal Park Fund	37,574,504	9,380,576	513
Land and Water Conservation Fund	22,739,847	19,397,550	236
	\$103,560,743	\$40,311,867	

California Urban Open-Space and Recreation Local Grants Program

We recommend deletion of \$10,000,000 under Item 235. An appropriation for additional grants for acquisition and development of new local parks is not a high priority following passage of Proposition 13.

Chapter 174, Statutes of 1976, established the Urban, Open-Space and Recreation Grants Program. This program allocates money on the basis of population to cities, counties and districts for the acquisition and development of high priority recreation and open-space projects. These projects place emphasis on the most urgent recreation needs in the most heavily populated areas.

The Budget Act of 1976 provided \$25 million from the General Fund for the first year of grants under this program. The Budget Act of 1977 provided \$25 million for the second year. However, the Budget Act of 1978 provided only \$15 million for the third year rather than \$25 million as requested by the department. This action was taken, following the passage of Proposition 13, in order to save \$10 million from the General Fund. The

department now proposes to expend \$10 million in the budget year as the final installment of the administration's commitment to expend \$75 million for this program.

Given the restrictive impact of Proposition 13 on local park and recreation programs, we recommend deletion of the \$10 million requested under Item 235. Many cities, counties and park districts have been unable to find sufficient funds for operation and maintenance of *existing* local park units and recreation programs. Consequently, providing additional grants for acquisition and development of new local parks would not be a high priority use of state funds or assist those local agencies in need of operating funds.

MANAGEMENT AND ADMINISTRATION (Items 230-236)

Departmental administration is the responsibility of the director, his staff and the Administrative Services Division. The department proposes \$6,587,404 for this program, a decrease of \$603,782 (8.4 percent) under the current year. This decrease reflects a reduction of 39 positions in capital outlay project coordination and other functions such as management analysis, accounting, personnel and business services. Also included is the elimination of the assistant director in southern California and the Sacramento headquarters Ticketron reservations office. All costs of management and administrative services are distributed to the department's programs.

Professional and Consulting Services

We recommend deletion of \$1,090,090 for professional and consulting services because of insufficient justification for such expenditures.

Included in the department's budget is \$1,090,090 for professional and consulting services contracts. We recommend deletion of that amount because the department has not provided sufficient information to indicate or justify the need for this expenditure.

**Department of Parks and Recreation
CALIFORNIA EXPOSITION AND STATE FAIR**

Items 237-238 from the General Fund

Budget p. 558

Requested 1979-80	\$7,174,726
Estimated 1978-79	7,241,468
Actual 1977-78	8,600,183
Requested decrease \$66,742 (0.9 percent)	
Total recommended reduction	Pending

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
237	Support	General	\$3,044,918
238	Appropriation of Revenues	General	4,129,808
	Total		\$7,174,726

CALIFORNIA EXPOSITION AND STATE FAIR—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	<i>Analysis page</i>
1. Lack of Program. Defer recommendation on Item 237 and recommend that Cal-Expo report on budgeted programs and proposed Title II funds at budget hearings.	540
2. Budget Errors. Defer recommendation on Item 237 pending resolution of technical problems and apparent errors.	540
3. Improved Budget Controls. Recommend that Cal-Expo, the Department of Finance, the Auditor General and the Legislative Analyst jointly develop improved budget controls for Cal-Expo.	541

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 lack of 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 caused by operating costs in excess of revenues. It also started paying the \$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, the exposition concept was abandoned and the more traditional state fair approach was once again adopted. 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. Pursuant to language in Item 224 last year, a task force has been appointed to formulate a long-range plan for Cal-Expo.

In past years, the Legislature appropriated (1) \$2,200,000 for purchase of the minirail system from the private firm that built and operated it; (2) \$2,640,000 to purchase the food and beverage contract from Ancorp; and (3) \$2,275,000 to buy out the carnival operating agreement from Greater Atlas. The total expenditure was \$7,215,000 which gave the state full control over its facilities. In addition, the 1977 and 1978 Budget Acts appropriated \$1,355,120 for eating facilities, for finishing the interior of the Exposition Center and for stable area roadway and drainage construction.

Construction on the first two projects has not yet started. Finally, \$2,480,861 has been allotted from federal Title I funds for a series of construction and renewal projects. All the foregoing appropriations bring the total capital investment at Cal-Expo to \$35.5 million.

ANALYSIS AND RECOMMENDATIONS

Cal-Expo is proposing total expenditures of \$7,753,976 in the budget year which is an increase of \$19,091 over the current year. The General Fund request in Item 237 funds any deficiency in operating revenue to cover total budgeted costs. This amount is \$3,044,918 for the next year which is a decrease of \$81,000.

Revenue Adjustments in 1978-79

The 1978 Budget Act appropriated \$4,145,397 which was the anticipated operating revenues for Cal-Expo. However, operating revenues in the current year are now expected to be only \$4,002,810, largely because one homicide and several disturbances discouraged public attendance at the 1978 fair. The current year revenue, thus, is \$142,587 less than estimated in the 1978-79 budget. The revenue reduction occurred largely in admissions and parking. Parimutuel wagering estimates were realized and revenues from interim activities increased significantly.

The fact that \$142,587 in anticipated revenues was not realized automatically reduced the appropriation for the current year (Item 225, Budget Act of 1978) by a like amount because the item limits expenditure to the revenues actually realized. Prior to the 1978 fair, the Department of Finance made reductions in the Cal-Expo budget pursuant to control Sections 27.1 and 27.2 of the 1978 Budget Act. These reductions amounted to \$277,000, of which \$158,000 represented reduced authority to expend revenues appropriated under Item 225. Subsequently, when preparing the 1979-80 budget, the \$142,587 revenue loss was treated as though it were part of the \$158,000 reduction required by Sections 27.1 and 27.2. It is not possible, however, to apply the \$142,587 reduction to the cuts required under the two control sections because this amount was never appropriated by Item 225 and therefore was not available to "cut" from the budget. Consequently, the current year expenditures should be reduced \$142,587 below the amount shown in the Governor's Budget if Cal-Expo is to contribute reductions amounting to \$158,000 as part of the government wide effort to reduce expenditures under Sections 27.1 and 27.2.

Revenue Estimate for 1979-80

Revenues from operations at Cal-Expo are projected to increase from \$4,002,810 in the current year to \$4,124,420 in the budget year. This is virtually the same as the estimate for the current year, and appears to be reasonable.

Position Changes

The budget for next year itemizes positions and operating costs. It shows a reduction of 3 positions due to the completion of work under federal Title II funds (\$89,867 and 6 positions in the current year). An increase in

CALIFORNIA EXPOSITION AND STATE FAIR—Continued

reimbursements from carnival operations will finance 3 temporary cashier positions.

Lack of Program in Budget

We defer recommendation on Item 237 until information on Cal-Expo's program is available. We further recommend that Cal-Expo report at the time of budget hearings on the budgeted program for 1979-80. This report should also show the effect on the program of proposed Title II funds.

There is no program material in Cal-Expo's budget. The absence of this material prevents analysis of the amount requested. Moreover, even the amount requested may be misleading because Cal-Expo has applied for five Title II grants which do not show in the budget. These grants are:

Security Police Operations.....	\$189,467
Interim Event Support and Parking	190,132
Landscape Establishment and Plant Propagation	171,197
California Indian Days.....	44,245
Inventory and Equipment Survey	24,864
Total	\$619,905

Any of these grants, if approved, would have significant implications for the programs at Cal-Expo and for the support budget. Most of them would increase Cal-Expo's program to a level which cannot be continued in future years without increased appropriations from the General Fund.

Of course, there is no certainty that the federal funds will be received. However, failure to recognize these requests in the budget compounds the Legislature's problems in understanding and acting on the budget request.

The proposed level of funding for Cal-Expo in 1979-80 is .9 percent below estimated expenditures in the current year. We find it surprising that an entertainment-oriented agency such as Cal-Expo would receive almost the same level of funding while other agencies responsible for providing public services, such as fire protection, water resources activities and self-supporting fish and game programs, have experienced substantial reductions.

Errors in the Budget

We defer recommendation on the amount of Item 237 pending resolution of technical problems and apparent errors.

The proposed General Fund support appropriation (Item 237) is \$3,044,918 or \$81,000 less than in the current year. This appropriation represents the amount that the General Fund pays to make up the difference between the operating revenues and the proposed expenditures for 1979-80. The appearance of a reduction is somewhat misleading because total budgeted expenditures actually increase by \$19,091 as shown in Table 1.

Table 1
Changes in Funding by Source

	1978-79	1979-80	Change
General Fund:			
Support.....	\$3,125,918	\$3,044,918	\$-81,000
Appropriations of Revenue.....	4,145,397	4,129,808	-15,589
Allocation for employee compensation	26,985	-	-26,985
Planning Task Force.....	120,000	0	-120,000
Litigation expenses	76,521	0	-76,521
Carryover of Greater Atlas buyout.....	23,647	0	-23,647
Reimbursements	228,417	314,250	+85,833
Fair and Exposition Fund	265,000	265,000	0
Reductions per Sections 27.1 and 27.2	-277,000	0	+277,000
	<u>\$7,734,885</u>	<u>\$7,753,976</u>	<u>\$+19,091</u>

However, the figures in Table 1 appear to contain errors. For example, an increase in reimbursements of \$142,600 for the fair last fall is not included because a budget revision authorizing the change has not been approved. The appropriation of operating revenues in the current year has not been reduced pursuant to control Sections 27.1 and 27.2, as discussed earlier in this analysis. Finally, Table 1 indicates that Sections 27.1 and 27.2 reductions of \$277,000 were not continued in the budget year although detail in the Governor's Budget appears to indicate that the reductions were continued.

The budget for Cal-Expo should be reviewed, the problems discussed above should be resolved, necessary revisions made in the budget, and the results submitted to the Legislature prior to budget hearings.

Certain Revenues and Expenditures Not Controlled by the Budget

We recommend that Cal-Expo, the Department of Finance, the Auditor General and the Legislative Analyst jointly develop improved budget controls for Cal-Expo.

Large sums of money are handled by Cal-Expo without being reflected in the budget. Examples of this include the following:

Flume Ride. The Auditor General reported on January 1, 1979 that \$25,000 was expended last summer by a carnival concessionaire for repairs to the flume ride at Cal-Expo. The work was performed under a contract with Cal-Expo pursuant to which \$25,000 of state revenues received from the flume ride was used to pay the concessionaire for the repairs. The expenditure does not show in Cal-Expo's budget.

The Auditor General has found that \$7,000 of local public funds was received but was not accounted for, or disbursed as required by state regulations.

Souvenir Program. On June 15, 1978, a contract was executed by Cal-Expo with a local publishing firm under which Cal-Expo agreed to pay for any losses up to \$29,658 incurred by the firm in preparing the 1978 State Fair Souvenir Program. The program was distributed free on the fair grounds. The contractor sold advertising in the publication and retained advertising revenues of \$50,100 as his compensation. His reported costs were \$33,633, although his actual costs may have been higher. In essence Cal-Expo contracted to pay any deficit up to an amount that approximated

CALIFORNIA EXPOSITION AND STATE FAIR—Continued

the total cost, but required no sharing of the significant profits from the program effort. The wisdom of the contract is questionable. Once again, the transaction is not in Cal-Expo's budget.

Carnival Revenues. After Cal-Expo bought out Greater Atlas shows and assumed the operating responsibility for the carnival last year, it collected approximately \$835,000 in gross revenue from the carnival operations during the fair. Approximately \$142,000 of this amount was treated as a reimbursement to pay for services and the state staff that collected the money and cleaned the carnival area. Approximately \$360,000 shows in the budget as concession revenues to the state. The remainder of approximately \$270,000 was returned to the carnival operators as their share of the revenues. This amount does not show in the budget.

Horseracing License Fee. Large amounts of money come into the possession of Cal-Expo because of horseracing during the fair period. Much of this money shows as revenues and expenditures in the budget. However, the license fee amounting to \$674,000 which was paid to the Horse Racing Board is not in Cal-Expo's budget.

The examples described above show that large amounts of money are contracted for, or handled by Cal-Expo without being reflected in the budget. Other transactions also may not be reflected in the budget. We cannot judge whether all of the money is properly handled. However, carnivals and horseracing present enticing opportunities for improper handling of funds.

Since Cal-Expo first started to buy out the Minirail, Ancorp and Greater Atlas operations, it has been confronted with an increasing need to handle substantial sums and to contract for valuable considerations which do not lend themselves to the traditional fiscal and administrative controls of state government. The original effort to solve this problem by establishing Cal-Expo as a nonprofit corporation did not succeed. The problem of securing operating flexibility for Cal-Expo within the constraints of state fiscal procedures remains unsolved and continues to present management, fiscal and budgetary difficulties.

The Budget Bill is not the proper device to solve all the fiscal problems at Cal-Expo but it should be possible to improve budgetary controls. A joint review of budgetary problems by Cal-Expo, the Department of Finance, the Auditor General and the Legislative Analyst would assist in providing some improvement. We recommend such a review.

**Resources Agency
SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT
COMMISSION**

Items 239-240 from the General
Fund

Budget p. 561

Requested 1979-80	\$645,296
Estimated 1978-79	689,300
Actual 1977-78	656,449
Requested decrease \$44,004 (6.4 percent)	
Total recommended reduction	None

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
239	Support	General	\$635,496
240	Legislative Mandates	General	9,800
	Total		<u>\$645,296</u>

GENERAL PROGRAM STATEMENT

The San Francisco Bay Conservation and Development Commission (BCDC) was created by the Legislature in 1965. The commission consists of 27 members representing citizens of the bay area and all levels of government. BCDC is charged with implementing the San Francisco Bay Plan and updating it based on current information and changing conditions.

The commission has regulatory authority over the following:

1. All filling and dredging activities on 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. Significant changes in land use within a 100-foot strip inland from the bay.

The Suisun Marsh Preservation Act of 1977 (Chapter 1155, Statutes of 1977) provides for implementation of a marsh protection plan through a process similar to the California 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 89,000 acres of the Suisun Marsh.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The commission request of \$645,296 from the General Fund is a net decrease of \$44,004 from current year expenditure estimate of \$689,300. This decrease results from a proposed \$61,000 reduction in personal services and operating expenses which is partially offset by miscellaneous increases. The proposed reductions are shown below:

**SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION —
Continued**

Staff services analyst (1)	\$16,000
Temporary help (0.5)	8,000
General expenses	8,000
Printing.....	6,000
Travel out-of-state	3,000
Consultant and Professional Services	<u>20,000</u>
Total	\$61,000

The budget also continues an unidentified \$24,209 reduction in personal services imposed during the current year by the Department of Finance pursuant to Section 27.2 of the 1978 Budget Act. Operating expenses during the current year were reduced by \$12,000 pursuant to Section 27.1.

Legislative Mandates

The budget requests \$9,800 from the General Fund for disbursement by the State Controller to reimburse local government for mandated costs imposed by the Suisun Marsh Preservation Act of 1977 which requires preparation and submission of a local protection plan to BCDC by Solano County and other local agencies having jurisdiction over the Suisun Marsh. That Act also provides that direct local planning and administrative costs shall be reimbursed through the annual budget process. The commission is required to review and analyze all such claims and submit its recommendations to the State Controller.

Although the budget contains federal funds to reimburse local costs, BCDC indicated during budget hearings last year that federal money cannot be used to support the costs of any permits local agencies issue until the local protection program required by the 1977 Act is completed and incorporated into the BCDC Management Program. Therefore, a separate General Fund appropriation of \$9,800 is provided for disbursement by the Controller. Disbursement of such funds would be subject to the same Budget Bill control language that was added by the Legislature for the current year.

**Resources Agency
DEPARTMENT OF WATER RESOURCES**

Items 241-242 from the General
Fund

Budget p. 564

Requested 1979-80	\$19,723,500
Estimated 1978-79.....	21,416,400
Actual 1977-78	21,702,347
Requested decrease \$1,692,900 (7.9 percent)	
Total recommended reduction	None

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
241	Support	General	\$19,723,500
242	Repay General Fund loan	General	(21,300)

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

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| 1. Small Hydroelectric Development. Recommend reimbursement of \$200,000 from the Energy Commission be added for the Department of Water Resources to develop the feasibility of adding hydroelectric generation at existing facilities where energy resources are not fully utilized. | 548 |
| 2. Funding Change. Recommend that \$198,200 for water conservation education and similar programs be funded by a new Item 241.5 from the Environmental Protection Program Fund (personalized license plate fund) rather than from the General Fund. | 549 |
| 3. Wildlife Mitigation in Southern California. Recommend special review at budget hearings of the proposal by DWR and the Department of Fish and Game for wildlife mitigation in southern California. | 549 |
| 4. Reimbursements. Recommend that next year DWR prepare the Budget Bill appropriation schedule to include reimbursements. | 551 |
| 5. State Water Project Financing. Recommend that the Legislature request the Department of Water Resources to provide full information on its plans to finance the future construction of the State Water Project. | 551 |

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.

DEPARTMENT OF WATER RESOURCES—Continued

The department headquarters is in Sacramento. There are district offices in Red Bluff, Fresno, Sacramento and Los Angeles, and several field offices for the operations and maintenance division of the State Water Project. The department has about 2,800 authorized positions.

The California Water Commission, consisting of nine members appointed by the Governor and confirmed by the Senate, serves in an advisory capacity to the department and the director.

The Reclamation Board, which is within the department, consists of seven members appointed by the Governor. The board has various specific responsibilities for the construction, maintenance and protection of the levees within the Sacramento and San Joaquin River valleys.

ANALYSIS AND RECOMMENDATIONS

The department's 1979-80 request for \$19,723,500 in General Fund support is \$1,692,900, or 7.9 percent, below estimated expenditures in the current year. Table 1 indicates the General Fund support changes, by program. Most of the reductions occur in the Continuing Formulation of the California Water Plan Program.

Table 1
Department of Water Resources
General Fund Support Changes, by Program

	1978-79	1979-80	Change
Continuing formulation of the California Water Plan	\$10,650,100	\$9,166,300	\$-1,483,800
Implementation of the State Water Resources Development System	2,268,600	2,322,100	53,500
Public safety and prevention of damage	7,894,600	7,645,000	-249,600
Services	603,100	590,100	-13,000
Totals, Support	\$21,416,400	\$19,723,500	\$-1,692,900

Table 2 shows the department's major General Fund support changes by component or activity.

Table 2
Department of Water Resources
Major General Fund Support Changes, by Component or Activity

Program Component	Amount
1. Statewide planning	\$-178,000
2. Ground water conditions update, northeast counties	50,000
3. Central and southern California water management	-298,100
4. Conservation and use of water	154,400
5. Delta levee studies	-215,000
6. Water quantity and quality measurements	-417,000
7. Land resources and use	-453,200
8. Integrated pest management	24,000
9. Flood management	-412,000
10. Other changes	52,000
Total Changes	-1,692,900

We do not believe that these reductions will have an adverse impact on the department's ability to achieve its primary goals. Accordingly we recommend that these reductions be approved.

Reductions per Sections 27.1 and 27.2

DWR has reduced personal services for the current and budget years by \$2,318,000 from all fund sources (100.1 positions), pursuant to Control Section 27.2 of the 1978 Budget Act. The positions to be deleted have not been identified. Operating expenses and equipment were reduced in the current year by \$1,130,000 from all fund sources pursuant to Control Section 27.1.

The General Fund portion of the reductions under Sections 27.1 and 27.2 is \$830,000 in the current year.

Changes in Authorized Positions

Each year DWR requests substantial changes in total authorized positions as the State Water Project develops. In the current year the department has 2,814 authorized positions. The budget proposes the reduction of 116 existing positions and the addition of 125 new positions, for a net increase of nine positions. Most of the added positions are in the Division of Design and Construction for continued work on the State Water Project. After the reduction of the 100 positions pursuant to Section 27.2, DWR will have 2,723 authorized positions.

Total Authorized Programs Increase

Although the General Fund support portion of the budget is scheduled to decrease, the department proposes an increase in its total expenditures, as shown in Table 3.

**Table 3
Department of Water Resources
Change in Total Authorized Programs**

	1978-79	1979-80	Change
Support	\$28,799,600	\$27,447,700	\$-1,351,900
General Fund	(21,416,400)	(19,723,500)	(-1,692,900)
Federal funds	(3,184,400)	(3,389,300)	(204,900)
Reimbursements	(4,198,800)	(4,334,900)	(136,100)
Local Assistance	43,492,400	39,502,300	-3,990,100
Capital Outlay	222,469,000	257,305,200	34,836,200
State Operations	(52,089,200)	(61,168,200)	(9,079,000)
Direct Payments	(170,379,800)	(196,137,000)	(25,757,200)
Total, Authorized Programs	\$294,761,000	\$324,255,200	\$29,494,200

Total expenditures in 1979-80 are budgeted at \$324,255,200, an increase of \$29,494,200 or 10 percent over current year expenditures. The increase is due primarily to increases in planning, investigations, design and construction of the State Water Resources Development System (that is, the State Water Project). Major increases are for:

1. Plans and design for three geothermal power plants;
2. Design and construction of the Cottonwood Power plant on the California Aqueduct in the Mojave Division;
3. Design and construction of Pyramid Power Plant and other West Branch facilities on the California Aqueduct;
4. Fish and Wildlife mitigation in southern California due to construction of the State Water Project; and

DEPARTMENT OF WATER RESOURCES—Continued

5. Planning for possible construction of a coal-fired power plant to provide pumping power for the State Water Project.

Funds for construction, operation, maintenance, and debt service on the State Water Project are not included in the Budget Bill. These funds are continuously appropriated by the Burns-Porter Act, as approved by the electorate in 1960.

Small Hydroelectric Development

We recommend that a reimbursement of \$200,000 from the state Energy Commission be added to Item 241 for the Department of Water Resources to develop the engineering and economic feasibility of adding hydroelectric generation at 10 existing dams or water conveyance structures where energy resources are not being fully utilized.

The hydroelectric generating potential in California has not been fully utilized. Many dams and hydraulic structures that were constructed for flood control, recreational facilities and other purposes can now be used to generate electric power. The department has identified those individual, existing structures that have the potential to generate 25 million kilowatt hours or more annually in Bulletin No. 194, issued in 1974. Subsequently, the department has surveyed the hydroelectric potential of the remaining small sites in California where existing water storage or conveyance facilities exist and energy from release of water is being dissipated. Chapter 933, Statutes of 1978, directs the department to study the feasibility and cost-effectiveness of adding power generating facilities to these existing structures, and report the results to the Legislature. Funds for this work are not in the budget.

The small hydroelectric development program involves the work necessary to initiate development of sites identified by the two department surveys cited above. The program, however, does not provide for the acquisition of sites for new projects. The development of the hydroelectric potential at existing dams and other facilities would generate energy presently wasted, and would help to conserve nonrenewable energy resources. This is one means of rapidly securing environmentally acceptable increases in California's energy supplies.

The work involves the following steps:

1. Identify the 10 best prospective sites (10 have tentatively been identified).
2. Conduct hydrology studies and review available reports and studies for each site to establish the generating potential.
3. Prepare a preliminary engineering and economic feasibility study for each site, including a cost estimate for design and construction and the identification of any major environmental, regulatory or other constraints to development.
4. Contact owners of prospective sites to encourage them to develop feasible projects.

The program is to be completed in one year.

Environmental Program

We recommend that \$198,200 budgeted for water conservation education, water conservation landscaping and integrated pest management be funded by the Environmental Protection Program Fund rather than the General Fund and that a new Item 241.5 be added for that purpose.

The Budget Act of 1977 appropriated \$150,000 to DWR from the Environmental Protection Program Fund (personalized license plates) for (1) a cooperative water conservation education program with schools, utilities and water districts, (2) a water conservation demonstration garden and, (3) a pilot project for use of integrated pest management on levees. The department indicates the activities have been successful, and it has continued the program in the current year with General Fund financing. The budget requests \$198,200 from the General Fund for 1979-80. The output for the budget year includes completion of 20 teacher training workshops in water conservation education, and a water conservation demonstration garden project in the Central Valley and three in southern California.

The Environmental Protection Program Fund has a budgeted surplus, and we recommend that the water conservation education programs be supported by it, for a General Fund savings of \$198,200.

Wildlife Mitigation in Southern California

We recommend that the Departments of Water Resources and Fish and Game, at the time of budget hearings, present their proposal for wildlife mitigation due to construction of the State Water Project in southern California.

The construction and operation of State Water Project facilities in southern California has unavoidably caused some damage to wildlife resources. The Davis-Dolwig Act requires the state to restore, within reason, these resources.

DWR contracted with the Department of Fish and Game (DFG) to evaluate the wildlife impact of the State Water Project in southern California. DFG reported its findings in 1974. Table 4 indicates the significant wildlife habitat and species found to have been adversely affected by the State Water Project facilities in southern California.

Table 4
Significant Wildlife Habitat and Species Adversely
Affected by State Water Project Facilities in Southern California

<i>Acres of Wildlife Habitat</i>		<i>Number of Wildlife Species</i>	
Grassland	1,338	Deer	58
Chaparral	2,323	Quail	3,365
Woodland Chaparral	390	Rabbit	7,460
Woodland Grassland	175	Songbird	16,530
Desert Woodland	3,608	Raptor	635
Sagebrush	1,998	Dove	4,610
Riparian Stream Growth	1,091	Nongame Birds	510
Agriculture	5,959	Small Mammals	15
Barren	38	Pigeons	500
		Gray Squirrels	80
Total acres	16,920		

Source: Department of Water Resources Memorandum Report: "Effects of the California Aqueduct on Wildlife Resources in Southern California," dated April 11, 1974. Table 4 is a summary of the findings by the Department of Fish and Game.

DEPARTMENT OF WATER RESOURCES—Continued

The department has prepared a mitigation proposal which is based on the DFG data and other findings, and on negotiations with DFG and the U.S. Forest Service (USFS).

Proposal. The DWR proposal includes agreements designed to mitigate the adverse State Water Project impacts on wildlife resources located on both federal and non-federal lands. For the federal lands, the mitigation plan provides for land acquisition, development and necessary costs for limited operation and maintenance. DWR would acquire 1,500 acres of private lands for the USFS and provide a lump sum payment for 10 years of operation and maintenance.

For the non-federal lands, DWR proposes a cash settlement with DFG. The money would be used by DFG to acquire land, and develop, operate and maintain a wildlife area in southern California, probably located in the San Jacinto Valley, Riverside County.

Table 5 shows that total costs are estimated to be \$13,573,000 with \$10,991,000 allocated to the State Water Project water contractors as their portion of the costs and \$2,582,000 to be allocated to the state, eventually to be paid from tideland oil money (General Fund).

Table 5
Department of Water Resources
State Water Project
Estimated Costs of Wildlife Mitigation
in Southern California

	<i>Project Cost</i>	<i>Allocation to State Water Project Water Contractors</i>	<i>Allocation to Tideland Oil, General Fund, or other funds</i>
<i>Federal Lands</i>			
Land Acquisition (1,500 acres)	\$725,000	\$632,000	\$93,000
Structural Development and Vegetation Manipulation	263,000	229,000	34,000
Lump Sum Payment for Operation and Maintenance for Ten Years	85,000	74,000	11,000
Subtotal	<u>\$1,073,000</u>	<u>\$935,000</u>	<u>\$138,000</u>
<i>State Lands</i>			
Land Acquisition (9,000 acres)	\$8,400,000	\$7,350,000	\$1,050,000
Development	1,000,000	-	1,000,000
Lump Sum Payment for Operation and Maintenance for 50 Years	3,100,000	2,706,000	394,000
Subtotal	<u>\$12,500,000</u>	<u>\$10,056,000</u>	<u>\$2,444,000</u>
TOTAL	<u>\$13,573,000</u>	<u>\$10,991,000</u>	<u>\$2,582,000</u>

The costs of the proposal appear to be high compared to the wildlife habitat and species that were affected by the State Water Project. Although the Department of Water Resources can proceed with the proposed settlement for wildlife mitigation as a result of its continuing appropriation authority for the State Water Project, the equivalent of General Fund money will be needed for some of the costs. We believe that the proposal warrants legislative review, and therefore we recommend that the two departments report on it at budget hearings.

Reimbursements

We recommend that next year, the Department of Water Resources prepare the Budget Bill appropriation schedule to include reimbursements.

The schedule for Item 241 shows program expenditures as follows:

(a) Continuing formulation of the California Water Plan	\$9,680,400
(b) Implementation of the State Water Resources Development System	4,595,600
(c) Public safety and prevention of damage	8,169,900
(d) Services.....	666,900
(e) Federal funds.....	-3,389,300

The schedule understates the amount of public monies which the Department of Water Resources proposes to expend for general purpose water programs because \$4,334,900 in budgeted reimbursements are not included in the program totals. The public monies expended by the department for general purpose water programs are understated approximately 18 percent. To indicate the approximate amount of public funds to be expended, the department should include the reimbursements in the program amounts and an offsetting amount for reimbursements. This would be consistent with the display of federal funds in Item 241 and the directive of the Legislature that both federal funds and reimbursements be included in the Budget Bill.

Item 242, Repay General Fund Loan

Item 242 provides \$21,300 to repay a General Fund loan from the Emergency Fund which financed work done by the department for the Drought Emergency Task Force in 1977. When the task force was created in 1977, a loan was made to it from the Emergency Fund for operating purposes. It was anticipated that federal funds would repay the loan. The Department of Water Resources expended \$69,242 from the Emergency Fund loan to provide support services to the task force in fiscal year 1977-78. All but \$21,300 of the department's expenditures were subsequently repaid with federal funds. The appropriation of \$21,300 from the General Fund is an accounting and legal transaction to remove the outstanding loan balance of \$21,300 owed to the Emergency Fund.

State Water Project Financing

We recommend that the Legislature request the Department of Water Resources to provide full information on its plans to finance the future construction of the State Water Project.

The Department of Water Resources has spent approximately \$2.5 billion on construction of the State Water Project. Additional large sums remain to be expended (a) to complete the installation of pumps, (b) to add facilities to generate electric power for pumping purposes (if the power is not purchased), (c) to construct Delta facilities and (d) to provide additional water either to replace water no longer available in the Delta for export because of environmental protection, or to supply the water needed to achieve the original project yield. Certain expenditures

DEPARTMENT OF WATER RESOURCES—Continued

for (a), (b) and part of (c) are in the department's construction budget for next year. Expenditures for most of (c) and all of (d) are awaiting enactment of legislation such as SB 346 of the 1977-78 session or new bills being introduced this session.

The Legislature has debated the environmental, water supply and other project features proposed in SB 346 and will debate new bills this session. However, little attention has been given to the cost of financing the expensive facilities included in the legislation.

In October 1978, the department issued Bulletin 132-78. The Bulletin 132 series reviews annually the status of the State Water Project. (For simplicity the term State Water Project is used here to designate all water project features constructed by the Department of Water Resources.) Pages 100 to 135 show the financial status of the State Water Project in summary form, and include projections of the fiscal effect of proposed added features such as those in SB 346. The bulletin contains the first specific information on the fiscal implications of legislation such as SB 346. It is sufficiently important that some comment on it is warranted in this analysis.

The construction costs of the State Water Project through 1977 have been financed from the following sources:

General Obligation (Water) Bonds	\$1,557,000,000
Tidelands Oil Revenues (California Water Fund)	390,000,000
Revenue Bonds for power facilities	335,000,000
General Fund contributions	99,000,000
General Fund payments for nonreimbursable costs of recreation, fish and wildlife enhancement	60,000,000
Federal flood control contributions	75,000,000
Other sources	186,000,000
	<u>\$2,712,000,000</u>

Approximately \$2.5 billion of the funding has been expended to date. Construction funds currently available to the Department of Water Resources for continuing construction are:

General Obligation Water (Offset) Bonds reserved for additional conservation facilities	\$176,000,000
California Water Fund (cash)	20,000,000
Continuing annual transfer of tidelands oil revenue to the California Water Fund	25,000,000
	per year
Continuing annual transfer of tidelands oil revenues for recreation, fish and wildlife enhancement costs	5,000,000
	per year
Miscellaneous Receipts	Nominal

Other sources of funding which may be used by the department are:

1. Sale of power revenue bonds to finance additional hydro-electric, geothermal or coal generating facilities.
2. Federal contributions for the costs of facilities to be constructed by the Department of Water Resources which would be jointly used by the department and the U.S. Bureau of Reclamation such as the Peripheral Canal.

3. Federal financing and construction of facilities which the state guarantees to repay in future years with revenues derived from sale of the water.
4. Water revenue bonds to finance construction of water conservation or delivery facilities not otherwise financed.

The Department of Water Resources proposes the use of water revenue bonds (called supplemental revenue bonds in Bulletin 132-78) in the approximate amount of \$869 million during the period 1979 to 1987 as a basic financing technique. The amount of bonds proposed to be issued is the difference between construction funds available from all of the resources identified above and the estimated construction costs. The bonds can be used only for the construction of discrete or separate, new water conservation and/or delivery facilities where the revenues received from the sale of the water can be associated with the facilities constructed with the bond proceeds. The revenues must be sufficient to pay all principal, interest and operation and maintenance costs of the facilities financed with the bonds.

The use of revenue bonds to finance construction of power facilities is well established. In contrast the use of revenue bonds to finance construction of water projects such as features of the State Water Project is without precedent. Its success is dependent on the willingness of water service contractors to execute water purchase contracts that will repay all of the department's costs for the facilities constructed with the water revenue bonds.

The California Supreme Court has interpreted existing law to permit the sale of water revenue bonds. The department and its bond advisors believe that the bonds will be marketable at acceptable interest rates. This may be correct, but the Legislature should be aware that major difficulties may have to be overcome if the department is to use water revenue bonds in the amounts now contemplated. Among these difficulties are the following:

1. Water revenue bond interest rates will be about 1 percent higher than general obligation bonds and perhaps 2 percent higher than the average (cumulative) interest rate for the State Water Project. These higher interest rates greatly increase the burden on agricultural water users to pay for the water.

2. Existing provisions of law commit all water sales revenues from the existing units of the State Water Project to the payment of debt service on the general obligation water bonds and to other specified purposes. None of these revenues are currently available to assist in servicing water revenue bonds.

3. Each water revenue bond issue must be for an identifiable, new feature of the State Water Project if the bonds are to be secured by the revenues from that feature. The general obligation water bonds were issued to finance the aggregate of all water-related features of the State Water Project. This permitted some averaging of high and low cost features among all water purchasers (such as the Delta Water rate) which does not appear possible for water revenue bonds.

4. The use of a small amount of General Fund money for early planning and construction costs of the State Water Project, the use of certain Cali-

DEPARTMENT OF WATER RESOURCES—Continued

fornia Water Fund money and the provision for a deferment of principal payment on the water bonds during the first ten years of the life of the water bonds, has permitted lowering the repayment costs to water users during the period in which a market for the water is being developed. This advantage may not be possible for water revenue bonds or may be possible only to a reduced extent.

5. Proposition 13 has virtually eliminated the possibility that local water agencies can use property tax revenues to pay any portion of their contractual obligations which secure the water revenue bonds.

6. The financing of the State Water Project is already complex and difficult to understand. Adding another funding source will compound these difficulties.

7. Congress may in future years remove the exemption from income taxes that interest earned on public agency proprietary revenue bonds now enjoys. This would further increase the interest rate on the bonds, perhaps to the level of high quality corporate bonds.

8. The issuance of water revenue bonds would extend over several decades. It is not possible to forecast how future bond purchasers may react to these bonds or how future market conditions may change.

9. If the department's assumption regarding the availability of federal funds for joint state-federal facilities proves to be incorrect, almost the entire burden of financing the completion and expansion of the State Water Project would fall on water revenue bonds. These bonds would then become the principal source of construction funding for the next decade or more unless a large general obligation bond issue was approved.

Although there are many difficulties to be overcome if water revenue bonds are used, the Department of Water Resources is in a good position to develop new financing techniques for these reasons:

1. The department has constructed the initial features of the State Water Project during the past 20 years and operated these features during the last decade without any serious engineering problems, fiscal deficiencies, or unusual operational difficulties.

2. The State Water Project has been constructed and the contracts for the sale of water were executed without any subsidy to water users. The absence of subsidies facilitates revenue bond financing.

3. The credit of the State of California is sound. The financial community has recognized that the State Water Project is designed and operated to be self-supporting. Therefore, the \$1,750,000,000 of general obligation water bonds are not classified as requiring repayment from the General Fund. The sound fiscal record of the State Water Project should be invaluable in establishing the investor confidence necessary for any successful use of water revenue bond financing.

4. California's agricultural and urban areas which receive state project water are growing and possess economic strength. This will be reflected in financial evaluations of the ability of the water service contractors to meet any contractual commitments that they execute to repay the water revenue bonds.

5. The water conservation program of the Department of Water Re-

sources, which is proposed to be implemented along with the construction of new facilities, implies avoidance of overbuilding and the fiscal stresses that result from having to pay for more capacity than may be needed.

In conclusion, it is apparent that a critical consideration in developing this new financing technique is the willingness of the water users and their contracting agencies to sign contracts with the department containing the repayment commitments necessary to support the water revenue bonds.

We believe that the use of water revenue bonds and the contracting processes necessary to support them are sufficiently important that the Legislature should request the department to provide full information on its plans to finance the future construction of the State Water Project.

Resources Agency
DEPARTMENT OF WATER RESOURCES
(Subventions for Flood Control)

Item 243 from the General
 Fund

Budget p. 573

Requested 1979-80	\$3,143,500
Estimated 1978-79.....	2,500,000
Actual 1977-78	3,889,716
Requested increase \$643,500 (25.7 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The federal government, through the Corps of Engineers, conducts a nationwide program for the construction of flood control levee and channel projects. Congress requires local interests to sponsor projects and participate financially by paying the costs of rights-of-way and relocation. Prior to 1973, California reimbursed the local interests for all their costs. Since 1973, these costs have been shared between the state and local agency as provided by Chapter 893, Statutes of 1973.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The amount of \$3,143,500 requested in Item 243 is an estimate by the Department of Water Resources of the claims that will be presented by local entities and processed by the department in the budget year. The estimate, which is based on experience and estimated project work schedules, may require adjustment because of the uncertainty of construction progress on specific projects.

For 1978-79, the Governor's Budget as introduced requested \$5.5 million. After Proposition 13 was passed, the Legislature, at the request of the Department of Water Resources, reduced the level to \$2.5 million based on the assumption that the program would not be too adversely impacted by a one-year decrease in subvention levels.

In light of the 1978-79 reduction, the budget year requested increase of \$643,500 is modest.

DEPARTMENT OF WATER RESOURCES

Resources Agency

STATE WATER RESOURCES CONTROL BOARD

Item 244 from the General
Fund

Budget p. 593

Requested 1979-80	\$9,698,683
Estimated 1978-79.....	10,395,667
Actual 1977-78	9,651,351
Requested decrease \$696,984 (6.7 percent)	
Total recommended reduction	\$125,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Special Assistant to the Board.* Reduce Item 244 by \$35,000 and the schedule by \$35,000 each in bond funds and federal funds to delete a total of \$105,000 for the Special Assistant to the Board for Policy, Coordination, and Liaison and associated staff. 561
2. *Operator Certification Program.* Reduce Item 244 by \$90,000. Recommend (1) the board raise fees for the operator certification program to cover costs, as required by law and (2) elimination of \$90,000 in General Fund support that will not be necessary if fees are increased. 564
3. *Waste Discharge Fees.* Recommend (1) the board increase the fee schedule for filing waste discharge reports and (2) legislation be enacted to raise the \$1,000 maximum for waste discharge report filing fees. 565
4. *Water Rights Fees.* Recommend enactment of legislation to increase the minimum fee for water rights applications and permits to at least \$20, and (2) at least double the present fees for larger applications. 565

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 who are appointed by the Governor, to serve staggered four-year terms. The state board staff of 509 authorized positions is under the direction of two executive officers. Nine regional water quality control boards carry out the water pollution control programs in accordance with the policies of the state board. The nine boards have a total of 288 authorized positions (not part of the state board's 509 positions).

The state board carries out its water pollution control responsibilities

mainly by establishing requirements for waste discharges and by administering state and federal grants to local governments for the construction of waste water treatment facilities. Water rights responsibilities are met through a permit and license process which requires persons desiring to appropriate water from streams, rivers, and lakes to make application to the board.

ANALYSIS AND RECOMMENDATIONS

Sources of Funding

The boards funding by source for 1979-80 is shown in Table 1. The board proposes total expenditures of \$117,670,284 for 1979-80, 6.9 percent more than budgeted expenditures in the current year. Of this amount, \$9,698,683 is from the General Fund, the only board funding source subject to appropriation. The State Clean Water Bond Fund is to provide \$94,562,028, but this amount does not appear in the Budget Bill because bond funds are continuously appropriated in the authorizing bond acts. Of this amount, \$90,000,000 is budgeted for grants to local agencies, mostly for the construction of wastewater treatment facilities. The remaining \$4,562,028 from the Bond Fund is for administration of several water quality control programs such as research, 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. Such loans can only be made to assist in the construction of facilities for the collection, treatment or export of wastewaters to prevent water pollution in cases of extreme financial hardship. The budget has allocated \$1,384,907 for this purpose. The most recent interest rate quotation for these loans is 5.3 percent.

Reimbursements of \$816,804 come mainly from fees paid by water rights permit applicants and waste discharge permittees.

The board expects to receive federal funds of \$4,371,428 for water quality planning and regulation programs and \$6,836,434 for administration of Clean Water grants. The board's total federal funding is \$11,207,862.

Table 1
State Water Resources Control Board
Sources of Funding for 1979-80

<i>Fund</i>	<i>Amount</i>
General Fund.....	\$9,698,683
State Clean Water Bond Fund	94,562,028
State Water Quality Control Fund.....	1,384,907
Federal funds.....	11,207,862
Reimbursements	816,804
Total	\$117,670,284

Before 1978-79, the Clean Water Grants Administration Revolving Fund supported the board's facilities development assistance program, which administers state and federal grants to local agencies for construction of wastewater treatment facilities. State grants cover 12.5 percent of the total cost of the facilities. The federal government provides 75 percent of the cost. The local agencies match the state share and pay all local costs

STATE WATER RESOURCES CONTROL BOARD —Continued

which are not eligible to be financed with grants. Revolving Fund revenues were derived from a fee imposed on grantees of one-half percent of the total grant.

The 1978 Budget Act replaced the board's Revolving Fund support with a direct grant from the Environmental Protection Agency (EPA) because of a change in EPA procedures resulting from the Federal Clean Water Act Amendments of 1977. The board now receives a grant of approximately 2 percent of California's allocation from EPA for Clean Water construction grants. For 1979-80, California's construction grant allocation is expected to be about \$350 million. The budget therefore estimates that the administrative grant to the state board will be \$6,836,434. With elimination of the Clean Water Grants Administration Revolving Fund, the General Fund became the only board funding source subject to appropriation in the Budget Bill.

Significant Budget Changes

Table 2 summarizes the changes in the board's support budget by funding source, and shows significant program changes. There are no program increases. The board's appropriation request from the General Fund of \$9,698,683 is a decrease of \$696,984, or 6.7 percent, from estimated expenditures in 1978-79. A large part of this decrease results from a one-time General Fund local assistance appropriation of \$370,000 provided in 1978-79 by Chapter 784, Statutes of 1978, to clean up and close the Stringfellow Quarry Hazardous Waste Disposal Site in Riverside County. This appropriation is being expended in the current year, and further appropriations will not be needed in the budget year. The 1978-79 appropriation is not repeated in Table 2, and therefore the table shows a General Fund expenditure reduction of \$326,984. Federal funds will decrease by \$645,361, or 5.4 percent in 1979-80. Estimated support expenditures from the Clean Water Bond Fund will decrease by \$665,605, or 12.7 percent, from the current year. Estimated reimbursements remain nearly constant. After excluding the appropriation provided by Chapter 784, these changes produce an overall decrease in the board's estimated support expenditures of \$1,635,906, or 5.9 percent from the current year.

Table 2 shows that 64 positions are proposed for elimination. All of the position reductions in Facility Development Assistance, and most of those in Water Quality Regulation will be made because of reductions in available federal funding to support them.

Table 2
Water Resources Control Board
Support Program Changes by Funding Source

<i>Program and Significant Changes</i>	<i>1978-79 Estimated</i>	<i>1979-80 Proposed</i>	<i>Net Increase</i>	<i>Percent Change</i>	<i>Changes in General Fund</i>	<i>Changes in Bond Fund</i>	<i>Changes in Water Quality Control Fund</i>	<i>Changes in Federal funds</i>	<i>Changes in Reimbursements</i>
Water Quality Regulation (Reduction of 19 positions in various program areas, \$457,734)	\$9,378,543	\$9,011,642	-\$366,901	3.9%	\$54,365	-\$158,599	—	-\$253,786	-\$8,881
Water Quality Planning (Reduction in assistance to local agencies for 208 Planning)	2,454,224	2,096,260	-357,964	14.6	-2,325	-448,472	—	88,324	4,509
Facility Development Assistance State Operations (reduction of 22 federally funded positions, \$634,051)	7,852,408	7,226,757	-625,651	8.0	5,866	-181,361	—	-454,691	4,535
Water Quality Program Support....	4,535,307	4,598,500	63,193	13.9	-36,195	124,596	—	-25,208	—
Water Rights (Elimination of 3 temporary positions for Governor's Commission on Water Rights Law, \$123,794. Reduction of 14 temporary positions for processing water rights applications, \$319,174)	3,700,801	3,352,218	-348,583	9.4	-348,695	-1,769	—	—	1,881
Administrative Support (Elimination of 6 positions. Dollar reductions are distributed in other programs)	—	—	—	—	—	—	—	—	—
	<u>\$27,921,283</u>	<u>\$26,285,377</u>	<u>-\$1,635,906</u>	<u>5.9%</u>	<u>-\$326,984</u>	<u>-\$665,605</u>	<u>—</u>	<u>-\$645,361</u>	<u>\$2,044</u>

STATE WATER RESOURCES CONTROL BOARD —Continued

The reduction of positions for the water rights program affects temporary and limited term positions added over the last two years to help alleviate a large backlog of unprocessed water rights applications. The reduction of positions for the Governor's Commission to Review California Water Rights Law will occur because the commission will finish its job in the current year.

Estimated grants to local agencies from the Clean Water Bond Fund are increased from \$80 million to \$90 million. In the past, budget estimates for this program have been far too high. For example, the 1977-78 budget estimated state grants of \$100 million, but only \$46,426,244 was expended. It is likely that the estimate for 1979-80 is overstated as well.

The changes in Table 2 do not include the unidentified reductions of 19.7 positions amounting to \$442,968 which must be made in the current and budget years to meet the requirements of Control Section 27.2 of the 1978 Budget Act.

The estimated salary savings for 1979-80 have been increased by approximately \$200,000 to \$581,101. The total savings resulting from salary savings and reductions required by Section 27.2 are \$1,024,069.

Federal Funding Cutbacks Squeeze Facility Development Assistance Program

Funding for administrative costs of the board's facility development assistance program (grants for wastewater treatment facilities) was shifted from the Clean Water Grants Administration Revolving Fund to EPA grants in 1978-79 as discussed above. This change has had the effect of reducing the funds available for the program. The Governor's budget proposed expenditures of \$8,138,814 from the Revolving Fund for 1978-79. When the federal funding was authorized for this program in May 1978 the amount for 1978-79 was estimated at only \$7,291,125 as a result of the two percent EPA grant formula, a reduction of \$847,689. Most of the new positions the board lost were auditors to review expenditures made by local agencies from state and federal Clean Water grants. Not all of the new audit positions were lost to the state because EPA granted some additional funds to the State Controller to audit the local grant expenditures.

The 1979-80 budget retains the estimate of \$7,291,125 for EPA's grant to the state board for 1978-79. However, this figure is incorrect. The correct figure is \$6,679,000 because the federal funds are distributed on a population formula basis and Congress appropriated only \$4.2 billion for Clean Water Grants nationwide in 1979-80, compared to \$5 billion that had been authorized for appropriation. The board has adjusted to this funding reduction by not filling new positions for the facility development assistance program which the Legislature authorized last year. If Congress continues to appropriate less than the full \$5 billion authorized in future years, a funding squeeze will occur as program costs escalate.

Two Executive Officers are Too Many

The board has operated with two executive officers since 1977 when it converted an assistant executive officer position to an executive officer. One executive officer is responsible for the Division of Water Quality and the Division of Planning and Research. The other is responsible for the Divisions of Water Rights and the Division of Audits and Administration. This organizational structure is unique in California state government. Under it, responsibilities are difficult to define, and jurisdictional problems over working relationships are inevitable. The Audits and Administration Division, which is under one executive officer, performs financial, accounting, personnel and other services to the board as a whole. It is logical to assume that the Division will tend to be more responsive to needs of the Water Rights Division which is under the same executive officer than to the needs of the divisions under the other executive officer. The Office of Public Affairs, which provides information to the public on the board's programs, also reports to the executive officer for water rights and administration, but has a boardwide function. The Legal Division answers to both executive officers.

This dual leadership approach is inefficient and should be dropped. A single executive officer would need an assistant or deputy, and this would prevent any immediate savings from the reorganization. Nevertheless, a more rationally organized structure would be capable of achieving operating efficiency, thereby allowing savings to be made in the future.

Justification for Special Assistant Not Provided

We recommend a reduction of \$105,000 consisting of \$35,000 from the General Fund, and \$35,000 each in bond funds and federal funds, to delete funding for the Special Assistant to the Board for Policy, Coordination and Liaison, and associated staff.

When the second executive officer was appointed in 1977, the assistant executive officer became the Chief of the Planning and Research Division. At the same time, that division chief became a "Special Assistant to the Board for Policy, Coordination and Liaison." He now has a small staff. This position has never been authorized by the Legislature and has been paid from temporary help funds. The result of these changes was to add one more high level position to the board.

No justification for these positions has been supplied to the Legislature therefore, we recommend a reduction of \$35,000 in Item 244, and reductions of \$35,000 each in bond funds and federal funds in the schedule of Item 244 to delete funding for these positions for saving of \$105,000.

Office of Water Recycling May be Unproductive

The Office of Water Recycling was established in October 1977 within the board by executive order to secure the construction of facilities capable of recycling an additional 400,000 acre-feet of water by 1982. The office has seven authorized positions, and has borrowed four more from other board programs. Another position is working under a contract between the board and EPA. The budget includes \$400,164 from the Clean Water Bond Fund and federal funds for the office in 1979-80.

The increased use of recycled water in California has always been con-

STATE WATER RESOURCES CONTROL BOARD —Continued

fronted with at least two major constraints: high cost and the problems of protecting public health. In many areas of California where fresh water is available and cheap, recycling is not economically attractive. In other areas, especially southern California, recycled water may be competitive once the facilities are in place, but the initial cost for pumps, piping and other capital improvements is high. The Office of Water Recycling is concentrating on reducing these costs to local agencies through the Clean Water Grants program. It has included 32 projects on the list of wastewater treatment facilities which may be eligible for clean water grants. These projects have received the approval of the board for the Clean Water Grant program for 1978-79.

EPA has approved the use of federal grant money for recycling projects, provided the recycling can be shown to have some water quality benefit. However, EPA has recently issued draft guidelines which would increase the difficulty of obtaining federal grants for recycling projects. In addition, several local agencies which previously expressed interest in recycling projects have dropped their projects because of local funding shortages. As in the case of other clean water grants, local agencies contribute only 12.5 percent of the cost.

With respect to the public health constraint, the state board attempted in 1978 to secure support for a transfer of the Sanitary Engineering Section of the Department of Health to its own organization. The Sanitary Engineering Section establishes health standards for the use of recycled water. According to the board, the standards set by the section have a perspective that is too narrow and lack sufficient public input. The transfer did not occur, and the board is attempting to work with the section to relax standards when possible without endangering health. However, the standards properly remain stringent for the use of recycled water for playgrounds and school yards and for groundwater recharge, and often increase the cost of recycled water to a prohibitive level.

The Department of Water Resources (DWR) has initiated several research and demonstration projects on recycled water, and has a staff of 15 and \$802,000 budgeted for recycling efforts in 1979-80. The research projects include data collection to resolve the health problems of recycled water. Both DWR and the state board have statutory authority to study and promote water recycling. DWR has historically been the agency responsible for increasing water supplies and recycling is one method. In addition, DWR is responsible for disposing of, or recycling, drainage water in the San Joaquin Valley, and has worked on various techniques for recycling over the years.

The Office of Water Recycling is located in the Water Resources Control Board to promote the use of Clean Water Grants for recycling. If this effort is unproductive because of EPA grant policies or fiscal difficulties facing local agencies and local projects, we believe that water recycling efforts should be consolidated in DWR. DWR has adequate historical perspective and staff skills to continue health related studies and encourage recycling projects where they are economically feasible.

Future of 208 Planning Uncertain

Section 208 of the Federal Water Pollution Control Act Amendments of 1972 provided for the preparation of areawide water quality management plans. This planning is the next step following the preparation of water basin plans under Section 303e of the act, which was begun in 1972 and completed in late 1975. Section 208 addresses both "point sources" (specific industrial discharges and sewage treatment plant outfalls) and "non-point sources" urban runoff and agricultural wastewater). In California the point sources have already been covered in the basin plans. Therefore, the Section 208 planning is oriented mostly toward nonpoint sources and in some cases includes integration of air quality and solid waste management. EPA has granted \$14.4 million to California for 208 planning over the period July 1975 to June 1979.

In seven, mostly urban, areas of the state, comprehensive local planning agencies were given the responsibility for 208 planning. These agencies are the Association of Bay Area Governments (San Francisco Bay Area), Association of Monterey Bay Area Governments, the Sacramento Regional Planning Council, the Southern California Council of Governments, the Comprehensive Planning Organization (San Diego), the Ventura County Sanitation District, and the Tahoe Regional Planning Agency. Together these organizations have received \$11.2 million in Section 208 Planning funds. The 208 plans for all but two of the designated areas have been submitted to the state board and adopted. Most of these plans lack specific measures to reduce pollution significantly, and they lack the necessary commitment from local agencies that would be responsible for implementing them. One reason for these disappointing results is that the plans were prepared mostly by regional agencies. These agencies must rely on the cooperation of cities and counties with diverse interests. Another reason is that no federal money is available for plan implementation. With the passage of Proposition 13, it seems unlikely that local interest in implementing the plans will increase. For example, street sweeping is commonly cited as an effective measure for reducing urban runoff. However, street sweeping is often one of the first city expenses to be reduced when budgets are cut.

The Water Resources Control Board is the responsible planning agency for the area outside of the seven designated areas (referred to as the nondesignated areas). The board has received \$3.2 million in federal funds for this work. There are currently about 40 positions in the state and regional boards supported by 208 Planning funds. Clean Water Bond funds have been used to help support these positions and to provide the 25 percent match of required federal funds. Plans prepared by the board for the designated areas will be complete by June 1979.

EPA will provide funding, perhaps as much as \$6.5 million over an 18-month period, for a second round of 208 Planning which will begin in the spring of 1979. About one-half of this money will go to the designated agencies. The federal government provides 75 percent of the funding. State or local government (both will receive grants) must provide the other 25 percent. Because the board is slated to receive about \$3.25 million from EPA—most of it in the budget year—the \$1,560,397 which appears

STATE WATER RESOURCES CONTROL BOARD —Continued

in the budget as federal funds granted for 208 Planning by the state board in 1979–80 is therefore probably understated. In fact, it is an arbitrary figure which assumes continuation of the current year grant level adjusted for inflation. The state board is currently negotiating with EPA on the objective and content of the second round planning. The experience of the first round gives little assurance that the additional expenditures of local, state and federal money will produce effective plans.

Governor's Commission to Review California Water Rights Law Completes Work

The board's budget for 1979–80 proposes the reduction of 3 positions and \$123,794 in General Fund expenditures to reflect the termination of staffing for the Governor's Commission on Water Rights Law. The commission was created in May 1977 by executive order to study proposals for modifying California's water rights law. The original executive order required the commission to submit a report by June 30, 1978, but a subsequent executive order extended the reporting date to December 31, 1978.

The commission issued a draft report in August 1978, and its final report on January 24, 1979. A bill (SB 47) incorporating some of the recommendations contained in the draft report has already been introduced and more legislative proposals will follow. The commission is preparing a separate report which should be completed by March 31, 1979, to estimate the costs of implementing its recommendations.

Operator Certification Fees Should be Raised

We recommend that (1) the board raise fees for the operator certification program to cover program costs, as required by law and, (2) a reduction of \$90,000 in Item 244 made possible by the increased fees.

Chapter 1315, Statutes of 1972, requires the board to classify types of municipal wastewater treatment plants for the purpose of determining the levels of employee competence necessary to operate them. It requires supervisors and operators of treatment plants to obtain a certificate of competence issued by the state board. Certificates must be renewed biennially. A fee is paid at the time of issuance and renewal. The law requires that the state board establish a fee schedule to provide revenues to cover the cost of the program.

The board estimates the costs of the operator certification program at \$140,000 annually. This funds 4 positions (3 professionals and 1 clerical) who receive applications for certification, administer and grade examinations, and award certificates. Fees are charged for applications (\$5), examinations (\$15), and certificate renewals (\$15). In most cases, the fees are paid by local sanitation agencies, rather than by the applicants themselves. Reimbursements due to these fees are estimated at \$50,966 for 1979–80. The difference of \$90,000 between reimbursements and costs is paid from the General Fund.

Given the requirement in law that this program be self-supporting, we recommend that the board raise fees to cover costs. We also recommend that the board take all possible steps to reduce the cost of the certification program and evaluate the possibility of eliminating renewals to prevent fees from going any higher than necessary.

Increase in Waste Discharge Fees

We recommend that (1) the board increase the fee schedule for waste discharge reports and (2) legislation be enacted to raise the \$1,000 maximum fee for waste discharge reports.

The Regional Water Quality Control Boards issue wastewater discharge requirements in the form of National Pollution Discharge Elimination System (NPDES) permits. The boards issue these permits pursuant to an agreement between the state board and the Environmental Protection Agency. State law requires that the regional boards issue wastewater discharge requirements for any remaining discharges which could affect the quality of receiving waters. It further requires that a waste discharger file a report on his discharge with the regional board and pay a fee not to exceed \$1,000. The fee is set in a schedule established by the state board. New reports must be filed for NPDES permits every five years. Only a one-time report is required for other waste discharge requirements. Fees are estimated to produce \$210,581 in 1979-80. A federal grant of \$580,157 partially supports the NPDES permit enforcement work. The fees plus \$1,605,291 from the General Fund pay for remaining enforcement costs for NPDES permits and those for the state wastewater discharge requirements.

Fees for filing waste discharge reports should be increased to reduce the cost of this program to the General Fund. The \$1,000 maximum and the fee schedule specified in Water Code Section 13260 have remained unchanged for nine years. We recommend legislation to increase the \$1,000 maximum. The Legislature might also consider an annual operating fee on dischargers similar to that levied by some air pollution control districts on stationary air pollution sources. This could further reduce the need for General Fund support. Even without the enactment of legislation, the state board should evaluate the present schedule and raise the fees within the statutorily authorized range.

Water Rights Fees Should be Raised

We recommend that legislation be enacted to (1) increase the minimum fee for water rights applications and permits to at least \$20, and (2) at least double the present fees for larger water appropriations.

Persons who wish to divert surface water or water in subterranean streams in California must make an application to the board for a permit and license. The board must decide the availability of unappropriated water. In doing so, it must take into account the amounts of remaining flow needed for beneficial uses whenever it is in the public interest. The board notifies the public of each permit application, and for protested applications, determines the disposition of the application through hearings. An environmental impact report, a negative declaration, or a notice of exemption must be filed for each application. The board may attach conditions to a permit and require that the applicant reach the full amount of the appropriation under the permit within a specified period.

The law requires a minimum fee of \$10 to file an application, with a schedule for diversions above 1 cubic foot per second. The fee is \$4 per cubic foot per second up to 100 cubic feet per second, and declines per unit thereafter.

STATE WATER RESOURCES CONTROL BOARD —Continued

The minimum fee and the fee schedule were last increased in 1969. While fees have remained constant, board costs for water rights applications processing have tripled, from \$733,584 to \$2,161,572 over that decade. Fees are expected to provide \$32,217 in 1979-80. The General Fund supports the remainder of the program cost. We recommend that legislation be enacted to increase the minimum fee to at least \$20, and at least double the fee schedule.

Health and Welfare Agency

**STATE COUNCIL ON DEVELOPMENTAL DISABILITIES
AND AREA BOARDS ON DEVELOPMENTAL DISABILITIES**

Items 245-246 from federal funds

Budget p. 603

Requested 1979-80	\$2,296,014
Estimated 1978-79	2,280,928
Actual 1977-78	2,296,014
Requested increase \$15,086 (0.7 percent)	
Total recommended reduction	None

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
245	State Council on Developmental Disabilities	Federal	\$2,296,014
	Support		(574,004)
	Transfer to Program Development Fund		(688,804)
246	Transfer to Area Boards on Developmental Disabilities		(1,033,206)

GENERAL PROGRAM STATEMENT

Chapter 1365, Statutes of 1976, provides that the State Council on Developmental Disabilities shall be:

1. The official designated agency for the purpose of allocating all federal funds under Public Law 94-103.
2. Responsible for developing the California Developmental Disabilities State Plan established by Chapter 1366, Statutes of 1976.
3. Responsible for monitoring and evaluating the implementation of the state plan and for reviewing and commenting on other plans and programs in the state affecting persons with developmental disabilities.

Chapter 1365 also provides that no more than 25 percent of the Public Law 94-103 funds received by the state in any one year shall be spent by the state council for its operating costs, and no more than 30 percent may be allocated to the Program Development Fund.

Under the provisions of Chapter 1367, Statutes of 1976, the area boards on developmental disabilities are responsible for: