

Our review indicates that there is no reason for the Department of General Services to prepare interagency agreements and bill Teale Center customers. This proposal represents an unnecessary billing and overhead function which will result in added costs to Teale Center customers. Further, the Department of General Services proposal to require review and approval of all *new* COM applications also represents an attempt to foster an unnecessary overhead burden on COM users. Users should be required to receive approval from General Services only when necessary and in accordance with appropriate criteria which should be included in the State Administrative Manual. The State Office of Information Technology in the Department of Finance should approve such criteria.

Anticipated savings from the new COM facility at the Teale Center will be reduced by this billing and control proposal. Therefore, we recommend the following supplemental report language:

"To minimize overhead charges for computer output microfilm services, the Teale Data Center should incorporate such services into the data center's normal interagency agreement and billing processes. It is also requested that no mandatory requirements for review and approval of new computer output microfilm applications be imposed by the Department of General Services unless the requirements are provided for in the State Administrative Manual (SAM). Any such criteria should be approved by the State Office of Information Technology in the Department of Finance before inclusion in SAM."

Resources Agency

WATERWAYS MANAGEMENT PLANNING

Item 198 from the General
Fund

Budget p. R 1

Requested 1980-81	\$350,469
Estimated 1979-80.....	270,181
Actual 1978-79	276,701
Requested increase (excluding amount for salary increases) \$80,288 (+29.7 percent)	
Total recommended reduction	\$180,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Program Objectives.* Recommend Legislature clarify the land-use planning and regulatory process under the Wild and Scenic Rivers Act. 421
2. *Contractual Services. Reduce by \$180,000.* Recommend reduction of funds for further planning contracts on the Klam- 423

WATERWAYS MANAGEMENT PLANNING—Continued

ath and Trinity Rivers and for Protected Waterways Studies on the Kings River.

GENERAL PROGRAM STATEMENT

The California Protected Waterways Act of 1968 established state policy to protect certain waterways possessing 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.

The California Wild and Scenic Rivers Act of 1972 (Chapter 1259, Statutes of 1972) declared further legislative intent that five streams and certain of their tributaries be preserved in essentially their natural state. The act covered the Klamath, Trinity, Smith, Eel, Lower and North Fork American Rivers. With limited exceptions, construction of dams, reservoirs or water development projects on these rivers is prohibited. In addition, the 1972 Act directed the Resources Secretary to (1) classify these rivers or segments as "wild", "scenic", or "recreational"; (2) prepare and submit management plans covering these rivers to the Legislature for approval; (3) administer these rivers so as to protect scenic, recreational, fishery and wildlife values without unreasonably limiting compatible lumbering, grazing and other uses.

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

ANALYSIS AND RECOMMENDATIONS

The budget requests \$350,469 from the General Fund for Waterways Management Planning. This is \$80,288, or 29.7 percent, more than the estimated current year expenditure. Most of this increase would be used to restore \$65,338 which was eliminated from the budget for the current year pursuant to Section 27.2 of the 1979 Budget Act. If the 1980-81 budget request for the program is compared to the budget item appropriation for the current year, the proposed increase would be about 4.5 percent.

Budget Act Requirements

Language in the 1979 Budget Act restricted expenditure of \$161,056 in contract monies for waterways management planning on the Klamath, Eel and Kings Rivers until the Resources Secretary certified that he had complied with the two requirements set forth in the Waterways Management Planning budget item. These requirements are discussed below.

1. *Submit to the Legislature the Resources Agency's recommendations to Congress for RARE II areas affecting segments of the California Wild and Scenic River System.*

The (Roadless Area Review and Evaluation) RARE II, undertaken by the U.S. Forest Service, evaluated over 6 million acres of national forestland in California to determine the suitability of the land, including areas along the Wild and Scenic Rivers, for designation as wilderness or non-wilderness (multiple-use) areas. Thus, it provided the state with an opportunity to coordinate Waterways Management Planning with Forest

Service planning.

The Resources Agency complied with the 1979 Budget Act requirements in May, 1979 by submitting a report on the Secretary's recommendation for 34 roadless areas in the American, Eel, Klamath, and Smith Rivers drainages.

2. *Transmit completed waterways management plans, including legislative and administrative proposals to implement the plans, for the Salmon, Scott, Smith and Van Duzen Rivers.*

This language was added to the 1979 Budget Act to assure that the Resources Agency and the Department of Fish and Game would complete work underway on the four rivers enumerated before starting work on additional rivers (Klamath, Eel and Kings Rivers).

The 1978 interagency agreement between the Resources Agency and Department of Fish and Game called for the department to submit to the Secretary by July 1, 1979, revised management plans for the Salmon, Scott, and Van Duzen Rivers. The draft plan for the Smith River was to have been submitted to the Secretary by May 1, 1979. These deadlines were established pursuant to a directive by the Conference Committee on the 1978 Budget Bill.

The Department of Fish and Game has been revising draft plans for the Salmon, Scott, and Van Duzen Rivers since early 1978. Although the plans were supposed to have been submitted by July 1, 1979, they had just been released for public review or comment at the time this analysis was prepared. However, a preliminary draft of the Smith River Plan (due May 1, 1979) has not been released for public review. This is partly due to numerous delays and extensions requested by the Forest Service (Six Rivers National Forest), the Smith River Advisory Committee, and Del Norte County.

Thus, the Resources Agency's own deadlines have not been met. Consequently, management planning on the Klamath, Eel, and Kings Rivers has not been started, and it is likely that the money budgeted for this work in 1979-80 will revert.

Program Objectives Unclear

We recommend that the appropriate policy committees of the Legislature clarify the land-use planning and regulatory process specified in the Wild and Scenic Rivers Act.

Section 5093.56 of the Public Resources Code (PRC), as established pursuant to the 1972 Wild and Scenic Rivers Act, prohibits state agencies from constructing dams, reservoirs or water development projects on designated portions of the American River and certain North Coast rivers. Section 5093.58 directs the Resources Secretary to (1) prepare a management plan to administer the rivers and their adjacent land areas, and (2) submit such management plans to the Legislature for its approval. Section 5093.59 requires the Secretary to develop the management plan in cooperation with the counties where the rivers flow, and to submit the plan to such counties for their review.

These PRC sections constitute the sole statutory basis for Waterways Management Planning within the Department of Fish and Game. No

WATERWAYS MANAGEMENT PLANNING—Continued

definition or description of the land area to be covered under management plans is specified under the 1972 Act. No timetable is indicated for submitting management plans to the Legislature. It is also unclear (a) whether approval of any such plans by the Legislature makes the plan's provisions binding on state and local government, or (b) whether the Resources Secretary or affected state agencies have authority to enforce such provisions or regulate land-use.

In contrast to the 1972 Act, legislation establishing land-use planning processes and regulatory mechanisms for (1) the Lake Tahoe Basin, (2) coastal zone, (3) San Francisco Bay, (4) Suisun Marsh, and (5) the Santa Monica Mountains, delineated the specific land areas subject to such activities. In each case, specific elements were required to be covered under the mandated planning process. For the San Francisco Bay, Suisun Marsh and Santa Monica Mountains, specific dates were required for state agencies to submit land-use plans to the Legislature. These plans had no legal status until approved by the Legislature. Provisions of the Tahoe Regional Planning Compact and California Coastal Act of 1976 also established agencies with specific land-use authority.

As a result of a lack of clarity and specificity in the 1972 Wild and Scenic Rivers Act, the Resources Secretary, the Director of Fish and Game and the planning consultants have considerable discretion over matters relating to (a) the extent of the planning area adjacent to the rivers, (b) the scope of land uses to be evaluated through the planning processes, and (c) the types of regulatory tools available to affect or implement plan provisions. It is also unclear whether the Secretary can proceed with plan implementation in the absence of specific legislative authorization. Consequently, it is difficult to evaluate the performance of the Resources Secretary and Department of Fish and Game in developing waterway management plans pursuant to the 1972 Act.

By the end of the current fiscal year, Waterways Management Planning will have extended \$1,519,010 over a six-year period towards completion of management plans required by the 1972 Act. Since the program was reorganized and delegated to the Department of Fish and Game in 1975, only the plans for the North Fork and Lower American Rivers have been completed and submitted to the Legislature. AB 835 which would approve and implement the plan has been approved by the Assembly and, as of the date of the preparation of this analysis, is in the Senate Committee on Agriculture and Water Resources.

Rather than continue the program on its present course, we recommend that legislation be enacted to clarify the Legislature's goals and objectives for this program. If the Legislature intends that the 1972 Act be limited to a prohibition on dam construction, the statutory basis for the planning program needs to be deleted from the Public Resources Code. If this is not the Legislature's intent, (1) the scope of the 1972 Act and (2) the planning process should be specified by the Legislature.

Contractual Services

We recommend that \$180,000 in contract funds for further waterways management planning be deleted because of the lack of overall progress under the program.

The budget includes \$190,000 for consultant and professional services to finance contract work as shown in Table 1:

Table 1
Waterways Management Planning
Consultant and Professional Services

<i>Project</i>	<i>Amount</i>
Klamath River—Phase I.....	\$100,000
Trinity River—Preliminary Data Collection	20,000
Kings River—Protected Waterways Planning	40,000
U.S. Geological Survey—Water Quality Monitoring.....	25,000
Contracts with Siskiyou, Humboldt and Mendocino Counties	5,000
Total	\$190,000

In previous years, our analyses have called attention to the repeated delays in, and consequent increasing costs of, satisfactorily completing the waterways management planning work. This situation has not changed. There have been continuing delays in completing draft plans for the Salmon, Scott, Smith, and Van Duzen Rivers. In addition, the Resources Agency has been unable to obtain legislative approval for plans covering the North Fork of the American and Lower American River which were completed in prior years. And, as noted above, planning for the Klamath, Eel, and Kings Rivers has not begun and may not be started during the current year.

Given the Agency's inability to complete satisfactorily the planning for which funds have been budgeted in the past, we do not believe it should attempt to start more work on additional rivers in 1980-81. Accordingly, we recommend that \$160,000 for contract studies on the Klamath, Trinity and Kings Rivers be deleted. In addition, the administrative charges (12.5 percent) levied by the Department of Fish and Game for contract overhead be correspondingly reduced by \$20,000, for a total reduction of \$180,000.

The remaining funds in the item, totaling \$170,469, will (1) continue support of 3 staff positions within the Department of Fish and Game, (2) permit continuation of a water quality monitoring contract with the U.S. Geological Survey (USGS), and (3) reimburse counties for any costs associated with public hearings on the plans currently under preparation.

Resources Agency SEA GRANT PROGRAM

Item 199 from the General
Fund

Budget p. R 1

Requested 1980-81	\$500,000
Estimated 1979-80.....	500,000
Actual 1978-79	500,000
Requested increase None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

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

Chapter 1115, Statutes of 1973, allocated \$500,000 annually for fiscal years 1974-75 through 1978-79 from state tidelands oil and gas revenues to the Resources Agency for distribution to higher education institutions. Chapter 1255, Statutes of 1978, continues the \$500,000 annual allocation from 1979-80 through 1983-84. The state funds are used to finance the one-third match required by the federal government for sea grant projects.

The Resources Secretary approves the Sea Grant projects which are financed by this appropriation. The projects are selected by an advisory panel of representatives from state departments, higher education and private industry. The projects selected for state support must have a clearly defined benefit to the people of California. Participants in the program include the University of California, the California State University and Colleges, Stanford University, the University of Southern California and the California Institute of Technology.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes \$500,000 from the General Fund for the second year of state funding for the Sea Grant program as authorized by Chapter 1255. Specific projects have not been determined. As in past years, approved projects are likely to be in one of the following categories:

- Coastal Zone Resources
- Coastal and Marine Recreation
- Living Marine Resources
- Energy Resources
- Marine Mineral Resources
- Waste Management
- Aquaculture
- Waste Management
- Fisheries
- Trainees

Resources Agency
CALIFORNIA TAHOE REGIONAL PLANNING AGENCY

Item 200 from the General
Fund

Budget p. R 1

Requested 1980-81	\$415,650
Estimated 1979-80.....	330,100
Actual 1978-79	330,100
Requested increase (excluding amount for salary increases) \$85,550 (+25.9 percent)	
Total recommending reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Agency Legal Status. Withhold recommendation on CTRPA budget pending clarification of agency's status as a governmental entity. 425

GENERAL PROGRAM STATEMENT

The California Tahoe Regional Planning Agency (CTRPA) was established pursuant to Chapter 1589, Statutes of 1967, to provide for planning and environmental controls covering the California side of the Tahoe Basin. The agency supplements the activities of the Tahoe Regional Planning Agency (TRPA), which was established through a bistate compact with Nevada to preserve and enhance the environment in the Tahoe Basin. Generally, the controls imposed by CTRPA are more stringent than those adopted by the bistate TRPA.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation.

The budget proposes an appropriation of \$415,650 from the General Fund for support of the California Tahoe Regional Planning Agency in 1980-81, which is \$85,550, or 26 percent, more than estimated current year expenditures.

Legal Status of CTRPA

Legislative Counsel several years ago opined that CTRPA is not a state agency, but rather a political subdivision (Government Code Section 67040) functioning within the provisions of Article VI of the Tahoe Regional Planning Compact. As a consequence, funding for CTRPA is shown in the Governor's Budget as a subvention. The result is that:

1. *The budget document does not include detailed information on reimbursements, expenditures or unexpended balances.* For example, although the Caltrans budget for the current year shows a \$200,000 subvention to CTRPA for transportation planning and a similar amount has been budgeted by Caltrans for 1980-81, these funds are not shown in the

CALIFORNIA TAHOE REGIONAL PLANNING AGENCY—Continued

CTRPA budget.

2. *The Budget Act does not control the number of authorized positions or the expenditure of operating expenses and equipment money.*

More State Control Needed

The existing treatment of CTRPA in the budget prevents the Legislature from dealing effectively with issues involving CTRPA, such as:

(1) *Use of unexpended state funds from prior years.* Our analysis indicates that at the start of the current year (July 1, 1979), CTRPA had approximately \$225,006 in unexpended state funds from prior year appropriations. Of this amount \$131,278 was unencumbered. The availability of unencumbered balances, however, is not evident in the budget. Consequently, it is unclear whether the amount of additional funding requested for 1980-81 makes allowance for the use of any unexpended state funds from the current year which may be available for expenditure in the budget year.

(2) *Internal problems.* Our analysis indicates that the agency has had an excessive number of employee vacancies and turnover. This suggests the existence of personnel difficulties which may need attention. Unfilled authorized positions may also result in unanticipated salary savings which would increase the amount of unexpended funds available at the end of the current year.

(3) *Legal action against the state.* Legislative Counsel has opined that, because CTRPA is not a state agency, the State of California could not be held liable for any damages awarded against the agency in any inverse condemnation suits. Nevertheless, the State of California has been named as a defendant in an action brought against CTRPA. Although the Legislature has no direct control over CTRPA's actions through the budget process, it could be faced with a judgment for damages resulting from these actions.

(4) *Coordination of regulatory activities in the Tahoe Basin.* The State Water Resources Control Board is proposing a major program to control water quality, limit land-use and control development at Lake Tahoe through implementation of the board's 208 water pollution control plan for Lake Tahoe. Consequently, the fiscal committees will need to decide whether to provide funds for this program (see our analysis of Item 272). The proposed activities, however, directly relate to the activities of CTRPA and should be coordinated in order to avoid possible duplication. However, the existing treatment of CTRPA makes it difficult for the Legislature to review these issues.

In light of these problems, we have requested the Legislative Counsel to review the legal status of CTRPA in state government, and to suggest methods whereby the Legislature can achieve better control over the CTRPA budget and increase coordination between CTRPA and state agencies.

1980-81 Budget Request

The proposed increase in the CTRPA budget (\$85,550) has two components:

- \$50,000 is requested to cover higher charges for contract services provided by the Attorney General. The hourly charge has increased from \$43.65 per hour to \$46.95 per hour for 1980-81. The balance of the increase finances additional hours of legal services.
- \$35,550 is requested to continue in the budget year a salary increase for CTRPA staff. Because the appropriation for CTRPA was not increased last year when the Legislature authorized the 14.5 percent salary increase for state employees, and the Director of Finance could not allocate state salary increase funds to CTRPA, the salary increase for CTRPA staff was financed with salary savings and unexpended funds remaining from prior years. The budget year increase continues the current year salary increase through the 1980-81 fiscal year.

We are seeking additional information from CTRPA and the Resources Agency concerning the status of authorized positions and changes, if any, in proposed expenditures for reimbursed activities, operating expenses and equipment. If savings in current year expenditures occur which will result in an unencumbered surplus on June 30, 1980, we will recommend that the support appropriation for 1980-81 be reduced accordingly. Pending receipt of (1) the Legislative Counsel's opinion, and (2) the above information on positions and expenditures, we withhold recommendation on CTRPA's funding request.

Tahoe Regional Planning Agency (TRPA)

Last year the Governor vetoed \$75,000 contained in the 1979 Budget Act for support of the bistate Tahoe Regional Planning Agency (TRPA). In addition, California's two statewide appointees have resigned from the TRPA Governing Board. These actions occurred following the Nevada Legislature's approval of TRPA Compact amendments which were significantly different from those jointly agreed upon in September 1978 by the Governors of Nevada and California. Action in California to implement the September 1978 agreement (SB 82) has been delayed pending further action by Nevada.

No funds are included in the 1980-81 budget for the TRPA. Based on (1) the withdrawal of state funding for TRPA, and (2) the events of last year, it is evident that the State of California has functionally withdrawn from the bistate compact.

Resources Agency
CALIFORNIA CONSERVATION CORPS

Item 201 from the General
 Fund and Item 202 from the
 State Energy Resources Con-
 servation and Development
 Special Account

Budget p. R 10

Requested 1980-81	\$21,787,859
Estimated 1979-80	16,525,979
Actual 1978-79	10,959,154
Requested increase (excluding amount for salary increases) \$5,261,880 (+31.8 percent)	
Total recommended reduction	\$13,125,663

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
201	Support	General	\$21,452,843
202	Solar Energy and Conservation Program	State Energy Resources Conservation and Develop- ment Special Account	335,016
Total			\$21,787,859

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Six Months Funding. Reduce Item 201 by \$8,662,195.* Recommend budget support only the six months operation authorized by existing law. 430
2. *Training Academy.* Recommend that CCC report to the fiscal subcommittees prior to hearings on the cost and benefits of the training academy versus other alternatives. 435
3. *Excess Federal Funds.* Recommend Budget Bill language requiring that the appropriation be reduced by the amount of federal funds received in excess of the amount budgeted. 436
4. *Reimbursements.* Recommend Budget Bill language requiring that the appropriation be reduced by the amount of reimbursements for work projects received in excess of \$151,200. 437
5. *Operating Expenses.* Recommend that Department of Finance report to fiscal subcommittees on the budgeted reduction in operating expenses. 437
6. *Solar Training Program. Reduce Item 202 by \$335,016.* Recommend deletion of support for solar training program. If approved by the Legislature, the program should be funded by the authorizing legislation. 438
7. *Fire Fighter Trainee Program. Reduce Item 201 by \$2,-494,200.* Recommend deletion of proposed Fire Fighter 440

Trainee program. If approved by the Legislature, the program should be funded by the authorizing legislation or included in the Department of Forestry budget.

8. *Disabled Corpsmember Program. Reduce Item 201 by \$83,612.* 442
Recommend proposed Disabled Corpsmember program be funded by the authorizing legislation rather than the Budget Bill.
9. *Nonresidential Center. Reduce Item 201 by \$858,000.* 442
Recommend proposed additional nonresidential center be funded by the authorizing legislation rather than the Budget Bill.
10. *Minimum Wage Increase. Reduce Item 201 by \$692,640.* 442
Recommend that minimum wage increase be funded by the authorizing legislation rather than the Budget Bill.

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, and
2. Provide meaningful educational and work opportunities and on-the-job training to young people seeking to develop employable skills.

The CCC is headed by a director and a chief deputy director who occupy exempt statutory positions. The headquarters is in Sacramento. The Corps currently operates a corpsmember training academy at Murphy's, Calaveras County, 21 residential (live-in) base centers and one nonresidential (urban) base center. Eight of the 22 base centers are operated jointly with the Department of Forestry to provide a capability for emergency fire fighting and natural disaster relief. The current year budget provides funding for 1,480 corpsmembers (60 at each base center and 160 at the academy) and 353 authorized staff positions.

Membership in the CCC is available to California residents aged 16 through 23. A corpsmember's salary is based on the federal minimum wage which is \$3.10 per hour (\$537 per month) in 1980 and will be \$3.35 per hour (\$581 per month) in 1981. Each corpsmember is charged \$110 per month for meals and \$15 per month for lodging. Clothing and most medical services are provided. The net or spendable income of corpsmembers is \$5,470 per year.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes state appropriations of \$21,787,859, for the California Conservation Corps in 1980-81, consisting of \$21,452,843 from the General Fund and \$335,016 from State Energy Resources and Development Special Account of the General Fund. This is an increase of \$5,261,880, or 31.8 percent, above the estimated current year expenditure. This amount will increase by the amount of any salary or benefit increases which may be approved for the 378 authorized positions in the budget year. Total program expenditures, including reimbursements, are projected at \$30,459,059, an increase of \$4,923,025 or 19.2 percent, above the estimated current year total expenditures. Table 1 summarizes the major components of the proposed budget year increases.

CALIFORNIA CONSERVATION CORPS—Continued

Table 1
California Conservation Corps
Proposed Budget Adjustments
Fiscal Year 1980-81

	<i>General Fund</i>	<i>Special Funds^a</i>	<i>Reim- bursements</i>	<i>Total</i>
1. 1979-80 Base Budget (Revised)	\$16,525,979	—	\$9,010,055	\$25,536,034
2. Workload Adjustments				
a. Increase in corpsmember subsistence charges	—	—	88,800	88,800
b. Budgeted reduction in federal grant	—	—	-700,000	-700,000
c. Miscellaneous reimbursements.....	—	—	121,145	121,145
d. Price increases (personal services and operating expenses and equipment)	778,252	—	—	778,252
3. Significant Program Changes				
a. Increase minimum wage	692,640	—	—	692,640
b. Solar Training Program	—	335,016	151,200	486,216
c. Disabled Corpsmember Program..	83,612	—	—	83,612
d. Expand corpsmember leadership grades	20,160	—	—	20,160
e. Fire Fighter Trainee Program	2,494,200	—	—	2,494,200
f. Additional nonresidential center....	858,000	—	—	858,000
Totals 1980-81 Budget Changes.....	(\$4,926,864)	(\$335,016)	(\$-338,855)	(\$4,923,025)
Totals 1980-81 Proposed Budget	\$21,452,843	\$335,016	\$8,671,200	\$30,459,059

^a State Energy Resources and Development Account, General Fund.

The most significant proposed increases include \$692,640 to cover the cost of increasing corpsmembers' salary in line with the increase in the federal minimum wage, \$486,216 for a new solar training program, \$2,494,200 for 240 new corpsmember fire fighters and \$858,000 for one additional nonresidential urban center.

These increases are partially offset by a budgeted reduction in federal grant funds from \$6.7 million to \$6.0 million. The final amount of the federal grant, however, is uncertain at this time because Congress has not yet appropriated funds for 1980-81. Based on previous federal appropriations and the possibility of a substantial carry-forward of federal funds into 1980-81, the 1980-81 federal grant probably will exceed the budgeted amount.

New Legislation Required

We recommend that Item 201 be reduced by \$8,662,195 from the General Fund in order to limit funding to the six-month period (July 1, 1980-December 31, 1980) for which the CCC is authorized under existing law. We further recommend that funds to support the CCC beyond December 31, 1980 amounting to \$8,662,196 from the General Fund and \$4,463,468 for new programs be considered in connection with proposed legislation to extend the authorization of the CCC.

The CCC was established by Chapter 342, Statutes of 1976. This act includes a sunset clause terminating the CCC on January 1, 1981. The Budget Bill, however, would provide funding for the CCC through June

30, 1981. Were the full amount approved, it would be a significant departure from accepted budgetary practices in California. The Legislature generally has taken the position that a budget should be based on existing statutory authorization, and any costs attributable to new legislation should be included in the new legislation. Accordingly, we recommend that funding for the January 1-June 30 period be deleted from the Budget Bill. Specifically, we recommend that Item 201 be reduced by \$8,662,195 and that Item 202 (\$335,016) be eliminated. This would leave adequate funds to support the program for that period of time authorized by existing law (July 1, 1980-December 31, 1980). Funds for the remaining six months of 1980-81 and for any new programs should be considered in connection with legislation to authorize continuation of the CCC beyond December 31, 1980.

The amount recommended for deletion is equal to one-half the ongoing General Fund support of \$17.3 million (minus the cost of new programs) proposed in the budget. The amount recommended for approval—\$8.7 million—provides a full complement of both corpsmembers and staff during the first six months of 1980-81. It does not reflect any "wind-down" savings (resulting from closing of the academy early in the fiscal year) that would occur if the Legislature allows the program to terminate as provided by existing law. The recommended \$8.7 million will continue the authorized budgeted level (minus new programs) and provide continuity if the Legislature authorizes extension of the CCC.

The Governor's Budget proposes \$4,463,468 (excluding reimbursements) to cover the cost of new programs. Under this proposal, these new programs could begin July 1, 1980—six months before the CCC is scheduled to terminate under existing law. However, if the CCC is not continued beyond December 31, 1980, it does not make sense to establish new programs in the budget. If, on the other hand, the CCC is to be continued, legislation will have to be enacted. This would provide a vehicle for establishing and funding any new programs. Consequently, we recommend that \$4,463,468 (\$4,128,452 from the General Fund, and \$335,016 from the State Energy Resources Conservation and Development Special Account) in funds budgeted for new programs, be deleted and that funding for these programs be considered in connection with the reauthorizing legislation.

This analysis also makes a series of specific recommendations on the CCC program and on certain of the new programs proposed in the budget. These recommendations follow a general discussion and analysis of the CCC program.

Program Growth

Table 2 summarizes annual program expenditures funded from all sources (including reimbursements). It shows that annual budgets for the CCC have increased by \$22.6 million, or 285.2 percent, since the program's inception in July 1976. This rapid growth, coupled with the fact that the program was only partially operating in 1976-77, makes program comparisons from one year to another difficult.

CALIFORNIA CONSERVATION CORPS—Continued

Table 2
California Conservation Corps
Annual Program Expenditures

<i>Year</i>	<i>Total Expenditures</i>	<i>Percent Increase</i>
1976-77	\$7,907,584	First Year
1977-78	12,405,807	56.9%
1978-79	21,314,161	71.8
1979-80 (Estimated)	25,536,034	20.4
1980-81 (Proposed)	30,459,059	19.3

Inadequate Fiscal Information

In past years, the CCC has concentrated on selecting and opening new base centers rather than on establishing management and budget procedures. Only in the current year has the CCC begun to implement an accounting system to provide the fiscal information for cost comparisons and projections. As a result, it is virtually impossible to determine either the total revenues and resources available to the CCC or the appropriate level of expenditure.

In addition, a number of specific program issues make adequate budget review difficult. These include:

- High corpsmember attrition rate;
- lack of specific goals and objectives, coupled with experimental procedures and programs;
- the uncertain level of federal grants shown in the Governor's Budget;
- an uncertain level of reimbursements; and
- potential underfunding of certain operating expenses.

Attrition Rate

The 1979-80 budget provides funding for the equivalent to 1,480 corpsmember positions. This number assumes 60 corpsmembers in each of 22 base centers (1,320 corpsmembers) and an average of 160 corpsmembers at the training academy. The 1980-81 budget proposes to increase the total corpsmember strength to 1,780 corpsmembers by adding one non-residential base center (60 corpsmembers) and a Fire Fighter Training program (240 corpsmembers).

Based on this budget, the CCC in 1980-81 theoretically would have 1,780 corpsmembers for one year of service. The number of corpsmembers entering the corps, however, would have to be much higher due to the high attrition rate. Last year our analysis indicated that only 39 percent of the corpsmembers completed one year of service, which is an attrition rate of 61 percent. Table 3 indicates that the completion rate has decreased substantially during the past year despite CCC's efforts to increase it. The average percentage of corpsmembers completing one year in the CCC since the program began has declined to 24.2 percent, or an attrition rate of 75.8 percent. In November the completion rate was only 10.6 percent, reflecting an attrition rate of 89.4 percent. This was the worst month in the corps' history.

Table 3
California Conservation Corps
Graduates by Class

<i>Class</i>	<i>One-Year Completion Date</i>	<i>Starting Number</i>	<i>Total Number of Graduates</i>	<i>Percent Graduating</i>
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
8	1/29/79	269	76	28.3
9	3/12/79	194	55	28.4
10	4/16/79	238	50	21.0
11	5/21/79	375	73	19.5
12	6/25/79	321	83	25.9
13	7/30/79	339	75	22.1
14	9/11/79	273	64	23.4
15	10/11/79	342	52	15.2
16	11/8/79	320	34	10.6
Total.....	N/A	3,251	788	24.2%

The CCC emphasizes that attrition does not necessarily have negative connotations for the program because some corpsmembers may leave for another job, for school, or for personal or medical reasons. Even after making allowances for "positive" attrition, the rate is still too high. Moreover, the corps argument overlooks the possibility that improved screening of corpsmembers might reduce some of this type of attrition.

The high attrition rate causes both budget and program problems. For example, the 1979 Budget Act appropriated funds for six new positions to process the large number of personnel, payroll and accounting documents required for the hiring, transfer and termination of corpsmembers. The high attrition rate also increases travel and training costs to the state. From a program standpoint, high rates of attrition also disrupt work crews, making conservation projects more difficult to complete in a timely and efficient manner. Finally, corpsmembers who do not complete the program are not receiving all the benefits offered by the program.

In the *Analysis of the 1979-80 Budget Bill*, we indicated that, because of the high attrition rate, the CCC would have difficulty meeting the budgeted average strength of 1,480 corpsmembers. Based on the first six months' experience of 1979-80, the average monthly corpsmember strength has been 1,401. In order to average 1,480 corpsmembers for the year as a whole, the CCC must average 1,559 corpsmembers for the final six months.

The CCC has taken several steps in response to annual attrition rates in excess of 75 percent. These include:

- (a) *Initial over-enrollment.* The CCC is budgeted for an enrollment of 160 new corpsmembers monthly. This number assumes an annual attrition rate of 31 percent because only 110 new corpsmembers are required monthly to provide the 1,320 corpsmembers needed for the 22 camps (22 base centers x 60 corpsmembers = 1,320 corpsmembers ÷ 12 months = 110). Because attrition rates have ex-

CALIFORNIA CONSERVATION CORPS—Continued

ceeded 31 percent, however, the CCC has over-enrolled the last five entering classes. These classes have ranged in size from 242 to 331 corpsmembers, with an average of 296.

- (b) *Direct assignment.* Because the corps' academy could not accommodate classes of this size, the CCC began to assign new corpsmembers directly to the base centers in March 1979. This policy change is discussed in more detail below.
- (c) *Second-year corpsmembers.* The CCC has contracted with some corpsmembers for a second-year of service with the corps. During the current year it has 190 of its 1,480 positions (12.8 percent) identified for second-year corpsmembers. In the budget year, it plans to have 579 of the proposed 1,780 positions (32.5 percent) occupied by second-year corpsmembers. The second-year contracts serve to decrease the annual attrition rate. They also mark a significant policy change in the program. The CCC was initially a one-year program. By allowing some corpsmembers to continue in the program, it delays the transition of some participants to the regular labor force. At the same time, it eliminates training opportunities for 579 new corpsmembers annually.

Lack of Specific Goals and Objectives

The legislation that authorized the CCC (Chapter 342, Statutes of 1976), set forth the goals and objectives of the CCC in general terms. This has made both program administration and program evaluation difficult. For example, the authorizing legislation provides little guidance for the selection or evaluation of public service projects by the Corps or the selection and measurement of training benefits. The legislation also provides no guidance with respect to (1) appropriate number or location of centers in rural or urban areas, (2) whether a training academy is necessary, (3) the appropriate duration of corpsmember service (6 months, one year, two years), or (4) staffing ratios. These issues should be addressed in any legislation to extend the program.

CCC Report on Accomplishments

Chapter 342, Statutes of 1976, required the CCC to submit a report to the Legislature listing all projects undertaken by the Corps since its establishment and assessing each project in terms of how it has helped the Corps to accomplish its objectives. The report was submitted in December 1979.

To provide some measure of the economic benefits of its project work, the CCC hired an outside consultant to conduct a cost-benefit study of the projects. The consultant concluded that a comparison of net program costs with economic benefits results in a cost-benefit ratio of 1 : 1.20, that is, each dollar spent on the program yields \$1.20 in benefits.

Economic measurement of CCC projects is difficult. Our review of the report found serious deficiencies in the consultant's methodology. These deficiencies undermine the conclusions reached by the consultant. Specifically, the consultant appears to have understated program costs and over-

stated the economic benefits. For example, 87.5 percent of the corpsmembers' time was given a benefit value equal to the potential cost to the project sponsor if labor other than corpsmembers were used ("alternative costs"). The use of alternative costs to determine benefits is theoretically questionable and the benefit figure of \$8.73 per hour appears too high. In addition, alternative cost assumes that all of the projects were worth undertaking or would have been undertaken without the corps. Such an assumption ignores the possibility that some sponsors undoubtedly requested the CCC projects because the labor was "free" to them. If instead they had had to pay the "alternative cost" it is likely that some of these projects would not have gone forward. It also appears that in estimating the benefit of urban park development, the consultant mixed benefits with costs. For these reasons, we find the data in the report to be inconclusive. Moreover, most of the questions discussed earlier (under the heading of "Goals and Objectives") were not considered in the report.

Training Academy

We recommend that the CCC report to the fiscal subcommittees on (a) the costs and benefits of the training academy, (b) the effectiveness of the training academy versus direct assignments, and (c) alternatives to the existing academy. The report should be submitted prior to hearings on the 1980 Budget Bill.

The CCC conducts initial screening, training and orientation of most new corpsmembers at the training academy located at Murphys, Calaveras County. The academy is one of the more expensive elements of the CCC program, costing \$2.3 million annually to operate—approximately twice as much as a regular base center.

The facility used by the training academy has been sold to private investors, and the CCC may have to vacate it when its lease expires in December 1980. Neither the Department of General Services nor the CCC currently has information on potential alternative sites. The relocation of the training facility has significant cost implications for both the support budget (staff relocation, equipment, and higher lease costs) and the capital outlay budget (remodeling and alteration of new facilities). Because the sale occurred after the Governor's Budget had been prepared these costs are not recognized in the budget.

The use of a formal training academy is not the only alternative available to the CCC. In March 1979, the CCC began a limited program of assigning new corpsmembers directly to base centers without training at the academy. Our review of the new policy was inconclusive. After seven months' experience with three different corpsmember classes, the attrition rates were approximately equal for those graduating from the academy and those directly assigned. Moreover, there is a difference of opinion among corpsmembers and staff over the effectiveness of direct assignment. Some staff felt that the direct assignment of corpsmembers was successful and justified eliminating the costly alternative of the academy. Others felt equally strongly that the academy served a necessary screening and training function.

Because of the high operating costs of the academy and the potentially

CALIFORNIA CONSERVATION CORPS—Continued

high costs of relocating it, this is an appropriate time for the CCC to conduct a thorough evaluation of the training academy. The CCC Report to the Legislature, dated December 31, 1979, states that "the director . . . intends to do an in-depth value analysis of the academy." Because this evaluation would have a direct effect on the budget for 1980-81, we recommend that it be expedited and expanded. Specifically, the evaluation should include but not be limited to: (a) an analysis of the costs and benefits of the academy program, (b) a comparison, including costs, of the academy program versus a full or partial program of direct assignments, and (c) a consideration of program alternatives to the training academy. The evaluation should be available for review by the legislative fiscal committees prior to the hearings on the 1980-81 Budget Bill.

Excess Federal Funds

We recommend that Budget Bill language be added requiring the Department of Finance to reduce Item 201 by the amount of federal funds received in excess of the amount budgeted.

Federal grants are available to the CCC under Public Law 95-93, which created the federal Young Adult Conservation Corps. The California Employment Development Department (EDD) is the official state contracting agency for these grants and subcontracts the funds to the CCC. EDD also provides recruitment and placement support for the CCC.

The CCC has received three federal grants to date and expects to receive a fourth, as shown below:

- (1) 1978 grant \$5,834,100. Available from June 15, 1978 to March 31, 1979.
- (2) 1979 grant \$5,965,981. Available from October 1, 1978 to September 30, 1979.
- (3) 1980 grant \$6,138,094. Available from October 1, 1979 to September 30, 1980.
- (4) 1981 grant. Unknown but projected in Governor's Budget at \$6,000,000.

During budget hearings on the 1979 Budget Bill, we stated that the federal funds available for 1979-80 could be in excess of the amount shown in the CCC budget. That is what has occurred. The CCC was able to spend only \$3.4 million of the \$6.0 million available from the 1979 grant, and the remaining \$2.6 million has been carried over into 1979-80. An additional \$0.5 million may also be available in 1979-80 as the result of a higher 1980 appropriation than expected.

Thus, at least \$2.6 million in unanticipated funds, and perhaps as much as \$3.1 million, will be available for expenditure in the current and/or budget years. These funds could replace General Fund support budgeted for the CCC resulting in a savings to the state of up to \$3.1 million in either 1979-80 or 1980-81.

At this point we do not know how much will be carried forward into the budget year. To prevent overbudgeting, however, we recommend that the Legislature add control language to Item 201 requiring the Department of Finance to reduce the CCC General Fund appropriation by the

amount of federal funds received in excess of the budgeted amount of \$6.0 million.

Unbudgeted Reimbursements

We recommend Budget Bill language requiring the Department of Finance to reduce Item 201 by any reimbursements in excess of \$151,200 that CCC is budgeted to receive in 1980-81.

Item 188 of the 1979 Budget Act contains control language requiring the Department of Finance to reduce the General Fund appropriation by the amount of any unbudgeted reimbursements that CCC may receive in excess of the amount budgeted for 1979-80. This language was adopted after it became clear that CCC reimbursements identified in the 1978-79 budget were understated by approximately \$900,000, causing General Fund support to be overbudgeted by the same amount.

The same situation could arise in 1980-81. The Governor's Budget reflects reimbursements to the CCC from other state agencies of \$151,200. These reimbursements are budgeted for materials to construct solar panels. This is the only reimbursement budgeted for work projects in 1980-81. It is likely, however, that additional funds for work projects will be available in both the current and budget year. For example, Chapter 1104, Statutes of 1979 (SB 201), appropriated \$1,850,000 from the Renewable Resources Investment Fund to the Department of Fish and Game for habitat restoration. The department is presently negotiating a contract for the services of the CCC for both 1979-80 and 1980-81. The amount of the contract has not been decided. In addition, the 1980-81 budget for the State Lands Commission contains \$550,000, part of which may be used by CCC for reforestation work. The CCC 1980-81 budget does not reflect funds for either program.

In order to prevent overbudgeting in 1980-81, we recommend that the Legislature once again adopt control language requiring the Department of Finance to reduce the CCC appropriation by the amount of any unbudgeted reimbursements in excess of \$151,200.

Budgeted Reduction in Operating Expenses

We recommend that the Department of Finance report to the fiscal subcommittees on (a) the reasons for budgeted reductions in the CCC's operating expenses, (b) revised current year and budget year expenditure projections for operating expenses.

During its first three years of operation, the CCC had end-of-year unexpended General Fund balances or savings ranging from \$284,768 to \$4,150,173. These savings are shown in Table 4.

Table 4
California Conservation Corps
General Fund Appropriations and Savings

	<i>General Fund Appropriation</i>	<i>Unexpended Balance or Savings</i>
1976-77.....	\$9,487,606	\$1,669,131
1977-78.....	12,061,000	284,768
1978-79.....	15,600,935	4,150,173
1979-80.....	16,885,423	N/A
1980-81.....	21,452,843	N/A

CALIFORNIA CONSERVATION CORPS—Continued

The CCC's explanations for these unexpended balances vary. For example the CCC explains the 1978-79 savings of \$4.1 million as follows:

- \$2.8 million—average enrollment was lower than budgeted (1,140 corpsmembers out of 1,285 budgeted).
- \$0.3 million—increase in miscellaneous reimbursements. (primarily overtime pay for fire fighting)
- \$1.0 million—unbudgeted reimbursements from State Lands Commission and Department of Parks and Recreation for work projects.

\$4.1 million—Total Unexpended Balance

Even though the CCC has been overbudgeted in past years and may be overbudgeted for the budget year in some categories, our analysis of the current year and budget year line item detail indicates that operating expenses may be underbudgeted. Table 5 shows that the amount budgeted for certain operating expenses declined from \$2.3 million in 1978-79 (actual) to \$1.4 million in 1979-80 and \$0.9 million in 1980-81. The two-year reduction is \$1.3 million, or 58.8 percent of what was actually spent in 1978-79.

Table 5
California Conservation Corps
Selected Operating Expenses

	<i>Actual</i>	<i>Estimated</i>	<i>Estimated</i>	<i>Change from 1978-79</i>	
	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>Amount</i>	<i>Percent</i>
General Expenses	\$1,542,424	\$868,959	\$536,105	\$-1,006,319	-65.2%
Printing	48,561	35,030	26,770	-21,791	-44.9
Communications	177,707	128,003	85,627	-92,080	-51.8
Travel, In-State	503,236	362,566	287,359	-215,877	-43.0
Totals	\$2,271,928	\$1,394,558	\$935,861	\$-1,336,067	-58.8%

We requested information that might explain the significant reductions in the expenditures from both the CCC and the Department of Finance. Neither agency was able to provide specific information. We also requested a revised projection of costs for the current year based on expenditures for the first quarter. However, the information provided us was incomplete and inadequate for accurate projection. While we encourage the departments' efforts to reduce state costs, we do not believe the budget program should be underfunded. In order to facilitate analysis of the proposed operating expense reductions, we recommend that the Department of Finance report to the fiscal subcommittees on (a) the reasons for the budgeted reductions, (b) any needed changes in the current year and budget year expenditure projections.

Solar Training Program

We recommend that the solar training program financed by Item 202 be deleted. If approved by the Legislature, the program should be funded by the authorizing legislation.

The Governor's Budget is proposing the expenditure of \$486,216 to establish a solar training program. This program would train 54 corpsmembers in the design, fabrication, installation and maintenance of solar water heating systems. The funding would include: (a) \$335,016 from the State Energy Resources Conservation and Development Account in the General Fund (Item 202) for 10.5 staff positions and related operating expenses, and (b) \$151,200 in reimbursements from other state agencies for the cost of materials to construct solar panels. An additional \$73,100 is proposed in Item 519 for minor capital outlay construction associated with the program. The 54 corpsmembers would come from the budgeted strength of the CCC.

The solar training program would be located at Growlersburg Conservation Camp, El Dorado County, an inmate facility operated jointly by the Departments of Forestry and Corrections. The Growlersburg facility has been producing solar panels for two years, primarily for use by the Department of Forestry. During the current year, the CCC redirected 19 corpsmembers and 3 staff from regular base center operations to the solar program. The 1980-81 funding proposal would formally sanction CCC participation in this program while expanding the extent of its participation.

Solar training is valuable for CCC members. Nevertheless, we have a number of problems with the budget proposal.

1. *New program.* This is a new program for the CCC, and should be authorized by the Legislature. The appropriate vehicle for doing so would be the bill required to reauthorize the CCC for operation beyond December 31, 1980.

2. *No evaluation.* Numerous types of commercial solar panels are on the market. The solar panel produced by Growlersburg has not been evaluated. Prior to manufacturing these panels on a larger scale, the panels should be evaluated for efficiency, durability and cost. A portion of this information may be provided this spring by tests to be conducted by the Energy Commission's Testing and Inspection Program for Solar Equipment (TIPSE).

3. *Improper funding source.* The additional 10.5 staff positions and associated costs are proposed to be funded from the Energy Resources Conservation and Development Special Account of the General Fund. This account, supported from the surcharge applied to consumers' electric bills, was established to support the Energy Commission's efforts at "encouraging developing and coordinating research and development into energy supply and demand problems." The account was not established to finance the type of ongoing solar production program proposed by the CCC.

4. *Working conditions.* The CCC is open to young women and men between the ages of 16 and 23. Although the CCC living facilities will be separate from the Growlersburg facility, the corpsmembers will work directly with the inmates. We are aware of no other program where inmates and free persons are permitted to work together.

5. *Cost of materials.* The cost of materials needed to produce solar panels is to be funded from \$151,200 in reimbursements from those state

CALIFORNIA CONSERVATION CORPS—Continued

agencies that order the panels. The CCC, however, is unable to specify the financial commitment in the solar panels on the part of other state agencies. Accordingly the number of panels to be produced and the demand for them is uncertain.

6. *Redirection of corpsmembers.* The CCC intends to redirect 54 of its corpsmembers from existing base centers to the Growlersburg facility. Because the average base center is budgeted for 60 corpsmembers, this is approximately equivalent to closing a base center. The CCC, however, does not propose to close any centers or to redirect any of the 14 staff who would become available as a result of the transfer. Thus, this proposal would add an additional 10.5 staff positions. If the solar program is approved, the staff should be funded by redirection of existing staff positions. For these reasons, the CCC proposal is not justified at this time, and we recommend deletion of Item 202.

Fire Fighter Trainee Program

We recommend deletion of the proposed Fire Fighter Trainee program for a General Fund savings of \$2,494,200. If approved by the Legislature, the program should be funded by the authorizing legislation or included in the Department of Forestry budget.

The Governor's Budget proposes a \$2,494,200 General Fund augmentation to establish a Fire Fighter Trainee program in conjunction with the Department of Forestry. The trainees would be selected after at least 9 months' service with the CCC, and would be assigned to one of 40 existing Department of Forestry fire stations. The trainees would increase staffing at the fire stations during the fire season, and would participate in fuel management/vegetation control and fire prevention during the off-season. The result would be a major increase in the level of service and staffing of the Department of Forestry.

The proposed program would provide funding for 240 additional corpsmember contracts plus three new headquarters staff positions to handle the increased accounting and personnel workload. The details of the augmentation are as follows:

Corpsmember stipends (minimum hourly wage + 15% of minimum wage + \$115 monthly differential fire pay)	\$2,255,040
Overtime.....	96,480
Benefits	84,000
Support costs	7,200
Three headquarters staff positions.....	39,600
Staff benefits	11,880
Total.....	\$2,494,200

We recommend that the funds for this program be deleted from the CCC budget for the following reasons:

- (a) This is a new program, and should be considered in connection with the legislation reauthorizing the CCC.
- (b) Existing law requires the state to adopt program budgeting. Because the proposal is based on the Department of Forestry's need to enhance its fire fighting capabilities, the program should be

justified and funded within Forestry's budget rather than CCC. (The merits of this proposal and funding alternatives are analyzed under Item 224.)

The CCC justifies inclusion of the Fire Fighter Trainee program in its budget on the basis that the program would provide valuable training benefits to the corpsmembers. There is no reason however, that a corpsmember could not receive the same training as a seasonal Forestry employee. The basic fire fighting training that all corpsmembers receive should qualify corpsmembers to be competitive for the Forestry positions.

We also have the following specific concerns about placing the new fire fighter trainee program in the CCC.

1. The program would significantly change the purposes of the CCC program. Rather than training corpsmembers on a variety of short-term projects, corpsmembers would be placed under the full-time direction of another agency to perform a permanent ongoing program.

2. Because of the CCC's high attrition rate, it may not be able to furnish 240 corps members who have had 9 months of CCC service and who will contract to perform one year's work for Forestry. If sufficient corpsmembers are furnished, it may be harmful to the basic CCC program by removing the most highly motivated of the corps members from CCC programs.

3. The budget proposal understates the total position count for the Department of Forestry in the Governor's Budget because the 240 corpsmembers are under CCC contract and do not show as established positions. There is, in addition, some question about the legality of using contract labor in lieu of civil-service positions.

If the Legislature approves the program, several budget problems need to be resolved. Our analysis of the proposal indicates that it is overbudgeted in at least three areas, including differential pay (both the rate and the duration), overtime pay, and the double funding of corpsmembers selected after nine months in the basic program. We will identify the necessary adjustments after the CCC and Department of Forestry clarify the qualifying service for selecting the corpsmembers (nine months vs. one year).

Helitack Crews

The Governor's Budget is proposing an additional joint program with the Department of Forestry whereby 36 corpsmembers would be used as year-round crews for 3 helicopters to perform fire suppression and fuel management activities. There would be no additional direct cost to the CCC for these crews because the corpsmembers would come from the existing budgeted strength. However, the program would reduce the CCC's ability to perform its regular activities by diverting 36 corpsmembers to other purposes. (The Department of Forestry budget contains an increase of \$709,688, primarily for the acquisition of three helicopters.)

Our analysis indicates that this proposal raises the same issues as the Fire Fighter Trainee program. In addition, the helitack work is very dangerous for young and relatively inexperienced corpsmembers and should be performed by more experienced personnel.

If the Department of Forestry can justify additional fire suppression

CALIFORNIA CONSERVATION CORPS—Continued

crews, the crews should be budgeted within that department and not funded by the CCC. (The merits of the helitack proposal and funding alternatives are discussed in our review of the Department of Forestry's budget under Item 224.)

Disabled Corpsmember Program

We recommend that the Disabled Corpsmember program be funded by authorizing legislation rather than by the Budget Bill for a General Fund reduction in Item 201 of \$83,612.

The Governor's Budget proposes \$83,612 from the General Fund to continue a Disabled Corpsmember program presently funded through a \$367,774 Federal Comprehensive Employment Training Act (CETA) grant. The grant was approved in September 1978 and is scheduled to terminate in June 1980. The existing program supports three staff position (a program coordinator, a rehabilitation counselor and a clerk), and the salary and benefits of up to 44 disabled corpsmembers.

The Governor's Budget proposes General Fund support of \$83,612 for the three administrative positions but would fund the corpsmember costs (up to 60 corpsmembers) within the existing budget. This program has not previously been reviewed by the Legislature and should be considered in connection with legislation to authorize extension of the CCC.

Additional Nonresidential Center

We recommend that the addition of a nonresidential center be funded by the authorizing legislation rather than the Budget Bill for a General Fund savings of \$858,000.

The Governor's Budget proposes a General Fund appropriation of \$858,000 to add one additional nonresidential center for a total of 23 centers. Although a site has not been selected, the budget indicates that the new center will be located in the San Francisco Bay Area. The center would add 60 corpsmembers and 9.5 staff positions to the existing corps strength. This would be the second nonresidential center; the first was opened in Los Angeles in June 1979.

In a previous section of this analysis, we recommended that all new programs be deleted from the Governor's Budget and considered in connection with the legislation to reauthorize the program. Consistent with that recommendation, we recommend that support for the nonresidential center be deleted.

Minimum Wage Increase

We recommend that funding for the minimum wage increase be provided by the authorizing legislation rather than the Budget Bill for a General Fund savings of \$692,640.

Corpsmembers' salaries are based on the federal minimum wage. Use of the federal minimum wage is a condition of receiving the Young Adult Conservation Corps (YACC) funds from the federal government.

The federal minimum wage increased to \$3.10 per hour on January 1, 1980 and will increase again to \$3.35 per hour on January 1, 1981. The Governor's Budget proposes \$692,640 to support the 1981 increase. Be-

cause this increase does not take effect until January 1, 1981 (the termination date for the existing program), we recommend that the funds be deleted from the Governor's Budget and considered in connection with the legislation to reauthorize the program.

Resources Agency
ENERGY RESOURCES CONSERVATION AND
DEVELOPMENT COMMISSION

Item 203 from the Energy Resources Conservation and Development Special Account in the General Fund, and Item 204 from the Motor Vehicle Account in the State Transportation Fund

Budget p. R 14

Requested 1980-81	\$24,488,043
Estimated 1979-80.....	22,078,364
Actual 1978-79	17,019,685
Requested decrease (excluding amount for salary increases) \$2,409,679 (10.9 percent)	
Total recommended reduction	Pending

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
203	Support	Energy Resources Conservation and Development Special Account, General Fund	\$23,540,258
204	Support	Motor Vehicle Account, Transportation Fund	947,785
	Total		\$24,488,043

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Power Plant Certification. Reduce Item 203 by \$1,938,063 and Item 203(e) (reimbursements) by \$500,000. Recommend reduction in unneeded funds for the power plant certification process.* 451
2. *Undefined Appropriation. Reduce Item 203 by \$620,000. Recommend funds be deleted for continuation of undefined activities originally funded by Item 189, Budget Act of 1979. Further recommend that commission report to the fiscal subcommittees at the budget hearings on the allocation of \$620,000 in Item 189, Budget Act of 1979.* 454
3. *Duplication with Public Utilities Commission. Reduce Item 203 by \$365,818. Recommend reduction in funds for activities already funded in the Public Utilities Commis-* 455

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

- sion's budget.
4. Allocation of Federal Funds. Recommend that Energy Commission report at the budget hearings on its policies for distribution of federal funds to other state agencies. 456
 5. Energy Conservation Priorities. Recommend transfer of \$531,313 from the appliance and equipment energy conservation program to the buildings energy conservation program. 456
 6. *Transportation Energy Conservation. Reduce Item 204 by \$479,617 from the Motor Vehicle Account.* Recommend deletion of state support for transportation conservation because work is undefined and may duplicate work of other agencies. 457
 7. Contracts. Withhold recommendation on \$10.8 million budgeted for outside contracts because the Energy Commission has not provided specific information about the proposed contracts. Further recommend continuation of existing supplemental report language requiring quarterly contract reports from the commission. 459

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 certifying power plant sites, forecasting energy supplies and demands, developing energy conservation measures, and carrying out a program of research and development in energy supply, consumption, conservation, and power plant siting technology. The commission is located in Sacramento.

ANALYSIS AND RECOMMENDATIONS

The budget proposes two appropriations totaling \$24,488,043 from the Energy Resources Conservation and Development Special Account in the General Fund and the Motor Vehicle Account in the Transportation Fund for support of the Commission in 1980-81. This is an increase of \$2,409,679, or 10.9 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year.

The budget proposes total expenditures of \$42,142,595 from all sources for the Energy Commission in 1980-81, as shown on Table 1. This amount is \$12,298,464, or 22.6 percent, less than the \$54,441,059 estimated to be spent in the current year. The apparent decrease is due to the fact that significant one-time expenditures are included in the totals for the current year. All but \$250,000 of the \$14.5 million appropriated from the General Fund by Chapter 1123, Statutes of 1979 (SB 771), is shown as a current year expenditure. SB 771 provides (1) \$10.5 million for projects to convert agricultural and forestry waste materials into energy and (2) \$4 million for the development and demonstration of clean coal technologies. Most of

the funds will not be spent during the current year. At least \$10.35 million of the \$14.5 million will be carried over to future years, and the carryover could be as much as \$14.25 million.

Table 1
Energy Resources Conservation and Development Commission
Sources of Funds—1980-81

<i>Funding Source</i>	<i>Amount</i>
General Fund (AB 900 and SB 771) ^a	\$9,840,007
Energy Resources Conservation and Development Special Account, General Fund (Item 203)	23,540,258
Energy Resources Conservation and Development Reserve Account, General Fund ^b	337,054
Motor Vehicle Account, Transportation Fund (Item 204)	947,785
Reimbursements	548,383
Federal funds	6,929,108
Total Expenditures	\$42,142,595

^a \$9,590,007 for energy conservation assistance appropriated by Chapter 1124, Statutes of 1979 (AB 900) and \$250,000 for administration of residue conversion grants appropriated by Chapter 1123, Statutes of 1979 (SB 771).

^b Appropriated by Chapter 1089, Statutes of 1978, for wind energy development.

Electricity Surcharge

The Special Account receives its revenues from a surcharge placed on the sale of electricity. The surcharge has a maximum rate of \$.0002 (2 tenths of a mill) per kilowatt-hour. The rate is set each year by the Board of Equalization, which also collects the surcharge from the utilities. The law requires the board to set a rate each January that will produce enough revenue to fund appropriations from the Special Account that are proposed in the Governor's Budget. The board adjusts the rate in August to reflect final appropriations in the Budget Act. Any surplus remaining in the Special Account at the end of the year is transferred to the Reserve Account, or, if the Reserve Account balance has reached \$3 million, the surplus is used to reduce the surcharge rate in the following year.

The Reserve Account may be used by the commission, with the approval of the Director of Finance, for cash flow loans to the Special Account, for cost-of-living salary increases of the Energy Commission, and to fund unexpected workload for power plant siting.

The staff of the Board of Equalization estimates that the surcharge must be increased from the current rate of 15 hundredths of a mill to 17 hundredths of a mill in order to generate the amount required to cover the appropriation proposed from the special account. However, the board has not increased the rate and does not plan to reconsider the rate until August 1980. At a rate of 17 hundredths of a mill, the surcharge costs the average residential electricity customer about 9 cents each month.

Expanded Use of Surcharge Revenues

The budget includes funding from the Special Account for seven state agencies in 1980-81. Table 2 lists these expenditures. Until the current year, the Special Account had been used solely to fund the Energy Commission and reimburse collection costs of the Board of Equalization. The Budget Act of 1979 expanded the use of the surcharge by appropriating

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

\$381,809 to the Public Utilities Commission (PUC) and \$150,000 to the SolarCal Office and Council. The budget proposes that the California Conservation Corps and the Air Resources Board receive support from the Special Account in 1980-81.

Table 2
Appropriations Budgeted From the Energy Resources
Conservation and Development Special
Account in 1980-81

<i>Use of Special Account</i>	<i>Amount</i>
Energy Commission—support	\$23,540,258
Board of Equalization—surcharge collection costs	45,481
Solar Business Office—support	150,000
SolarCal Council—support	100,000
Public Utilities Commission—support	2,110,154
California Conservation Corps—solar program	408,016
Air Resources Board—cogeneration	162,506
Total	\$26,516,415

Increased Spending in Current Year

Commission expenditures in the current year, as estimated in the budget, are \$54.4 million. This is more than double the Governor's original 1979-80 budget request of \$23.2 million. Table 3 shows the components of this increase.

Table 3
Energy Commission
1979-80 Revised Estimated Expenditures
Changes From Governor's Proposed 1979-80 Budget

	<i>Special Account^a</i>	<i>Other State Funds</i>	<i>Federal Funds</i>	<i>Total</i>
Governor's 1979-80 Budget	\$17,479,096	\$353,936 ^b	\$5,346,892	\$23,179,924
Department of Finance amendment, schools and hospitals energy conser- vation	—	—	+1,020,494	+1,020,494
Legislative reductions	-185,000	—	-100,000	-285,000
Net legislative augmentations after Governor's reductions (Table 4)	+3,531,713	+1,509,128 ^c	—	+5,040,841
Salary increase	—	+1,705,320 ^d	+216,480	+1,921,800
SB 771 residue conversion and clean coal (General Fund)	—	+14,500,000	—	+14,500,000
AB 900 energy conservation loans (Gen- eral Fund)	—	+10,000,000	—	+10,000,000
Estimated savings and carryovers	-312,385	-624,615 ^e	—	-937,000
1979-80 Revised Expenditures	\$20,513,424	\$27,443,769	\$6,483,866	\$54,441,059

^a Energy Resources Conservation and Development Special Account in the General Fund.

^b Energy Resources Conservation and Development Reserve Account in the General Fund.

^c Motor Vehicle Account in the State Transportation Tax Fund.

^d \$1,649,508 from the Reserve Account and \$55,812 from the Motor Vehicle Account.

^e Estimated unexpended balances of \$250,000 from SB 771 and \$437,615 from AB 900, both from the General Fund, and an increased spending of \$63,000 beyond the \$353,936 originally budgeted from appropriations from the Reserve Account made by Chapter 1089 (wind energy) and Chapter 1367 (solar passive design competition), Statutes of 1978.

Part of the increase consists of salary adjustments and the administrative costs associated with additional federal funds for energy conservation in schools and hospitals, which together added almost \$3 million to the Governor's Budget request. The remainder of the increase was due to new legislation and budget augmentations made by the Legislature. Table 4 shows the specific legislative augmentations to the Budget Bill last year and subsequent reductions by the Governor. The net augmentation was \$5 million—\$3.5 million from the Special Account and \$1.5 million from the Motor Vehicle Account. The Legislature also made reductions totaling \$285,000 in the commission's budget request.

Table 4
Energy Commission Budget 1979-80
Adjustments by Legislature and Governor

	<i>Augmentation by Legislature</i>	<i>Reduction by Governor</i>	<i>Net Augmentation</i>
1. Special Account	\$(4,875,713)	\$(-1,344,000)	\$(3,531,713)
a. Legal defense for nuclear statutes	90,000	—	90,000
b. Small hydroelectric projects	200,000	-200,000	—
c. Power transmission planning and analysis	80,000	-80,000	—
d. Energy conservation—insulation, appliances, industry	991,866	—	991,866
e. Nuclear power plant safety	850,000	-230,000	620,000
f. Clean coal studies	1,663,847	-322,000	1,341,847
g. New technology development—wind, solar, geothermal, cogeneration	1,000,000	-512,000	488,000
2. Motor Vehicle Account	(2,209,128)	(-700,000)	(1,509,128)
a. Transportation energy conservation	367,128	—	367,128
b. Coal powered vehicle engine	1,000,000	-700,000	300,000
c. Oil and gas fuels supply, demand and process- ing	842,000	—	842,000
Totals	\$7,084,841	\$-2,044,000	\$5,040,842

Significant Budget Changes

Table 5 summarizes the commission's proposed program changes for 1980-81, by funding source. As the table shows, many of the changes in positions are offsetting shifts of personnel between programs. The net total proposed increase is 20 positions, of which 18 are permanent staff in the Fuels Allocation Office.

The next four sections of this analysis discuss augmentations to the commission's 1979-80 budget which were added outside of the budget process. The additional funding is not continued in the base of the 1980-81 budget.

Grants and Loans for Energy Conservation

Under the National Energy Conservation Policy Act, the federal government provides grants for energy conservation improvements at schools, hospitals, local government buildings and public care facilities. State and local governments as well as profit and nonprofit insitutions are

Table 5
Energy Commission
1980-81 Major Budget Changes by Program

	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>	<i>Changes In</i>				<i>Reim- bursements</i>	<i>Net Change from 1979-80</i>
			<i>General Fund</i>	<i>Special and Reserve Accounts</i>	<i>Motor Vehicle Account</i>	<i>Federal Funds</i>		
1. Regulatory and Planning Program.....	\$12,385,457	\$12,457,731	N/A	\$-131,956	\$-761,282	\$+465,512	\$+500,000	\$+72,274
a. Reduction of 8.5 positions and increase in contract and data processing funds for power plant siting \$+779,044								
b. Reduction of 6.5 positions and contract funds for energy analysis \$-754,411								
2. Energy Conservation	16,713,205	16,126,073	+15,126	-684,526	+77,115	+5,153	N/A	-587,132
a. Reduction of 4.5 positions and funds for energy conservation in buildings \$-1,325,066								
b. Increase of 11 positions and funds for appliance and equipment standards \$+555,380								
c. Increase of 2.25 positions and funds for transportation energy conservation \$+298,767								
3. Development of New Energy Sources	19,953,081	7,303,692	-14,000,000	+1,695,931	N/A	-345,320	N/A	-12,649,389
a. Increase of 6 positions and \$468,172 for administration of residue conversion program mandated by SB 771 and reduction of \$14 million due to budgeting of SB 771 expenditures for clean coal and residue conversion projects in 1979-80								
b. Increase contract funds for wind electric program \$+319,079								
c. Reduction of .8 positions and increase in contract funds for solar program \$+316,248								
4. Policy, Management and Administration	5,389,316	6,255,099	+12,496	+417,995	+67,012	+319,897	+48,383	+865,783
a. Increase of 18 positions for Fuel Allocation Office \$+401,887								
Totals.....	\$54,441,059	\$42,142,595	\$-13,972,378	\$+1,297,444	\$-617,155	\$+445,242	\$+548,383	\$-12,298,464

N/A = Program receives no funds from this source.

eligible to receive these grants. The commission has received about \$1 million in federal funds to administer the program in California and to select projects for funding. The actual grants are made by the federal government directly to the applicant. This year, the commission expects that \$16.5 million in federal funds will be available for grants to fund technical evaluations and energy conservation projects under this program.

The commission, through a contract with the Community Colleges, provides training in the techniques of energy auditing to the employees of schools, hospitals and other eligible institutions. After initial energy audits, eligible institutions may apply to the commission for grants to perform detailed, technical evaluations of conservation potentials, and to purchase and install equipment to save energy.

In most cases, the federal grant money must be matched by the applicant on a 50-50 basis. Chapter 1124, Statutes of 1979 (AB 900), appropriated \$10 million from the General Fund to the commission for 1979-80 and an additional \$10 million from the General Fund for 1980-81, for energy conservation *loans* to schools, hospitals, public care institutions and local governments. The commission may use up to \$1 million of the \$20 million for its own administrative costs. Loans from the AB 900 appropriation may be used as matching funds for the federal energy conservation grants.

As of January 1980, the commission had completed its first cycle of reviewing loan and grant applications. Preliminary approval has been given to 132 applications, primarily from schools and hospitals. The applications requested \$2.5 million in federal funds, \$1 million in matching AB 900 loans, and an additional \$1 million in AB 900 loans to entities that are not eligible to receive, or did not request, federal funds.

Energy from Agricultural and Forestry Wastes

SB 771 appropriated \$10.5 million to the commission for at least 20 projects to demonstrate technologies to convert agricultural or forestry waste materials into useful heat or electricity. Such projects could include burning wood chips to generate electricity or using manure to generate methane gas. The commission may use \$500,000 of the appropriation for administrative expenses through 1980-81.

The commission will assist the demonstration projects by purchasing conversion equipment for the project proponent. If the equipment works properly and meets specifications, the project proponent will purchase the equipment from the commission. The commission plans to use the proceeds of the repayments to fund additional projects. After five years, the General Fund will receive any uncommitted funds and any further repayments.

The commission plans to let a \$577,000 contract for technical assistance to evaluate its projects during the 1980-81. The contractor will review the technical feasibility and environmental impact of projects, and may also be responsible for field management. The commission expects to commit about \$5 million in 1980-81 for six to ten projects, beginning in August 1980. An additional \$5 million will be available in 1981-82, and, if the initial projects are successful, repayments should allow the commission to fund projects for 3 more years.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

SB 771 requires the commission to submit, along with its annual budget request, a report on the status of the waste conversion program and recommendations to accelerate the development of bio-conversion technologies. We have not received the report that was supposed to accompany the 1980-81 budget, as of early February 1980.

Clean Coal

In addition to funds for waste conversion projects, SB 771 appropriated \$4 million from the General Fund to the commission for clean coal studies. One-half of the money is for a contract to develop and demonstrate an environmentally acceptable technology for obtaining useful energy directly from coal combustion. This might involve, for example, burning coal and passing the hot combustion gasses directly through a turbine to generate electricity without first generating steam. The remaining \$2 million is for a contract to develop and demonstrate a coal-fired internal combustion engine. The engine must be environmentally acceptable and suitable for passenger vehicles and trucks. Legislative augmentations in the Budget Act of 1979 (Table 4) provide an additional \$300,000 for the coal-fired internal combustion engine and an additional \$1 million to develop and demonstrate direct coal combustion.

The commission is now developing a request for proposals from prospective contractors. The total amount available for the contract is \$5.3 million, \$3 million for direct coal combustion and \$2.3 million for the coal-powered internal combustion engine. If the contract is not let before July 1, 1980, only the \$4 million appropriated by SB 771 will be available.

Alcohol Fuels

Chapter 161, Statutes of 1979 (SB 620), appropriated \$10 million from the Transportation Planning and Development Account to the Secretary of the Business and Transportation Agency for a program to investigate the practicality and cost-effectiveness of alternative motor vehicle fuels. The Business and Transportation Agency currently plans to allocate to the Energy Commission \$5 million of these funds. This money does not appear in the commission's budget.

The commission expects to use \$2 million for a three-year program to evaluate the use of pure alcohol fuels (ethanol and methanol) in a 50-car fleet. The commission would use the remaining \$3 million for loans to private companies to build medium to large-sized plants to produce ethanol. This program would not duplicate SB 771. Although ethanol plants can use agricultural wastes as their feedstock, they do not fit the criteria of SB 771 which requires conversion of wastes into energy through the production of heat or electricity. The Business and Transportation Agency also expects to provide \$2 million to the Department of Food and Agriculture for loans to farmers and farm organizations for small ethanol production plants.

Power Plant Certification

We recommend reductions in the amount budgeted for power plant certification to reflect reduced workload, for a savings of \$1,938,063 (35.5 personnel-years and associated operating costs) in Item 203 and \$500,000 in reimbursements.

When an electric utility wishes to build a power plant generating in excess of 50 megawatts, it must seek certification of the site and facility from the California Energy Commission in a two-step process. In the notice of intention (NOI), the first step, the utility must propose at least three alternative sites for the facility. In general the NOI focuses on:

- The need for the proposed facilities.
- The likelihood of compliance with applicable local, regional, state and federal laws, standards and ordinances.
- The safety, public health, environmental, land-use, cooling water demand and economic impacts of the facilities at each site.
- The general acceptability and suitability of the proposed facilities at each site.
- Whether there are alternatives to the proposed project which are economically, environmentally and socially preferable.

The commission must find one of the sites acceptable for the proposed project and give the site a preliminary approval. The commission may impose conditions on the selected site.

In the second step the utility submits an application for certification (AFC) of the project on the site selected in the NOI process. During the AFC proceeding, the commission evaluates specific facility designs and mitigation measures, and determines whether and under what conditions the facility will be certified for construction at the site. The environmental impact report (EIR), or its functional equivalent, is prepared at this time.

Investor-owned utilities must go one step further and submit their projects to the Public Utilities Commission for a review of financial, rate setting and reliability implications. Municipal-owned utilities are not subject to review by the PUC. In some instances, the project must be submitted to federal regulatory agencies, as well.

Our analysis indicates that the commission's appropriations request should be reduced because (1) the NOI and AFC caseload in the budget year will be significantly lower than the commission anticipated when it prepared the budget, and (2) the increased use of outside consultants to serve as expert witnesses, analyze transmission line loads and prepare EIRs is not based upon workload requirements and has not been justified.

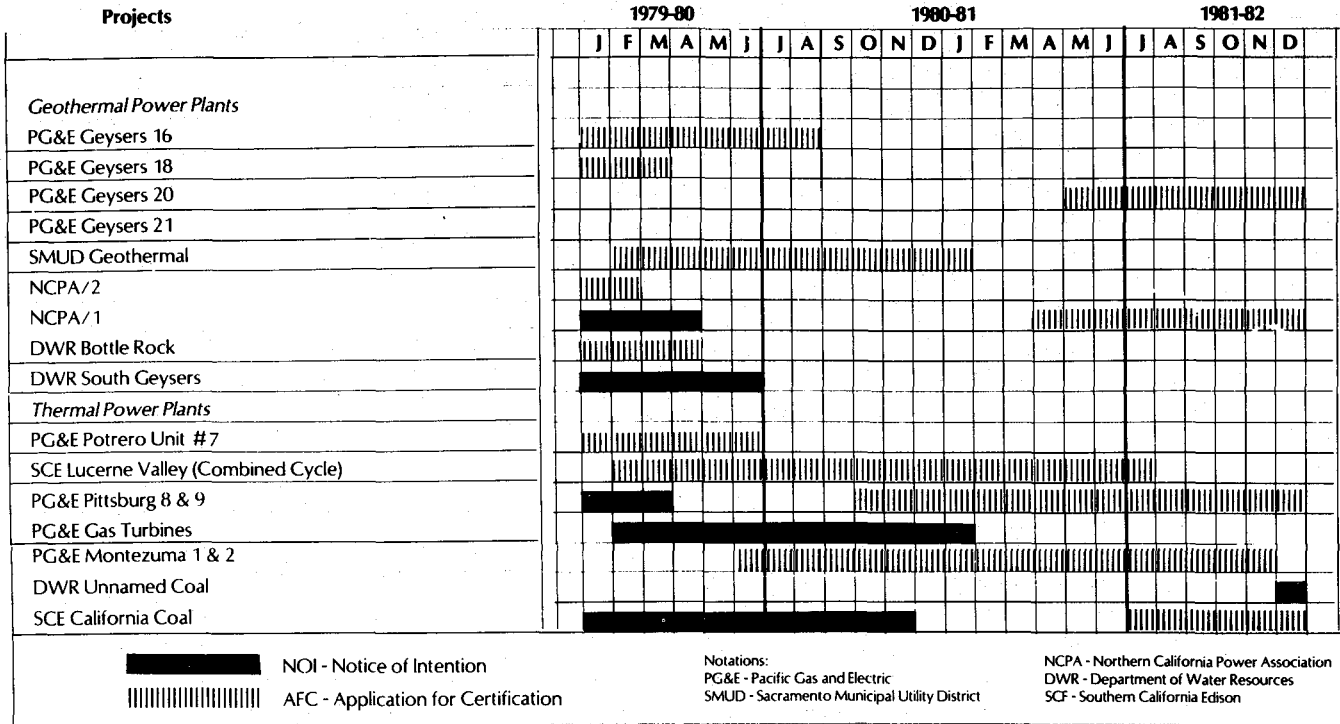
Reduced Caseload. On August 10, 1979, the commission forecast that its caseload in 1980-81 would include four NOIs and nine AFCs. This would require 84.5 personnel years. The August 10 forecast was used as the basis for the commission's budget request.

The commission revised its forecast on January 21, 1980, and the new forecast shows a reduced caseload of two NOIs and six AFCs in 1980-81. (See Chart 1.) This amounts to a 42 percent decrease in workload resulting in a reduced need for staff (49 personnel-years). This reduction in caseload will permit a reduction of \$1,366,763 (35.5 personnel-years and associated operating expenses) in the commission's request.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

The utilities have also indicated that the caseload in future years will probably not rise above this level. Chart 1 shows the most current forecast of NOI and AFC caseload for the budget year.

Chart 1 California Energy Commission Power Plant Certification Caseload Information (January 21, 1980 Forecast)



Consulting Contracts. The commission's budget for power plant certification includes \$1,341,000 for professional and consulting services. This is an \$876,000, or 88 percent, increase over the \$465,000 in estimated current year expenditures. The requested amount consists of (1) \$841,000 for expert witnesses, interagency agreements and transmission line and structural analyses, and (2) \$500,000 from utility reimbursements for preparation of EIRs.

Our analysis indicates that the base amount of \$465,000 for professional and consulting services should be reduced by 42 percent to make it consistent with the current projection of workload. We estimate that only \$269,700 is needed for this purpose, thus allowing a reduction of \$195,300. In addition, the proposed increase of \$376,000 for transmission line and power plant structural analyses is not workload related and has not been justified.

The \$500,000 increase in reimbursements for preparation of EIRs is not warranted. The Legislature has mandated that the AFC process be functionally equivalent under the California Environmental Quality Act. Thus, the preparation of a separate EIR for each project is no longer required. The commission wished to reinstate the EIRs because of technical problems encountered with the Resources Agency in certifying functional equivalency of the AFC. However, the problems are minor and can be resolved.

Recommended Decrease. Based on our analyses of the commission's request for its power plant certification process and the current forecast of NOI and AFC caseload, we recommend a reduction of \$1,938,063 in Item 203 and a reduction in reimbursements of \$500,000. These reductions consist of the following:

- A reduction of \$1,366,763 (35.5 personnel-years) in personnel services and operating costs due to the reduction in caseload.
- A reduction of \$195,300 in professional and consulting services due to the reduction in caseload.
- A reduction of \$376,000 in professional and consulting services for transmission line and structural analysis because of a lack of justification.
- A reduction of \$500,000 in reimbursements because the preparation of EIRs is not needed.

In the event there is an increase in caseload above the level now anticipated during the budget year, the Director of Finance has the authority to authorize expenditures from the Energy Commission's Reserve Account to increase the staff for power plant certification.

Major Changes Needed. In our previous analyses, we have noted that the commission's power plant certification process is complex, time consuming and costly to the utilities, the state and the rate payers. Recent revisions to the process have helped to improve it but further improvements are possible and desirable.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

Geothermal projects are subject to either a nine-month NOI plus a nine-month AFC, or a 12-month combined NOI/AFC. Thermal projects are subject to a 12-month NOI and an 18-month AFC.

Our review of the NOI/AFC process indicates that the use of the two-stage certification process as provided in present law is questionable because:

(1) Many issues that presumably are settled in the NOI stage are re-opened again in the AFC stage. This creates costly redundancies in the process.

(2) The statutory requirement to fully evaluate three alternative sites, even after it becomes evident which site is best for the plant, imposes unnecessary demands on the utilities and the commission.

(3) Project momentum is often lost during the lengthy and complex process.

(4) The commission has adopted an overly rigid, legalistic, adversarial approach in its conduct of the nonadjudicatory and adjudicatory hearings.

Several bills which would make major changes in the certification processes are presently pending before the Legislature. Our analysis indicates that the commission can take steps to streamline its certification process under existing law. The steps would involve:

(1) Revising guidelines to eliminate redundancies and unnecessary complexities in the NOI and AFC stages,

(2) Placing greater reliance on generic assessments of alternative technologies, and environmental impact and mitigation measures, as provided by law,

(3) Actively seeking certification of the AFC process as functionally equivalent to an EIR under CEQA requirements,

(4) Minimizing adversarial relationships in the certification process, and

(5) Increasing commission assistance to the utilities in resolving technical problems.

If these changes are accomplished, increased efficiencies and further savings can be realized.

Undefined Appropriation

We recommend that (1) funds requested for undefined purposes be deleted, for a reduction of \$620,000 in Item 203 and (2) the commission report to the fiscal subcommittees at the time of budget hearings on its use of \$620,000 included in Item 189, Budget Act of 1979.

The Legislature added \$850,000 to Item 189 of the Budget Act of 1979 for nuclear emergency planning. Included within the appropriation was language which specified that the money be used for (1) the assessment of controlled filtered venting of nuclear power plant facilities, (2) the development of an emergency response plan for nuclear power plant accidents, and (3) the monitoring of nuclear power plant facilities. The Governor reduced the appropriation to \$620,000 and deleted the control language prior to signing the Budget Act because the Office of Emergency Services (OES) has prime responsibility for nuclear emergency planning

and had received an appropriation of \$150,000 in Item 42 for this purpose. The \$620,000 was left in the commission's 1979-80 budget for undefined purposes.

The commission has included the \$620,000 in its base for 1980-81 but has not explained how the money will be used or justified the need for it. Accordingly, we recommend deletion of the \$620,000 from Item 203. Furthermore, we recommend that the commission report to the fiscal subcommittees, at the time of budget hearings, on its use of the \$620,000 in Item 189, Budget Act of 1979.

Duplication with Public Utilities Commission

We recommend a reduction of \$365,818 from the Energy Resources Conservation and Development Special Account in Item 203 to support work on utility rates, finances and operations, because funds for this work are budgeted to the Public Utilities Commission.

In the 1979 Budget Act, the Legislature appropriated \$381,809 from the Special Account to support the Public Utilities Commission's activities required by the Warren-Alquist Act, as we recommended.

In addition to the direct appropriation of \$381,809 from the Special Account, the PUC will receive an estimated \$365,818 in federal funds from the Energy Commission in 1979-80. This money is a portion of the funds provided to the commission by the U.S. Department of Energy under the Energy Policy and Conservation Act (EPCA) and the Energy Conservation and Production Act (ECPA). These funds are made available on an ongoing basis for a broad range of energy-related programs.

The Governor's Budget for 1980-81 proposes to increase the PUC's funding from the Special Account by \$1.7 million bringing the total to \$2.1 million. The increase provides for the replacement with state funds of the federal funds provided by the commission during the current year. The budget proposes that the PUC assume a more active role in the development and implementation of energy conservation policies and methods through its regulation of investor-owned electric and gas utilities. In our analysis of the PUC's budget request (Item 443), we recommend that this augmentation be approved.

The budget of the Energy Commission does not propose to continue the transfer of any federal money to the PUC in 1980-81. Instead, the commission is using the \$365,818 to conduct its own studies of utility financing and rate structures.

Our analysis indicates that these studies would substantially duplicate the activities of the PUC. The PUC is responsible for rate structures and analyses for all investor-owned utilities, and we see no independent role for the commission to play in this area.

We therefore recommend that the appropriation from the Special Account to the Energy Commission be reduced by \$365,818 (Item 203) so that the federal funds be used instead of money from the Special Account to support other commission activities.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued**Allocation of Federal Funds**

We recommend that the Energy Commission report at the time of the budget hearings on its policies for distributing federal funds to other state agencies.

The Energy Commission, as the lead state energy agency, expects to receive \$4,982,270 from DOE in 1980-81 under the EPCA and ECPA. The money can be used for a variety of energy-related programs, some of which involve responsibilities of other state agencies, such as the PUC. The commission should explain how it intends to allocate continuing federal funds to eliminate duplication and assure the most effective use of the money.

Energy Conservation Priorities

We recommend transfer of \$531,313 from the appliance and equipment energy conservation program to the buildings energy conservation program.

The Warren-Alquist Act authorizes the Energy Commission to set energy conservation standards for new buildings and energy efficiency standards for appliances sold in California. The federal Department of Energy (DOE) also sets building and appliance standards under two federal laws.

Federal Building Standards. The Energy Conservation and Production Act (ECPA) requires DOE to set building energy performance standards for state and local governments to adopt and enforce as part of their approval of building permits. If state or local governments do not adopt and enforce these standards, Congress may withdraw federal housing funds from noncomplying jurisdictions. The adoption and enforcement of building standards historically have been state and local government responsibilities because buildings must be designed for local conditions. In recognition of this, federal law leaves primary responsibility for building standards and enforcement with the state and local governments.

Federal Appliance Standards. National appliance standards are being established by DOE under the Energy Conservation Policy Act (ECPA). The DOE standards apply to consumer appliances, and require "the maximum improvement in energy efficiency which is technologically feasible and economically justified." The law requires DOE to issue standards by December 1980 for appliances that use the most energy, such as air conditioners, refrigerators, water heaters and furnaces. Standards for lower energy consuming appliances, such as dishwashers and televisions, must be set by November 1981. The federal law allows states which have existing appliance standards, such as California, to continue enforcing their standards provided that the standards meet or exceed the federal standards.

In a related effort, the Federal Trade Commission requires that appliance manufacturers provide labels that show consumers the expected annual energy cost of each appliance. The labels must also show the energy cost of the most and least efficient models.

Although federal law allows the states some role in adopting and enforcing

ing appliance standards, this role is not essential. Appliance standards are primarily set and enforced at the federal level because appliances are manufactured in central plants and sold in many states, and regulation by each state would be difficult to enforce, costly and confusing. In view of the fact that federal appliance standards must achieve "maximum" energy efficiency, it is not clear that the continuation of state standards for appliances after federal standards have been issued would save additional energy.

Priorities Reversed in Budget. Both the provisions of federal law and the circumstances involved in building construction dictate that the state have a strong program to reduce energy consumption in buildings. Conversely, state programs to reduce appliance energy consumption would appear to warrant a much lower priority. The Governor's Budget, however, proposes a reduction of \$1,325,066 and 4.5 positions for energy conservation in buildings and an increase of \$555,380 and 11 positions for appliance and equipment energy conservation. The buildings program would be reduced from its current funding level of \$4 million (excluding money provided by AB 900 for the energy conservation loan program) to \$2.7 million in 1980-81. Funds for the appliance and equipment program would increase from \$1 million in the current year to \$1.6 million in 1980-81.

We recommend that funding and staff for the appliance and equipment program be kept at the current levels (adjusted for price increases), and that the additional money budgeted for that program be transferred to the buildings program. This can be accomplished by reducing the appliance and equipment program by \$531,213 and 11 positions and by adding this amount of funds and 4.5 positions to the buildings program. Our recommendation would maintain current staff levels in both programs, and restore approximately \$356,000 in contract funds to the buildings program. No change in the Budget Bill appropriations is required.

Our recommendation will result in a funding reduction for the buildings program of less than \$800,000, rather than \$1.3 million. We do not recommend complete restoration of funding for the buildings program because the commission has not presented any specific plans for the work.

Transportation Energy Conservation

We recommend a reduction in the amount budgeted for transportation energy conservation, for a savings of \$479,617 from the Motor Vehicle Account in Item 204.

The Governor's Budget indicates that the commission will spend \$896,223 during the current year on energy conservation efforts related to transportation. Actual expenditures will probably be significantly less. Federal funds and the commission's Special Account provide about \$494,000 of the \$896,223, while the Motor Vehicle Account provides about \$402,000. The funds from the Motor Vehicle Account were added to the commission's 1979-80 budget by the Legislature. The commission proposes to use the additional money to expand its work in traffic engineering, ride sharing, and for studies of government regulation of transportation.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

The Energy Commission does not have a clearly defined role in transportation conservation. Moreover, its activities could potentially duplicate those of the Department of Transportation (Caltrans), which is responsible for state transportation policies and programs. In recognition of this responsibility, the Legislature adopted supplemental report language requiring that the Energy Commission and Caltrans execute a memorandum of understanding before any of the \$402,000 from the Motor Vehicle Account could be spent.

The memorandum was to:

- Describe each program to be funded and its cost.
- Delineate responsibilities between the commission and Caltrans.
- Indicate how each program would reduce energy use.

As of January 1980, the two agencies had not signed such a memorandum, and none of the \$402,000 had been spent.

The Governor's Budget proposes spending \$1.2 million for the transportation conservation program in 1980-81, an increase of \$298,767. The proposal would fund 2.25 new positions, for a total of 7 positions in the program. The commission's budget indicates that funding from the Motor Vehicle Account for the program will increase to \$479,617, and will support 4 positions. Table 6 compares funding in the current year with that proposed for 1980-81.

Table 6
Energy Commission
Funding for Transportation Energy Conservation

<i>Funding Source</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>
Federal funds	\$425,000	\$715,373
Motor Vehicle Account	402,502	479,617
Special Account	68,721	—
Totals	\$896,223	\$1,194,990

Our analysis indicates that much of the commission's proposed work on transportation-energy conservation is likely to duplicate work being done by other state agencies.

- *Caltrans* has primary responsibility for the state's ride sharing programs, and the Governor's Budget proposes \$6.6 million for the program in 1980-81, a 38 percent increase over the current year.
- The *Office of Appropriate Technology* (OAT) is administering the federal Energy Extension Service program for the state. The OAT program includes \$120,000 in the current year for educational programs to promote energy efficient driving. Additional federal funds for the Energy Extension Service will be available in 1980-81.
- The *Public Utilities Commission* (PUC) is requesting more than \$500,000 in additional funds in 1980-81 to prepare and implement the Transportation Energy Efficiency Plan for Highway Carriers. The plan is mandated by Chapter 1195, Statutes of 1979 (SB 844), and provides for Energy Commission cooperation in the development of

the plan. Most of the requested increase by the PUC is for implementing the plan. Plan development is expected to cost the PUC less than \$100,000 and the Energy Commission's participation should involve little or no additional cost.

In view of the funding available to other state agencies for transportation-related energy conservation, the Energy Commission must be careful in selecting the transportation related work it will undertake.

We recommend deletion of \$479,617 (including 4 positions and \$330,000 for contracts) from the Motor Vehicle Account for the transportation-energy conservation program for the following reasons:

(1) the lack of success during the current year in executing a memorandum of understanding,

(2) the absence of a clearly defined role for the Energy Commission in the transportation area,

(3) the probability that the commission activities will duplicate the efforts of Caltrans, the Public Utilities Commission and the Office of Appropriate Technology, and

(4) the lack of justification for the proposed increase in 1980-81 expenditures.

Our recommendation would allow the commission to retain \$715,373 in federal funds so that it could continue to monitor developments, evaluate policy and advise and cooperate with other state agencies in reducing energy consumption in transportation. This amount would be \$181,000 less than the amount available in the current year.

Deficiencies in Management of Contract Funds

We (1) withhold recommendation on \$10.8 million budgeted for outside contracts in 1980-81 because the Energy Commission has not provided specific information about the proposed contracts and (2) recommend the continuation of supplemental report language requiring quarterly contract reports from the commission.

The Energy Commission proposes to spend more than \$10.8 million on contracts in 1980-81. We cannot recommend approval of these contract funds because the commission has not provided us with the justification needed to evaluate the proposed contracts. The budget information available shows lump sums allocations among programs without indicating:

- The amount of each contract,
- The specific purpose of each contract,
- Whether other governmental agencies or private consultants will do the work,
- The commission's own workload associated with the contracts,
- How the commission will use the results of each contract.

In our *Analysis of the 1979 Budget Bill*, we noted that deficiencies in the commission's contract budgeting and procedures had resulted in a history of research projects which were poorly planned, ill-defined, of low priority and of little use in carrying out the commission's responsibilities. Contracting problems were also documented by the Auditor General in his reports entitled "Improvements Needed in Planning and Monitoring Research and Development of Alternative Energy Sources," and "Improvements

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

Needed in Controlling Contracts Awarded by the California Energy Commission."

For several years the Legislature had required the commission to make periodic reports of research contracts awarded and soon to be awarded. These reports, however, did not provide any means of comparing plans with accomplishments. In recognition of the need to evaluate the commission's contract programs in terms of results rather than proposals, the Legislature adopted the following supplemental report language to the 1979 Budget Bill:

"The commission shall 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 how the results are expected to be used, (2) a summary of the completed contract results and a statement how the results will be applied to specific programs and projects, and (3) the estimated or actual costs of the work."

The commission issued the first quarterly contract report in September 1979. That report did not comply with either the intent or the terms of the supplemental language because it failed, almost without exception, to specifically describe the product of each contract or the intended use of the contract product.

We pointed out these inadequacies to the commission and requested that it revise and reissue the report. The commission has not revised the report nor has it issued the second contract report which was due on January 1, 1980. We recommend that the Legislature once again adopt the supplemental report language.

The absence of justification for the \$10.8 million of new contract funds and the failure to comply with the supplemental report language are directly related. Both demonstrate continuing deficiencies in the management of contract funds. We may have further recommendations on these deficiencies at the time of budget hearings.

Resources Agency
STATE SOLID WASTE MANAGEMENT BOARD

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

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Requested 1980-81	\$13,959,030
Estimated 1979-80	12,856,495
Actual 1978-79	9,071,718
Requested increase (excluding amount for salary increases) \$1,102,535 (+8.6 percent)	
Total recommended reduction	\$969,000

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
205	General Support	General	\$1,519,030
206	Litter Control, Recycling, and Resource Recovery Program, including loans and grants	Litter Control, Recycling and Resource Recovery	11,471,000
207	Miscellaneous Projects	Energy and Resources	969,000
Total			\$13,959,030

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Markets. Recommend allocate \$200,000 to study and report to the Legislature on market factors limiting recycling and resource recovery. 464
2. *Public Awareness and Education. Reduce Item 207 by \$397,000.* Recommend deletion of three proposed education projects. Recommend supplemental report language requiring board to prepare action plan for public awareness and education activities. 466
3. *Mobile Pyrolyzer. Reduce Item 207 by \$250,000.* Recommend deletion of state funding for mobile pyrolyzer. 467
4. *Recycling and Resource Recovery Projects. Reduce Item 207 by \$322,000.* Recommend deletion of projects that should compete against alternative projects for existing funds. 469
5. Hazardous Waste Disposal. Recommend legislation authorizing board investigation of alternatives to land disposal of hazardous wastes. 469
6. Large-Scale Waste-to-Energy Conversion Projects. Recommend that (1) the board concentrate its financial assistance on only those projects that can complete pre-construction planning in 1980-81, and (2) the board be directed to respond at the time of the budget hearings to the requirement that it submit a task force report on the feasi- 470

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bility of constructing large-scale projects that meet state and federal environmental standards.

7. Board Reorganization. Recommend legislation to reorgan- 474
ize board and restructure areas of responsibility.

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 budget proposes total appropriations of \$13,959,030 from state funds for support of the Solid Waste Management Board in 1980-81, which is an increase of \$1,102,535, or 8.6 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year. An increase of 12.5 positions is requested, which would provide a total of 99.3 personnel-years in 1980-81.

In addition to \$13,959,030 in state funds, the board proposes expenditures of \$3,657,161 from federal funds, bringing total 1980-81 expenditures to \$17,616,191. This is an increase of \$1,662,243, or 10.4 percent, over total expenditures in the current year.

Significant Budget Changes

Table 1 summarizes support program changes, by funding source, for 1980-81. The board requests \$969,000 from the proposed Energy and Re-

Table 1
State Solid Waste Management Board
Program Changes by Funding Source

	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>	<i>Net Change</i>
County Planning and Enforcement (General Fund)	\$1,398,271	\$1,519,030	\$+120,759
Litter Control, Recycling and Resource Recovery (Litter Control Fund)	11,458,224	11,471,000	+12,776
(Energy and Resources Fund)	—	969,000	+969,000
(Federal funds)	—	515,821	+515,821
State and Regional Solid Waste Management Planning (Federal funds)	3,097,453	3,141,340	+43,887
Total, Program Expenditures	\$15,953,948	\$17,616,191	\$1,662,243
Repayment of General Fund Loan	2,824,937	2,500,000	-324,937
Total, All Expenditures	\$18,778,885	\$20,116,191	\$+1,337,306

sources Fund to support a variety of projects including a Solid Waste Environmental Education Program (\$267,000), a study of the conversion of waste tires into useful energy (\$241,000) and a statewide "Untrash California" day (\$117,000). The largest single request is \$765,821 (\$250,000 from the Energy and Resources Fund, \$515,821 from federal funds) to complete and field test a mobile pyrolyzer.

SB 650 PROGRAM

Chapter 1161, Statutes of 1977 (SB 650), provides the statutory basis for much of the board's activity. The principal objectives of SB 650 are to (1) implement a comprehensive litter clean-up program throughout the state, (2) promote increased recycling, and (3) develop projects for the recovery of energy and resources from solid wastes.

General Fund Support Replaces Statewide Assessment

After enactment of SB 650, most of the board's expenditures were financed from the Litter Control, Recycling, and Resource Recovery Fund. Revenues to the fund were secured from a special statewide assessment on retailers, wholesalers, and manufacturers of specified products which contribute to waste and litter. Chapter 1150, Statutes of 1979 (AB 66), deleted the statewide assessment as the source of revenues to the Litter Control Fund and replaced it with a transfer from the General Fund. Although the budget still shows the board's major expenditures being made from the Litter Fund, state support for the board comes entirely from the General Fund and the board is in fact a General Fund agency.

Additional Litter Tax Refund Charges. AB 66 also provided that money for refunds of the litter tax assessment and Board of Equalization costs for administration of the litter tax are to be charged to the Litter Control Fund. The 1980-81 budget shows current-year expenditures of \$301,939 for this purpose.

The Department of Finance indicates that additional unbudgeted costs have been incurred to provide for the payment of interest on the litter tax assessments which have been refunded. The interest payments, which total approximately \$108,000, are not included in the 1980-81 budget. Thus, the actual amount available for expenditure from the Litter Fund in 1980-81 will be approximately \$108,000 less than the amount shown in the budget.

Repayment of General Fund Loan. Prior to the receipt of revenues from the statewide assessment, the board received a \$9.9 million loan from the General Fund in 1978-79 to support its activities. Now that AB 66 has provided the board with a stable source of revenue, the board proposes to repay the General Fund loan over a four-year period. The budget shows General Fund loan repayments of \$2,824,937 in 1979-80 and \$2,500,000 in 1980-81.

Annual Report by Legislative Analyst

SB 650 directed the Legislative Analyst to evaluate the SB 650 program and report to the Legislature on the effectiveness of the Solid Waste Management Board in implementing the program. Our first report on the

STATE SOLID WASTE MANAGEMENT BOARD—Continued

board's activities (*First Annual Report on Litter Control, Resource Recovery, and Recycling*) identified a number of problems facing the board. The report recommends that the board clarify its objectives and develop a coherent approach to (1) markets for recycled materials, (2) distribution of recycling grants, (3) resource recovery, and (4) public awareness and education. Two of our recommendations require implementation through the budget and are therefore discussed below.

Market Study

We recommend that the Legislature direct the board to allocate \$200,000 of SB 650 funds to study and report to the Legislature on market factors limiting recycling and resource recovery.

Experience under the SB 650 program and in other areas has shown that the market for recycled materials or resources recovered is critical to the economic success of both recycling and resource recovery. For example, millions of dollars worth of aluminum cans are recycled each year. The amount of newspapers recycled is also responsive to the price for waste paper. Recycling and resource recovery of many other materials, however, is making little progress. As a result, only a small percentage of the potential recoverable materials are being reused. Public agencies as well as private firms find it difficult to increase the level of recycling and resource recovery when these operations incur a loss.

The board's grants to recyclers and resource recovery projects appear to assume that the demand for the materials recovered is infinite, and that all the board needs to do is provide a mechanism to increase the supply of materials. This premise is faulty, however. Too much recovered material could defeat the purposes of the program by reducing the price paid for such materials and thereby bankrupting both public and private operators. Conversely, expansion of the amount of materials recovered requires an understanding of methods to increase the demand for recycled materials.

The board recognizes that it has not given enough attention to market forces and requests 1 position and \$38,304 to establish a marketing assistance program. Our analysis indicates that, while the board should build expertise in this area, the requested funds are not sufficient to undertake a study of the scale that is necessary.

To ensure that this important effort is successful, we recommend adoption of the following supplemental report language:

"The board shall use \$200,000 of SB 650 funds for a contract study and report on the economics of recycling and resource recovery. The report shall include:

- "(1) The market conditions and economic factors which control recycling and resource recovery in California,
- "(2) An identification of market constraints which limit recycling and resource recovery, and
- "(3) Proposals for specific actions which the board or other public agencies could take to stimulate demand for recycled materials."

We are not recommending that the board's budget be augmented.

Rather, the supplemental language we recommend would result in existing funds being redirected, leaving the board with less money available for distribution as grants.

Priorities for Recycling Grants

During last year's budget hearings, we were asked to review the board's allocation of SB 650 grant funds and to determine whether the board's priorities resulted in a bias toward large, well-established recycling operations in northern California and excluded smaller, innovative approaches or new recycling operations in urban areas with the greatest need. We concluded that the board's allocations were biased toward large recycling operations. In response, the Legislature adopted language in the supplemental report of the 1979 Budget Act directing the board to:

- "(1) Designate areas of greatest need,
- "(2) Establish priorities for the allocation of grants to these areas, and
- "(3) Submit a report to the chairmen of the fiscal committees outlining the critical areas and the board's allocation priorities prior to awarding recycling grants in the 1979-80 year."

The board responded to this language in a letter dated December 26, 1979. Our review of the letter indicates that it does not adequately address the Legislature's concerns.

The board defined "areas of greatest need" as the 10 most populous counties and 20 most populous cities in the state. However, the board has not provided any indication of how its allocation priorities will channel grants to the areas of greatest need (number 2 above). The board's letter states that "Priority has been established to provide additional funds for the development of large, communitywide recycling projects." It is not clear that the board's priorities will prevent further bias toward large, well-established projects in northern California.

Administrative Overhead for SB 650 Program

SB 650 contains formulas allocating funds for the various activities authorized by it. The board's administrative costs for these activities are limited to 5 percent of the revenue available to the Litter Control, Recycling and Resource Recovery Fund.

In the 1979 Budget Act, the Legislature approved administrative costs equal to 6.5 percent of the revenue available, or approximately \$860,000. Budget Bill language was adopted which removed the 5 percent limit on administrative expenditures for 1979-80. The board determined that the \$860,000 would support 23 positions.

The 1980-81 budget proposes to continue support of the 23 administrative positions, and the Budget Bill contains language identical to last year's that would remove the 5 percent ceiling on administrative costs. The board estimates that the support of the 23 positions will require 10.3 percent of the revenue available to the Litter Fund.

Two factors account for the increasing share of Litter Fund revenue devoted to administrative overhead. First, AB 66 reduced the estimated revenue available in 1979-80 and subsequent years by approximately \$2 million per year. Second, cost-of-living salary and staff benefit increases result in increasing costs per position. Thus, maintaining the same level of

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administrative effort requires an ever increasing share of the revenues available for the program. As a consequence, the proposed administrative budget for 1980-81 is double the 5 percent statutory limit.

PROJECTS SUPPORTED FROM THE PROPOSED ENERGY AND RESOURCES FUND

The board proposes expenditures of \$969,000 from the proposed Energy and Resources Fund for seven new or expanded projects. We have grouped the proposed projects into three categories, and discuss each in turn.

Public Awareness and Education

We recommend a reduction of \$397,000 from Item 207 to delete three proposed public awareness and education projects. We further recommend that the Legislature direct the board to allocate up to \$200,000 from existing funds for development of an action plan for its public awareness and education activities.

The board proposes funding three educational projects from the Energy and Resources Fund:

(1) *Solid Waste Environmental Education Program (SWEEP).* The Solid Waste Environmental Education Program is a curriculum package for use in elementary schools. The package includes teacher guides and student workbooks, and is intended to instill in students an understanding of waste reduction, litter control, and resource conservation. Distribution of the package to 167 school districts in five counties is planned for the spring of 1980. The board requests \$267,000 in 1980-81 to implement the program in 10,000 classrooms in 28 counties. The board is also seeking additional sources of funding for the program to allow further expansion.

The program appears to have promise. However, until the results of the initial field testing and classroom distribution are available, we are unable to recommend approval.

(2) *"Untrash California" Day.* The board proposes to spend \$117,000 on a statewide "Untrash California" day, to focus state and local attention on the litter problem and the need for recycling. The board has been unable to provide any detail on the specific activities that would be funded or the anticipated results. Consequently, we have no basis on which to recommend approval.

(3) *State Parks Recycling.* The board requests \$13,000 to conduct a demonstration of resource conservation through recycling at three locations in the state park system. The proposal is deficient because no provision is made for the operating costs of the project. For example, collection bins must be emptied several times per week and the materials collected must be transported to recycling centers. An earlier demonstration project in Morro Bay State Park was discontinued because neither park personnel nor local organizations were available to provide continued collection and maintenance for the project. For this reason, we cannot recommend approval.

In addition to the deficiencies with the proposed projects, another consideration prevents us from recommending that the requested funds be

approved. The board has \$884,893 in SB 650 funds available for public awareness and education activities in 1980-81. In the past, the board has used these funds to support a series of unrelated public information efforts including radio and television advertisements, an "Untrash California" advertising campaign, and recycling slide shows. In our report on the board's implementation of the SB 650 program, we concluded that these efforts have been inadequate to motivate the public to participate in recycling or resource recovery, and have suffered from a lack of coordination with local recycling efforts. No justification has been provided for an increase in funds for public education above the amounts available through SB 650. A search for more effective techniques is needed.

For the reasons given above, we recommend deletion of the \$397,000 requested in Item 207.

Instead of expanding its activities, we recommend that the board evaluate its current efforts, study alternative approaches, and develop an overall plan for its education and public awareness program. We therefore recommend the following supplemental report language:

"The board shall allocate up to \$200,000 from its public awareness and education funds for a contract study and report on alternative approaches to public awareness and education efforts, and to formulate an overall plan for the education and public awareness program."

This action would reduce the amounts available for other proposed activities under SB 650.

We note that the funding source for the three projects proposed in Item 207 has not been established by the Legislature.

Mobile Pyrolyzer Project

We recommend a reduction of \$250,000 from Item 207 to delete state funding for support of the mobile pyrolyzer project.

The board proposes 1980-81 expenditures of \$765,821 (\$250,000 from Item 207 and \$515,821 in federal funds) to complete and test a mobile pyrolysis unit. The mobile pyrolyzer project is intended to design, construct, and test trailer mounted equipment that can convert organic material (such as crop wastes) into synthetic fuel oil or coke. The unit is intended to be moved to sites where crop wastes are generated.

Background. Chapter 1246, Statutes of 1976 (SB 1395), directed the board to determine the economic feasibility of a system to convert agricultural wastes into synthetic fuel. If the board found such a system to be economically feasible, it was authorized to construct and field test a prototype unit by July 1, 1979. Chapter 1246 directs the board to cooperate with the Energy Commission and the Air Resources Board in carrying out its responsibilities. As originally conceived, the design, construction, and testing of the unit was to cost \$1,250,000, with funding expected to come from the following three sources:

- \$250,000 from the Solid Waste Management Board,
- \$250,000 from the Energy Commission, and
- \$750,000 in federal funds.

Delays and cost increases. The project contract was negotiated on a "cost plus fixed fee" basis, so that any cost increases must be absorbed by

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the funding agencies rather than by the contractor. Portions of the original design proved to be unworkable, necessitating a series of design changes, delays, and cost increases. As a result, the \$1,250,000 available for the project has been almost exhausted, but the unit is not complete.

Based on our analysis of this project, we conclude that the project faces such severe problems that there is no basis for providing additional state support to it. Specifically, we conclude that:

(1) *Technical problems have not been resolved.* The board was to cooperate with other state agencies in the development of the project. Detailed technical objections to the proposed design were submitted by the Energy Commission beginning in October of 1978. Despite a written request that the project not proceed until certain issues had been resolved to the satisfaction of Energy Commission staff, the board proceeded with the disputed design. Staff from the Air Resources Board and the Office of Appropriate Technology have also raised concern over various aspects of the unit's design. At the present time, there is disagreement over whether the unit will be able to perform to its design specifications.

(2) *Project economics are unfavorable.* Two preliminary economic evaluations of the project—a November 16, 1979 study by the Mitre Corporation, and a November 17, 1979 analysis by the California Energy Commission—have concluded that under most conditions, the mobile unit will operate at an annual loss. That is, the cost of operating the unit will exceed the market value of the fuel provided. A detailed economic evaluation by the project contractor was expected from the board in December of 1979, but has not been received as of this writing.

Staff from the Solid Waste Management Board have disputed various assumptions used in the unfavorable evaluations. In any event, the ability of the unit to operate at a profit is at best unclear. The unit shows promise only in situations where its mobility is not necessary—for example, when using a continuous stream of wood waste from a lumber mill as feedstock. In situations where the unit's mobility is useful, such as the conversion of widely-dispersed agricultural wastes into fuel, the unit does not approach the break-even point. If the unit operates at a loss, it will not achieve widespread use without some form of additional state support.

(3) *Inadequate funding.* The funds requested for 1980-81 will not be sufficient to complete the project. The amount requested was based on the contractor's October 1979 estimate. The contractor has stated that due to inflation, costs are escalating at \$10,000 to \$12,000 per month. If work resumes in July 1980, there will be a shortfall of at least \$80,000. In addition, as of January 25, 1980, the board had commitments for only \$100,000 in federal funds rather than \$515,821 as indicated in the budget. Thus, there may be a need for nearly \$500,000 in additional state funds to complete the project. Finally, the Energy and Resources Fund, from which the \$250,000 in state funds would be secured, has not been legislatively established.

This project has been hampered by numerous problems in the past, and faces equally severe problems in the future. Even if the unit can be made to operate, there will be a need for substantial additional state support in order for the technology to achieve widespread use. We therefore recom-

mend that state funding for construction and testing of the project be deleted, for a savings of \$250,000 from Item 207.

Resource Recovery and Recycling Projects

We recommend a reduction of \$322,000 from Item 207 to delete three recycling and resource recovery projects which should compete against alternative projects for existing funds.

The board proposes the funding of two recycling projects and one resource recovery project from the Energy and Resources Fund. These projects directly duplicate the types of projects that are eligible for funding from existing SB 650 recycling and resource recovery grant allocations. A brief description of the proposed projects follows:

(1) *School paper recycling and local government paper recycling.* The board requests \$38,000 to encourage paper recycling in schools and \$43,000 to do the same for local governments. In April of 1979, the board began a program to encourage paper recycling in schools. The results of the board's initial efforts are not yet available for review.

(2) *Conversion of waste tires into useful energy.* The board requests \$241,000 to fund a contract study to determine the feasibility of producing energy from waste tires and determine the level of emissions from the process. This proposal lacks supporting detail. No indication is given of the particular processes that would be investigated. Moreover, the board is currently funding a \$33,000 feasibility study of the conversion of waste tires to energy under the 1978-79 round of SB 650 grants, and has received requests for funding for 3 similar projects under the 1979-80 round of grants.

For 1980-81 the board will have available approximately \$5.8 million for recycling and resource recovery grants. The board has presented no evidence indicating that this level of support is insufficient to meet its program goals and objectives.

Our analysis of the board's administration of the SB 650 grants program concluded that the board has failed to establish priorities for the distribution of its grant funds to projects with the greatest promise. We find the board requesting *additional* state support in the 1980-81 budget for more projects. We recommend that the board first determine which technologies or activities it wishes to support, and then actively seek grant applications addressing those areas.

We have been provided with no information justifying an increase in the funds available to the board for recycling and resource recovery grants. We therefore recommend that funds for these three proposed projects be deleted, for a savings in Item 207 of \$322,000.

Alternatives to Land Disposal of Hazardous Wastes

We recommend legislation authorizing the Solid Waste Management Board to study alternatives to land disposal of hazardous wastes.

The Governor's Budget proposes that the Office of Appropriate Technology (OAT) study the feasibility of alternatives to land disposal of hazardous wastes. Funding for the study was intended to come from the Department of Health Services' budget, and the OAT item includes \$242,725 in reimbursements. However, through a budgeting error, funds in-

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tended for the OAT study are not included in the Department of Health Services' budget.

OAT proposes to study (a) a molten salt combustor which could trap most of the toxic emissions from the combustion process using a bed of molten salt, (b) a portable combustor which could burn and detoxify specific toxic wastes on-site, and (c) the reuse of waste chemicals or the conversion of waste by-products and chemicals into safe usable materials.

Efforts to reduce toxic waste disposal warrant state support. Our analysis of Item 42, however, indicated that OAT lacks the experience and skills necessary to analyze these high-technology projects. Moreover, studies of this type require a long-term monitoring of developing technology rather than the short-term study proposed in the budget. We have recommended in Item 42 that the study be transferred to the Solid Waste Management Board.

The Solid Waste Management Board is the most appropriate agency to perform this study. The board is responsible for regulating disposal of solid wastes and developing economically and environmentally sound alternatives to landfill disposal. As part of its mission the board investigates new technologies related to waste disposal, including combustion processes such as waste-to-energy conversion. The molten salt combustor is an advanced form of such combustion processes, and is a logical extension of the board's present work.

However, existing law prohibits the board from undertaking any work involving hazardous waste. Government Code Section 66796.83 states that the powers and duties of the Department of Health Services regarding hazardous waste disposal "shall not be assumed or duplicated by the board." We also recognize that the board has had problems managing its current projects involving high-technology waste-to-energy conversion systems.

Despite these specific problems, work on the development of alternatives to land disposal of hazardous wastes needs to be done. This work fits the responsibilities, skills, and expertise of the Solid Waste Management Board. We therefore recommend legislation authorizing the board to study alternatives to land disposal of hazardous waste. We would support the inclusion of \$90,000 in such legislation to allow the board to develop ongoing capabilities in this area.

OTHER RESOURCE RECOVERY PROJECTS**Large-Scale Waste-to-Energy Conversion Projects**

We recommend (1) that the Legislature direct the Solid Waste Management Board to concentrate on those waste-to-energy conversion projects (i.e., Humboldt Bay and San Francisco) which can complete preconstruction planning in 1980-81, and (2) that the Legislature direct the board to report on the progress of the environmental task force at the time of budget hearings.

Since 1976, the Legislature has assigned high priority to the implementation of large-scale waste-to-energy projects. Chapter 1011, Statutes of 1978 (SB 1855), appropriated \$5 million from the Litter Control, Recy-

cling, and Resource Recovery Fund to provide state assistance to local agencies and private companies for pre-construction study and design of such facilities. Pursuant to Chapter 1011, and Chapter 3, Statutes of 1979 (SB 373), the State Solid Waste Management Board allocated \$2 million to six waste-to-energy projects in 1978-79. Of the six projects, only one grant, \$172,022 for the City of Alameda, has been fully approved. No added funding is provided in the 1980-81 budget. The status of the six projects is as follows:

1. *City of Alameda.* The City of Alameda is proposing to construct a 1,400 tons per day solid waste processing and energy conversion plant producing steam for a 42 megawatt generator. The estimated cost of the plant is \$110 million. The city is competing with the C&H Sugar Company for a long-term waste supply contract with the Oakland Scavenger Company. Other problems pertaining to site selection, air pollution control, disposal of residual ash, and project financing need to be resolved. The board has encumbered \$176,622 under a grant contract for this project.

2. *Central Contra Costa Sanitary District.* The Central Contra Costa Sanitary District is studying the feasibility of constructing a 1,000 tons per day solid waste processing facility to produce refuse-derived fuel (RDF). The RDF would be fed into furnaces of the district's sewage treatment plant to (1) remove moisture from sewage sludge, (2) produce steam to drive an 8.5 megawatt turbine generator, and (3) recalcinate lime for reuse in the sewage treatment plant. Development of the project had progressed until recently, when it was stopped by the district and the Environmental Protection Agency pending reconsideration of technical problems and project scope. The board has allocated \$440,000 for this project.

3. *Humboldt Bay Power Company and City Garbage Company.* The Humboldt Bay Power Company and City Garbage Company in Eureka are jointly proposing to construct a solid waste processing facility to produce 160 tons of RDF per day. The RDF would be mixed with 1,600 tons of wood waste per day and fed into a furnace/boiler to drive a 40 megawatt turbine generator. The total cost of the project is estimated to be approximately \$80 million. After a series of delays, the project is now making good progress and the arrangement of construction financing is planned in 1980-81. The board has allocated \$383,000 for the project.

4. *Combined County Sanitation Districts of Los Angeles and City of Long Beach.* The combined County Sanitation Districts of Los Angeles and the City of Long Beach are studying the feasibility of constructing a 1,000 tons per day solid waste processing and energy conversion plant in the Long Beach Harbor area. The plant would produce steam to drive a 25 megawatt turbine generator or produce process steam for use by the U.S. Naval Shipyard. The total cost of the project is estimated to be \$70 million. The project has been moving slowly and it is uncertain when the pre-construction planning work will be completed. Problems pertaining to site selection, air pollution control, and project financing need to be resolved. The board has allocated \$322,000 to the project.

5. *County of San Diego.* The County of San Diego proposes to construct a 1,200 tons per day solid waste processing and energy conversion

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plant in the San Diego harbor area. The plant would produce steam to drive a 20 megawatt turbine generator or produce process steam for use by the U.S. Naval Base. The total cost of the project is estimated to be \$90 million. The project has been moving slowly and it is uncertain when the preconstruction planning work will be completed. Problems pertaining to air pollution control, disposal of residual ash, and project financing need to be resolved. The board has allocated \$311,000 to the project.

6. *City and County of San Francisco and Sanitary Fill Company.* The City and County of San Francisco and the Sanitary Fill Company propose to construct a 1,500 tons per day solid waste processing and energy conversion plant to produce steam for a 35 megawatt turbine generator. The total cost of the project is estimated to be \$150 million. After a series of delays this project is now progressing, and the arrangements for construction financing are planned in 1980-81. Problems with air pollution control, disposal of residual ash, and a long-term power sales agreement need to be resolved. The board has allocated \$367,000 to this project.

Slow Progress. The six waste-to-energy projects have encountered serious environmental, technical, and institutional problems. Progress in solving these problems has been slow. It is doubtful that each of these projects, as presently conceived, will be able to overcome the complex problems and secure financing for construction. The Humboldt Bay and San Francisco projects, which are managed by privately owned companies, appear to be furthest along, and revenue bond financing may be sought in 1980-81 for construction of both of these projects. The other projects, which are managed by public agencies, have made slower progress. The Alameda and San Diego projects show some promise, but the Los Angeles and Central Contra Costa projects have fallen behind schedule.

The board has not focused its limited financial and technical resources on the projects which are making the best progress. The board has had \$2 million available for 18 months to assist the most promising projects, but only one grant contract has been fully approved (City of Alameda, \$176,622). Several of the project proponents have been critical of the board for not making the grant monies available to them. They also indicate that the board has been slow in learning how to administer high-technology grant programs. It should be noted, however, that the proponents have been indecisive in making major design decisions and have experienced difficulties in reaching necessary agreements with local entities.

State Environmental Task Force. The board has been slow in recognizing the critical air quality and other environmental problems confronting the six waste-to-energy conversion projects. Consequently, the Legislature, in the Supplemental Report of the 1979 Budget Act, directed the Solid Waste Management Board, with the assistance of the Air Resources Board, the Water Resources Control Board, and the Energy Commission, to form a task force and to submit a report to the Legislature by November 1, 1979, on the feasibility of constructing large-scale waste-to-energy conversion projects which meet state and federal environmental requirements.

The board has formed the task force. However, a report on the feasibility of constructing such facilities to meet state and federal environmental requirements was not completed on November 1, 1979, as required. We do not know when this report will be completed.

Given the problems described above and the limitations on funding, we recommend that the slower moving projects be deferred until the projects that are progressing most satisfactorily are under construction. Consequently, we recommend that the Legislature adopt the following supplemental report language:

"The board shall concentrate its financial and technical assistance on those large-scale waste-to-energy projects which will complete pre-construction planning work in 1980-81."

This language would call upon the board to focus primarily on the Humboldt Bay and the San Francisco projects.

Problems Facing State Solid Waste Management Planning

The Federal Resource Conservation and Recovery Act requires each state to develop a state plan for solid waste management. The Solid Waste Management Board has been designated by the Governor as the lead agency to implement the federal law. The board expects to complete the state plan in early 1981.

Under state law the primary responsibility for solid waste management rests with the counties. All California counties have submitted their plans to the state board and received board approval. The approved county plans are to be used as the basis for the state plan that will be submitted to the federal government. State law also requires the counties to review their plans every three years and revise them if necessary.

The state planning structure suffers from several deficiencies:

Funding for county plan revisions. Because of the passage of Proposition 13, the counties generally state that they lack funds for further planning. Without state assistance specifically for plan revision, it is unlikely that counties will voluntarily revise their plans. The state has the authority to mandate such revisions, but it would then have to reimburse the counties for the costs, pursuant to the state Constitution.

The board has not directly addressed the issue of how local plans are to be revised. It has not advised the Legislature of the degree to which plan revisions will be necessary, the statewide costs of the necessary revisions, or how any necessary revisions could be funded. Because the county plans are the cornerstone of solid waste planning in California, deficiencies in the county plans could undermine both the state and federal planning efforts.

No regional planning. Much transport and disposal of solid wastes crosses county lines. Therefore, the Resource Conservation and Recovery Act originally emphasized a regional approach to solid waste management planning. The board designated ten metropolitan Councils of Government and the Tahoe Regional Planning Agency as the appropriate bodies for consideration of regional issues.

However, the anticipated federal funding for regional planning has not materialized, and little progress has been made in planning solid waste

STATE SOLID WASTE MANAGEMENT BOARD—Continued

management on a regional basis. The board believes that the current emphasis on county planning is adequate. Nevertheless, regional considerations continue to arise, particularly in resource recovery and hazardous waste management. There is no adequate way to address these considerations in the current planning structure.

Gaps in hazardous waste planning. The treatment of hazardous wastes in the planning process is unclear. In practice, counties have the initial responsibility for the safe disposal of hazardous wastes. The counties also have the responsibility to plan for both hazardous and nonhazardous wastes. However, the board does not have authority under existing law to review the hazardous waste component of the county plans. Instead, the Department of Health Services is responsible by law for hazardous wastes, but it is not directly involved in the county solid waste planning process. Furthermore, separation of the control of hazardous and nonhazardous wastes is impractical because of the tendency to dispose of hazardous wastes at solid waste disposal sites.

Resource recovery not integrated with county plans. The county plans and the board's plans for resource recovery are not adequately integrated. As discussed in the previous section of this Analysis, the board has no realistic program for resource recovery and little attempt has been made to insert resource recovery goals into the county plans.

Need to Reorganize Board

We recommend that Legislation be enacted to reorganize the board and restructure its responsibilities.

In our *Analysis of the 1979 Budget Bill*, we recommended that the board be replaced with a department. Our analysis indicates that such action is still appropriate.

Many of the board's past problems and many of its current difficulties are due to the structure of the board. The nine-member board is too large and too diverse in its membership to make technical policy and program decisions and move high-technology projects forward. Frequent board meetings impose a heavy workload on the staff to prepare agenda and supporting materials. The board spends an excessive amount of time on routine matters which should be delegated to staff. It does not devote the time and effort needed to resolve critical policy, program, and regulatory problems. No overall objectives or priorities have been set.

The board has not acted aggressively in the past year to implement the statewide loan and grant program for recycling and resource recovery projects. It required over 16 months to distribute the first round of recycling grants, and over a year to allocate the first round of resource recovery grants. In particular, the board has been deficient in administering assistance to the local agencies and private companies developing the waste-to-energy projects. The board has failed to meet a November 1 deadline for submitting a task force report (as required by the Legislature) on the feasibility of constructing large-scale projects which meet state and federal environmental standards.

In addition to legislation replacing the board with a department, better

definition of the board's statutory responsibilities is needed. The Solid Waste Management Board is the state agency best suited to handle technological alternatives to land disposal of hazardous wastes, but it is prevented by current law from doing so. The state's solid waste management planning efforts should clearly address the need for revisions of county plans, should integrate the county plans with other elements of the board's program, and should allow for adequate treatment in the plans of regional issues and hazardous waste control as discussed in the previous section.

Resources Agency AIR RESOURCES BOARD

Items 208 and 215 from the
General Fund and Items 209-
214 and 216 from special
funds

Budget p. R 26

Requested 1980-81	\$47,689,256
Estimated 1979-80	44,424,485
Actual 1978-79	31,728,155
Requested increase (excluding amount for salary increases) \$3,264,771 (+7.3 percent)	
Total recommended reduction	Pending

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
208	Support and control of stationary sources	General	\$4,413,522
209	Support and control of mobile sources	Motor Vehicle Account, State Transportation	17,624,960
210	Regulation of licensed smog stations by Bureau of Automotive Repair	Automotive Repair	1,362,393
211	Air Pollution Research Program	California Environmental Li- cense Plate	2,216,478
212	Inventory of Cogeneration and Resource Recovery Projects	Energy Resources Conserva- tion and Development Spe- cial Account, General	162,506
213	Miscellaneous Support	Air Pollution Control	607,594
214	Operation and Supervision of Motor Ve- hicle Inspection Program in the South Coast Air Basin	Vehicle Inspection	13,957,383
215	Subventions to Local Air Pollution Con- trol Districts	General	4,033,000
216	Subventions to Local Air Pollution Con- trol Districts	Motor Vehicle Account, State Transportation	3,311,420
Total			\$47,689,256

AIR RESOURCES BOARD—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	<i>Analysis page</i>
1. Subventions. Withhold recommendation on proposed \$606,420 increase in subventions pending review of additional information.	481
2. <i>Salary Savings. Reduce by \$265,897.</i> Recommend increased salary savings to reflect actual vacancy rates.	481
3. <i>Consolidated Data Center. Reduce by \$30,365.</i> Recommend deletion of overbudgeted consolidated data center expenses.	482
4. <i>Transportation Contract Funds. Reduce Item 211 by \$100,000.</i> Recommend deletion of funding for contract study of transportation system alternatives.	482
5. Staff Counsel. Recommend that one new staff counsel for administrative hearings be limited to one year.	483
6. <i>Cogeneration Projects. Reduce Item 212 by \$162,506. Increase Item 213 by \$82,912.</i> Recommend deletion of two new positions for cogeneration projects. Recommend transfer of funding for three new positions from State Energy Resources Conservation and Development Special Account—General Fund to Air Pollution Control Fund.	483
7. <i>Field Investigation. Reduce Item 209 by \$113,503.</i> Recommend deletion of four positions for field investigation.	484
8. Waste-to-Energy Projects. Recommend that the board report at budget hearings on air quality problems facing waste-to-energy projects.	485
9. Coordination of Power Plant Emission Studies. Defer recommendation on power plant emissions work, pending coordination of the work with other agencies.	485
10. Vehicle Inspection Fund Revenues. Recommend that the board provide the Legislature with a corrected estimate of Vehicle Inspection Fund revenues.	486
11. Consultant Services and Equipment. Withhold recommendation on \$21,141,819 for consultant and professional services and \$1,389,949 for equipment, pending review of detailed justification.	487

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.

ANALYSIS AND RECOMMENDATIONS

The budget proposes expenditures of \$47,689,256 from state funds for support of the Air Resources Board activities in 1980-81, which is an increase of \$3,264,771, or 7.3 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefits increase approved for the budget year.

In addition to \$47,689,256 in state funds, the board proposes expenditures of \$1,800,920 in federal funds and \$741,244 in reimbursements, bringing total expenditures from all sources to \$50,231,420. This is an increase of \$2,319,895, or 4.8 percent, over total estimated current year expenditures.

The board has budgeted 554.5 net personnel-years for 1980-81. This is an increase of 33.7 positions above the authorized level for 1979-80.

Significant Budget Changes

Table 1 summarizes program changes by funding source for 1980-81. The board proposes a Toxic Substances Control Program to (1) establish acceptable levels for toxic substances in the air, (2) propose air quality standards for these substances, and (3) design emission regulations to ensure that community exposures do not exceed the allowable limits. The board requests \$692,851 and 18.5 positions to implement the program, plus \$200,000 for extramural research.

A 9 percent cost-of-living adjustment is proposed for the local assistance program, an increase of \$606,420. Field investigation activities in the Mobile Source Control division are budgeted for an increase of \$113,503. The Legal Affairs and Enforcement division proposes additional funding of \$187,922 to implement administrative hearing procedures pursuant to Chapter 810, Statutes of 1979 (SB 815).

Technical Services	7,554,721	6,117,000	+70,658	+112,588	-814,698	—	-807,175	+906	-1,437,721
Addition of 0.5 positions for emission data system \$+11,991. Reduction of 0.5 positions temporary help.									
Haagen-Smith Laboratory	3,472,039	4,048,074	+186,497	+68,950	+366,500	—	-47,856	+1,944	+576,035
Addition of 5 positions for control of toxic substances \$+276,598. Automated test system \$+280,000. Reduction of 0.1 position temporary help.									
General Support	(3,408,017)	(3,432,848)	—	—	—	—	—	—	(24,831)
(Distributed to other programs) Addition of 1.5 positions for toxic substances control \$+29,067. Addition of 0.7 position for word processing \$+12,576.									
(undistributed reimbursements)	40,106	—	—	—	—	—	—	-40,106	-40,106
Totals	\$47,911,525	\$50,231,420	\$1,160,360	\$1,423,588	\$-514,903	\$1,195,726	\$-875,339	\$-69,537	\$2,319,895

^a State Energy Resources Conservation and Development Special Account, General Fund.

^b \$856,372 from Vehicle Inspection Fund, \$31,845 from Automotive Repair Fund.

^c California Environmental License Plate Fund.

AIR RESOURCES BOARD—Continued

The budget proposes using the State Energy Resources Conservation and Development Special Account in the General Fund, for the first time, as a funding source for the ARB. Item 212 would provide \$162,506 to establish an inventory of potential cogeneration and resource recovery projects pursuant to Chapter 922, Statutes of 1979 (AB 524).

An automated data system for vehicle emissions testing at the Haagen-Smit Laboratory is proposed at a cost of \$280,000. Additional requests for the Research Division and administrative support total \$80,857.

Program Budget

For three years, we have recommended that the board submit its budget to the Legislature in a program format. In the Supplemental Report of the 1979 Budget Act, the Legislature identified what the contents of the program budget should be.

The board has submitted a program budget for 1980-81 which complies with the basic directives of the Supplemental Report. Unfortunately the program budget was not made available until after the Governor's Budget was released on January 10, 1980, thereby reducing the usefulness of this material in connection with our analysis of the board's funding request. Now that a program budget has been designed and prepared, the board should be able to make it available on a more timely basis next year.

Legislative Studies Underway

During 1979, the Legislature directed the Legislative Analyst to undertake two special studies involving air quality. SCR 16 requires us to conduct a study of alternative vehicle emission inspection and maintenance programs and recommend an emissions test program to the Chairmen of the Senate and Assembly Committees on Transportation. SCR 32 directs the Analyst to undertake a contract study of the costs and benefits of the federal, state, and local air quality management activities in California, and prepare recommendations to eliminate duplication and conflicts.

These studies are now underway. Together, they will examine the effectiveness of virtually all of the board's ongoing activities. Accordingly, we have limited this analysis of the 1980-81 budget to only those issues which require attention during the budget review process. Other fiscal issues will be addressed once the detailed studies are completed.

We have noted in past analyses that the ARB has taken on more and more responsibility for control of stationary source pollution, despite the fact that existing law assigns the basic responsibility to local air pollution control districts. In the 1980-81 budget, the board is requesting an increase of \$892,851 for toxic substance control work. If this augmentation is approved, it will further centralize authority over stationary sources in the state board.

We are recommending approval of the increase because research and standard-setting for toxics is highly sophisticated and specialized work which most local air pollution control districts are not staffed or equipped to handle. In general, however, we have deferred further consideration of stationary source control activities because the SCR 32 study is assessing

the state and local roles in the control of pollution from stationary sources.

Subventions Increased

We withhold recommendation on the proposed subvention increase of \$333,000 in Item 215 and \$273,420 in Item 216, pending review of additional information.

The board's subvention program provides funds to local air pollution control districts based on the population served by each district. These funds partially support local air quality programs directed at stationary sources of pollution. For 1980-81, the board proposes subventions of \$7,344,420, a 9 percent increase over the 1979-80 level of \$6,738,000.

In past years, there has not been a good basis for determining the proper amount of state subventions because there has not been adequate information on the local use of both state subventions and federal grants, and because the ARB has from time to time assumed various local stationary source functions. Analysis of the issue is further complicated this year because the board is considering changes in the administration of the subvention program.

As part of the SCR 32 study the contractor is required to make available at the time of budget hearings any information secured by that time which would assist the Legislature in adjusting the level of state subventions. Pending review of this information and any changes to the subventions program proposed by the board, we withhold recommendation on the proposed 9 percent increase.

Underestimated Salary Savings

We recommend a reduction of \$265,897 due to underestimated salary savings.

All state agencies have some vacancies in authorized positions during the year because of staff turnover, delay in filling new positions, or filling positions at the beginning of the salary range. Consequently, the agency or board does not receive funding for all the costs of its authorized positions. "Salary savings" are estimated and deducted from the appropriation to account for the difference between the cost of authorized positions and expected expenditures for salaries and wages.

Based on our analysis of actual vacancy patterns and salary expenditures for July 1977 through December 1979, we have concluded that the board has underestimated the salary savings that will accrue in 1980-81. Table 2 shows that the board's budgeted salary savings for 1977-78 through 1979-80 have been below actual savings.

Table 2
Air Resources Board
Budgeted vs. Actual Salary Savings

	1977-78	1978-79	1979-80 ^a	1980-81
Budgeted Salary Savings	\$301,520	\$320,628	\$284,103 ^b	\$323,915
Percent of Total Salaries and Wages.....	3.3%	3.4%	2.4%	2.6%
Actual Salary Savings.....	438,358	321,877 ^c	714,749 ^b	—
Percent of Total Salaries and Wages.....	4.7%	3.4%	6.1%	—

^a Estimated as of January 13, 1980.

^b Does not include savings of \$70,911 due to Section 27.2, Budget Act of 1979.

^c Does not include savings of \$304,000 due to Section 27.2, Budget Act of 1978.

AIR RESOURCES BOARD—Continued

Actual salary savings for July 1977 through December 1979, excluding all savings due to Control Section 27.2 of the 1978 and 1979 Budget Acts, averaged 4.73 percent of authorized salaries and wages. Budgeted salary savings should reflect past experience. Accordingly, we recommend a reduction of \$265,897, the difference between 4.73 percent of salaries and wages (\$589,812) and the board's budgeted estimate of salary savings (\$323,915).

Overstated Data Processing Costs

We recommend a reduction of \$30,365 to delete overbudgeted consolidated data center expenses.

The board is requesting \$479,156 for consolidated data center charges in 1980-81, an increase of \$45,365 over estimated current year expenditures. The increase is composed of \$15,000 for additional workload due to budget change proposals, and \$30,365 to allow for a 7 percent increase in Teale Data Center charges for current activities.

The Department of Finance price letter for 1980-81 indicates that no change is expected in the current year rate for Teale services. We therefore recommend that the funds budgeted to allow for a 7 percent Teale Data Center price increase be deleted, for a savings of \$30,365.

Delete Transportation System Contract Funds

We recommend a reduction of \$100,000 from Item 211 to delete a contract study of transportation system alternatives for the South Coast Air Basin.

The board proposes to spend \$100,000 for a contract study of "transportation control measures" for the South Coast Air Basin. Transportation control measures are intended to improve air quality through changes in transportation patterns, such as improved public transit, park-and-ride lots, or bicycle lanes.

The Southern California Association of Governments (SCAG) devotes more than 4 personnel-years and \$200,000 annually to the development and analysis of transportation control measures for the South Coast Air Basin. The association's work is required as input to the South Coast Air Basin portion of the State Implementation Plan that is submitted to the federal government pursuant to the Clean Air Act. The board's proposed contract would directly duplicate SCAG's work. We, therefore, recommend deletion of the funds for the contract, for a savings of \$100,000.

Electric Vehicle Contract Funds

The board proposes \$50,000 for a contract study of how a shift to electric vehicles would affect air quality. The increased use of electric vehicles would reduce street level pollution problems and increase emissions from the power plants providing electricity to charge the vehicles.

The energy tradeoffs involved in a shift to electric vehicles are also important. If the results of the air quality analysis are favorable, the board should submit its findings to the Energy Commission. The commission should then examine the energy implications of using electricity rather

than direct combustion of fossil fuels to power vehicles.

New Administrative Hearing Procedures

We recommend that one proposed staff counsel position for administrative hearings be limited to one year.

The board administratively established two staff counsel and one administrative assistant positions in the current year to implement new hearing procedures, pursuant to Chapter 810, Statutes of 1979 (SB 815). The hearings are required to validate the regulations previously approved by the Executive Officer but not by the board. The board proposes to continue these positions in the budget year.

The board has documented sufficient workload in the 1980-81 year to justify the requested positions. However, it is not clear that the same level of effort will be required in subsequent years, for two reasons.

First, a portion of the workload is due to "start-up" activities, such as drafting regulations to implement Chapter 810 and defining its relationship to other statutes. These activities are limited in duration.

Second, the number of hearings required pursuant to Chapter 810 will decline after 1982. This is because Chapter 810 governs procedures concerning the adoption of local air quality plans in nonattainment areas, and the Clean Air Act requires that the plans be completed and approved by the Environmental Protection Agency before December 31, 1982.

We therefore recommend that one of the staff counsel positions be limited to one year, so that the board must justify continuation of it in the 1981-82 budget.

Cogeneration Inventory

We recommend the deletion of two positions proposed for an inventory of cogeneration projects, for a savings of \$79,594. We further recommend a transfer of funding from the State Energy Resources Conservation and Development Special Account—General Fund to the Air Pollution Control Fund for 3 other new positions working on the inventory. (Reduce Item 212 by \$162,506. Increase Item 213 by \$82,912.)

The board requests 5 positions and \$162,506 to implement the provisions of Chapter 922, Statutes of 1979 (AB 524). Chapter 922 requires the board to (1) by July 1, 1980, develop an inventory of potential cogeneration and resource recovery projects which could be constructed before 1987, and (2) by January 1, 1981, prepare revisions to the State Implementation Plan (SIP) to identify additional emission reductions necessary to "offset" any increased emissions from the cogeneration and resource recovery projects in the inventory.

When AB 524 was being considered by the Legislature, the board estimated that it would need \$30,000 to comply with the bill's provisions—\$20,000 for the inventory and \$10,000 for the SIP revisions. Work on the inventory was to be completed by July 1980. The board is now requesting 5 positions and \$162,506 to prepare the SIP revisions, over 16 times what it said it would need. The board's request is excessive.

The board requests one position to review cogeneration projects and estimate emissions, and one position for clerical support. These requests appear reasonable based on the anticipated number of projects.

AIR RESOURCES BOARD—Continued

However, the board requests 3 more positions to develop additional control measures in order to revise the SIP. Chapter 922 specifically states that the SIP revisions shall be based on the recommendation of the districts which are affected. One position should be sufficient to review the work of the local districts and provide any necessary statewide coordination. In addition, once the inventory is complete the staff devoted to the inventory can assist in the preparation of SIP revisions.

We recommend that the remaining two positions (one senior air resources engineer and one associate air pollution specialist) be deleted, for a savings of \$79,594.

We further recommend that the three new positions be funded from the Air Pollution Control Fund, rather than the State Energy Resources Conservation and Development Special Account in the General Fund. The revenue to the Special Account is derived from a surcharge on electricity sales and should be used for energy-related activities.

The board's objective, on the other hand, is to improve air quality and in this instance to mitigate air quality barriers to cogeneration. The Air Pollution Control Fund contains fines and other revenues accruing to the ARB and is available to support the board's purposes. There is a surplus in the fund. We therefore recommend that the cogeneration positions be funded from the Air Pollution Control Fund.

Vehicle-Related Field Investigations

We recommend the deletion of four positions requested for expanded vehicle-related field investigation activities, for a savings of \$113,503.

The board's Mobile Source Control division is responsible for the control of emissions from motor vehicles. The board proposes to add four positions to this division to provide for expanded field investigation activities. The additional positions would be used to (1) investigate the sale of vehicles, parts, and modifications which violate California's emission standards, (2) investigate tampering with emission-control equipment on vehicles, (3) perform special surveys on maintenance and repair practices, misfueling, and vehicle use patterns, and (4) expand public education efforts.

The current change-of-ownership emission inspection program in the South Coast Air Basin is identifying tampering or modification of emission control systems which lead to excess emissions. An annual statewide inspection program, which is under consideration by the Legislature, would largely eliminate the need for field investigation activities.

Furthermore, the ARB has not been able to develop a strategy to prevent tampering or modifications, or to require the correction of modifications which cost more than \$250. The board now grants exemptions from emission standards to many vehicles which have been modified even though it is illegal to operate them on the highways of the state. Until the board can take effective enforcement action against modified vehicles, it does not need to add more staff for field investigations of modified vehicles. Therefore, we recommend that the positions be denied.

Air Quality Problems Facing Waste-to-Energy Projects

We recommend that at the time of budget hearings the board report on the status of its work on the air quality problems of large-scale waste-to-energy projects.

The Solid Waste Management Board was directed by Chapter 1246, Statutes of 1976 (SB 1395), to develop financing and implementation plans for several large-scale waste-to-energy projects. Chapter 1011, Statutes of 1978 (SB 1855), appropriated \$5 million to provide state assistance to local governments for preconstruction study and design of six projects. The projects are not moving forward, due in part to anticipated difficulties in meeting air quality standards.

In an effort to expedite progress on the six projects, the Supplemental Report of the 1979 Budget Act directed the Solid Waste Management Board to submit a report to the Legislature by November 1, 1979, on the feasibility of constructing large-scale waste-to-energy conversion facilities which meet state and federal environmental requirements. As input to the Solid Waste Management Board's report, the Air Resources Board was to analyze the air quality problems facing such projects.

The November 1 deadline was not met, and as of February 1, 1980, the Legislature had not received the report. The Legislature needs a realistic assessment of the air quality problems facing the six projects before any decisions on their future can be made. We therefore recommend that the board be required to submit its findings at the time of the budget hearings.

Coordination of Power Plant Emission Studies

We defer recommendation on the board's expenditures for power plant emissions work until the Air Resources Board, the Energy Commission, the Department of Water Resources, and the Secretary of Resources have coordinated their budget requests for this work, as they were directed to do by the Legislature.

During budget hearings last year, we pointed out the need for inter-agency coordination of efforts to control emissions from power plants. The Supplemental Report of the 1979 Budget Act directed the various affected agencies to execute and submit a memorandum of understanding to the Legislature detailing their plans for coordination. The memorandum was to include (1) a definition of an overall state program on power plant emission studies with specific objectives and dates by which these objectives should be reached; (2) a definition of the types of research or studies to be done in each department; (3) the number of staff positions to be devoted to such work in each department, a description of the work each position will accomplish, and the cost; (4) a description of contract research and technical assessment studies planned by each department and the estimated cost of each; (5) a description of how the staff and contract studies will contribute to meeting the objectives defined in (1) above; and (6) a preliminary schedule of meetings to be held during 1979-80 to ensure continuing coordination.

The Secretary of Resources responded to the directive in a letter received by the Legislature on July 12, 1979. This letter outlined the current activities of each organization and set a schedule for future meetings.

AIR RESOURCES BOARD—Continued

This response was deficient in several respects. The memorandum of understanding does not require specific coordination and integration of the agencies' efforts prior to the commitment of resources. As of January 1980, the projects in the 1979-80 budget had not been fully coordinated. The proposed 1980-81 research projects were not reviewed in detail prior to formulation of the Governor's Budget, but instead are scheduled to be reviewed in detail in early February.

The Supplemental Report directive has not been met by the Resources Agency, the Air Resources Board, the Department of Water Resources and the Energy Commission. We cannot recommend approval of the research projects and support work related to power plant emissions of the Air Resources Board and the Energy Commission until the coordination required by the Legislature has occurred.

Vehicle Inspection Fund Revenue

We recommend that the board provide the Legislature with a corrected estimate of revenues to the Vehicle Inspection Fund.

The Vehicle Inspection Fund supports the mandatory change-of-ownership vehicle emission inspection program in the South Coast Air Basin. Fees for the emissions test provide the revenue to the fund, which is used to pay for the costs of the test and the administrative costs of the Air Resources Board and the Bureau of Automotive Repair (BAR). When the program began operation on March 19, 1979, motorists were charged \$11 for the initial test. Any additional retests (after failure of the initial test) were provided without charge.

The number of initial tests has been less than anticipated, and the number of retests has been greater than anticipated. As a result, the revenue has been less than originally estimated, and is inadequate to support the test program.

On January 1, 1980, the ARB instituted a \$7 fee for each retest. The board's staff indicates that the revised fee schedule was taken into account in estimating the revenues shown in the budget for 1979-80 and 1980-81. Our analysis indicates, however, that the estimates may not be accurate because the estimated total revenues are substantially similar for the current and budget years even though the \$7 fee increase will only be effective for half of the current year. Moreover, the budget estimate may have to be revised as more becomes known about motorists' response to the \$7 retest fee.

The ARB and BAR believe that this fee increase may not be sufficient to repay outstanding loans from the Motor Vehicle Account on schedule. These loans, which now total approximately \$8.4 million plus interest, supported the early costs of planning, designing and operating the vehicle inspection program. The repayment dates for these loans were postponed in the 1978 and 1979 Budget Acts. A repayment of \$755,361 plus interest is due on June 30, 1981. A second repayment of \$1,393,570 plus interest is due on December 31, 1981. Control Section 12.5 of the Budget Bill is proposing that the repayment date be postponed until June 30, 1982.

In order that the Legislature may have an accurate statement of the

Vehicle Inspection Fund condition, we recommend that the board provide an updated estimate of revenues to the Vehicle Inspection Fund as soon as possible. This revised estimate should include repayment of the Motor Vehicle Account loans.

Consultant Services and Equipment

We withhold recommendation on \$21,141,819 for consultant and professional services and \$1,389,949 for equipment, pending review of detailed justification.

Detailed information supporting the board's 1980-81 request for consultant and professional services and equipment was not supplied until after the release of the Governor's Budget. We have not had an opportunity to review the board's justification for the proposed expenditures.

In addition, the board indicates that a proposed contract expenditure of \$10,700,421 for change-of-ownership emission testing in the South Coast Air Basin may be revised to allow a change in testing procedure. Any such revision of expenditures should be considered in conjunction with the revised estimate of revenue to the Vehicle Inspection Fund as recommended above.

Resources Agency

COLORADO RIVER BOARD OF CALIFORNIA

Item 217 from the General
Fund

Budget p. R 35

Requested 1980-81	\$158,568
Estimated 1979-80.....	153,573
Actual 1978-79	142,613
Requested increase (excluding amount for salary increases) \$4,995 (+3.3 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

COLORADO RIVER BOARD OF CALIFORNIA—Continued

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 10.7 positions. 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 Governor's Budget proposes \$158,568 in General Fund support for the Colorado River Board in 1980-81. This is an increase of \$4,995, or 3.3 percent, over the estimated expenditure in the current year.

The total 1980-81 budget (all funds) for the board is \$475,704, consisting of the General Fund amount and \$317,136 in reimbursements from the six water agencies. The change in 1980-81 is \$14,986, or 3.2 percent, more than is estimated to be expended during the current year.

Current Year Reductions

The 1979-80 Governor's Budget reduced the board's staff from 12.7 positions to 10.7 positions to "eliminate lower priority workload." The reduction, totaling \$46,740, eliminated one senior engineer and one assistant engineer position. In addition, the current year budget for personal services was reduced by \$1,081 pursuant to Section 27.2 of the 1979 Budget Act.

The 1980-81 budget has restored the Section 27.2 reduction but continues the staffing at the reduced level of 10.7 positions.

Resources Agency

DEPARTMENT OF CONSERVATION

Item 218 from the General
Fund and Items 219-223 from
various funds

Budget p. R 37

Requested 1980-81	\$11,749,513
Estimated 1979-80.....	9,554,676
Actual 1978-79	8,308,549
Requested increase (excluding amount for salary increases) \$2,194,837 (+23.0 percent)	
Total recommended reduction	\$1,388,813

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
218	Department of Conservation Primary Funding Source	General	\$8,943,495
219	State Share of California Institute of Technology Seismograph Network	State Highway Account, State Transportation	11,400
220	State Share of California Institute of Technology Seismograph Network	California Water	11,400
221	Special Services for Resource Protection	California Environmental License Plate Program	310,637
222	Division of Mines and Geology	Strong-Motion Instrumentation Program	1,472,581
223	Department of Conservation, Miscellaneous	Energy and Resources	1,000,000
Total			\$11,749,513

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. *Critical Design Review Unit. Reduce Item 218 by \$78,176.* Recommend proposed Critical Design Review Unit be supported through reimbursements. 491
2. *Surface Mining Regulation.* Recommend that at the time of budget hearings the Division of Mines and Geology present a work program to ensure compliance with provisions of the Surface Mining and Reclamation Act. 493
3. *Regional Geologic Mapping. Reduce Item 223 by \$100,000.* Recommend reduction to delete support funds for preparation of regional geologic maps. 493
4. *Heavy Oil Decontrol.* Recommend Division of Oil and Gas report at time of budget hearings on the impact of federal decontrol of domestic crude oil prices on (a) statewide oil and gas production and (b) division workload. 495
5. *Open-Space Lands. Reduce Item 221 by \$310,637.* Recommend deletion of funds for computer mapping of prime agricultural lands. 497
6. *Resource Information Mapping. Reduce Item 223 by \$500,000.* Recommend deletion of funds for inventory and computer mapping of miscellaneous natural resource information. 498
7. *Soil Resource Planning. Reduce Item 223 by \$400,000.* Recommend deletion of funds for continuing soil data gathering and soil planning activities. 499

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 290 employees authorized in the current year.

The Division of Mines and Geology is the state's geologic agent. It also

DEPARTMENT OF CONSERVATION—Continued

conducts a strong-motion instrumentation program to measure and evaluate 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 155 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 125 authorized positions.

The Special Services for Resource Protection program consists of an open-space subvention program which is administered on behalf of the Resources Secretary, and a minor soil resource and planning program. There are 8 authorized positions assigned to Special Services for Resource Protection.

ANALYSIS AND RECOMMENDATIONS**Funding Sources**

The budget proposes appropriations of \$11,749,513 from various funds for support of the Department of Conservation in 1980-81, which is an increase of \$2,194,837, or 23 percent over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Most of the increase proposed for the budget year (\$1,596,696) would be financed by special fund sources, as follows:

- Development of data and maps on the state's geology, soils, and other natural resources—\$1,310,637, to be derived from the Energy and Resources Fund (\$1 million) and Environmental License Plate Fund (\$310,637).
- Development of an EDP capability for processing earthquake data (second year of a three-year project)—\$286,059 from the Strong-Motion Instrumentation Program (SMIP) Fund.

The proposed General Fund amount of \$8,943,495 is \$598,141, or 7.3 percent, more than the estimated current year expenditure. Most of the increase is for the Division of Oil and Gas (DOG). All division expenditures are fully reimbursed through assessments paid by operators of oil and gas wells.

The budget also requests \$172,029 to restore 8 positions deleted during the current year as part of a one-time adjustment required by Control Section 27.2 of the 1979 Budget Act.

The department estimates that it will spend \$12,995,040 from all sources for support programs in 1980-81. This amount would be financed from the following sources:

1. General Fund (Item 218)	\$8,943,495
2. Special funds (Items 219-223)	2,806,018
3. Reimbursements	866,786
4. Federal funds	378,741
Total.....	\$12,995,040

Table 1 summarizes the department's total expenditures including reimbursements, by funding source and identifies significant changes proposed for 1980-81.

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, (2) to conduct geologic investigations, (3) to identify mineral resources, and (4) to assist in the conservation and development of mineral resources. The program is conducted by the Division of Mines and Geology. Budget year expenditures are estimated at \$6,711,986, which is an increase of \$453,065, or 7.2 percent, over the estimated current year expenditure.

Critical Design Review Unit

We recommend reducing Item 218 by \$78,176 and funding the proposed Critical Design Review Unit through reimbursements.

The budget contains \$78,176 for three positions to establish a new Critical Design Review Unit within the Division of Mines and Geology. This unit provides specialized services to governmental agencies on the relevant geology and on the seismic safety of critical structures, such as nuclear power plants and dams as we have noted in previous *Analyses*. Such a unit is warranted.

The department indicates that the division already has become involved in the review of projects such as Auburn Dam, the Point Conception LNG facility, and Diablo Canyon Nuclear Power Plant at the request of other state agencies and the Governor's office. The department has not received reimbursements for these activities, and instead has absorbed the cost within its support budget.

We cannot recommend approval of the budget request for three reasons. First, the department has not provided an estimate of workload for the budget year. Second, it has not demonstrated that critical design review cannot continue to be performed with existing staff.

Third, state agencies are expected to reimburse the division for the cost of consulting or advisory services. The Division of Mines and Geology already provides reimbursed services to six state agencies: the Energy Commission, Department of Forestry, Coastal Commission, Public Utilities Commission, Office of State Architect, and the Seismic Safety Commission. During the budget year, these state agencies will provide the department with reimbursements totaling \$231,775 for consultant and professional services.

If the level of reimbursement provided by these agencies is inadequate to cover the department's costs, the contract charges should be revised. Or, if there is a need for additional, specialized services that are not being provided, they should be identified and justified. Funding should not be provided on the basis of furnishing nonreimbursed services to other state agencies.

For these reasons, we recommend that \$78,176 be deleted from Item 218.

DEPARTMENT OF CONSERVATION—Continued

Table 1
Department of Conservation
Program Changes by Funding Source

<i>Program and Significant Changes</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>	<i>Changes In</i>				<i>Changes from 1979-80</i>
			<i>General Fund</i>	<i>Special Funds^a</i>	<i>Federal Funds</i>	<i>Reimburse- ments</i>	
Geologic Hazards and Mineral Resources Conservation (Increase of \$100,000 from Energy and Resources Fund to expand regional mapping program utilizing contracts with graduate students; \$78,176 to establish Critical Design Review Unit to provide consulting services to governmental agencies on seismic safety.)	\$6,258,921	\$6,711,986	\$+266,566	\$+386,059	\$-220,244	\$+20,684	\$+453,065
Oil, Gas and Geothermal Protection (Addition of 4 positions for additional regulatory workload due to decontrol of heavy crude oil; reduction of \$1.5 million in reimbursements due to change in permit program for proposed geothermal exploratory projects.)	4,541,490	4,816,667	+325,177	—	-50,000	—	+275,177
Special Services for Resource Protection (Increase of \$1,210,637 from various special fund sources for 9 additional positions and \$915,000 in consultant and professional services for digitized mapping and developing soils base data.)	266,050	1,445,965	+6,398	+1,210,637	-37,120	—	+1,179,915
Administration							
Undistributed	20,422	20,422	—	—	—	—	—
Distributed	(1,711,342)	(1,786,532)	—	—	—	—	(+75,190)
Totals	\$11,086,883	\$12,995,040	\$+598,141	\$+1,596,696	\$-307,364	\$+20,684	\$+1,908,157

a. Includes Energy and Resources Fund (\$+1,000,000), Environmental License Plate Fund (\$+310,637), and Strong-Motion Instrumentation Fund (\$+286,059).

Surface Mining and Reclamation Act (SMARA)

We recommend that at the time of budget hearings the Division of Mines and Geology present a work plan to (1) assist local agencies in implementing the Surface Mining and Reclamation Act (SMARA), and (2) monitor mine operator compliance with the provisions of the act.

The budget provides \$478,492 to support 11 existing positions that administer the Surface Mining and Reclamation Act of 1975 (SMARA). With the funds budgeted, the Division of Mines and Geology has allocated \$437,431 for support of 10.4 positions for the SMARA land classification unit, compared to \$42,061 and one position for the mined land reclamation (enforcement) unit.

SMARA requires the division to classify areas subject to urbanization and other irreversible land uses according to mineral content. Areas determined to contain significant mineral deposits of regional or statewide significance are designated by the Mining and Geology Board for protection through land-use planning and regulation. SMARA also requires lands being mined to be reclaimed to a usable condition in accordance with Mining and Geology policy and local ordinances. Local governments also implement this component of the act.

Our analysis indicates that little or no emphasis is being placed by the division in (1) monitoring local government compliance with mined land reclamation requirements of SMARA, or (2) evaluating the adequacy of reclamation plans approved by local government and carried out by mine operators. This lack of emphasis is reflected in the division's allocation of budgeted funds for SMARA activities, and in the lack of any plan to ensure compliance with SMARA provisions by either local government or mining operators.

At the time this analysis was prepared, seven counties and two cities still have not complied with SMARA by developing required reclamation ordinances. In addition, several other counties have adopted ordinances which are not in compliance with state policy. Of those lead agencies with adequate ordinances, the division only reviews reclamation plans as requested by local government.

SMARA requires operators of new mines to obtain a permit and the approval of a reclamation plan from the lead local agency. Without adequate ordinances to implement SMARA, local government cannot properly issue permits for surface mining operations. Consequently, the division should report during budget hearings on a work plan for (1) ensuring that remaining counties and cities comply with SMARA, and (2) monitoring the adequacy of local regulation for mining activities pursuant to reclamation plan provisions of the act.

Regional Geologic Mapping

We recommend the deletion of a proposed project to update and revise regional geologic maps, for a savings of \$100,000 in Item 223 (Energy and Resources Fund)

The Division of Mines and Geology has requested \$100,000 from the Energy and Resources Fund to initiate a five-year project to update and revise geologic maps of the entire state. The funds would be used to

DEPARTMENT OF CONSERVATION—Continued

finance work-study contracts for graduate students to gather geologic data in the field and plot the data on maps. The graduate students would do the work as part of their thesis requirements. When sufficient information has been obtained on a given area, the division proposes to update the geologic map as part of its ongoing work.

The 1978 Budget Act appropriated funds for 4 new positions to finance a pilot project to revise regional geologic maps for the Sacramento and Santa Rosa areas using current mapping techniques and the latest geologic information. These maps are two of the 27 regional geologic maps covering the entire state. Each map covers approximately 1,920 square miles. The maps are used in land-use and development planning.

Part of the funds for the pilot project were later deleted by the department pursuant to Control Section 27.2 of the 1978 Budget Act. This has delayed the mapping project. Field work on the Sacramento map was completed in July 1979. However, the map itself is not expected to be published until October 1980. Field work on the Santa Rosa map will not be completed until July 1980.

The division now proposes to expand and continue regional geologic mapping by using the graduate students. The sum of \$75,000 is requested for the cost of these students. An additional \$25,000 is requested for an Assistant Geologist position to monitor student projects.

Our analysis indicates that no work program or schedule of completion has been developed for the project. Apparently, the interests of each individual graduate student under contract to the department will determine which maps will be revised. It is therefore not clear what will be accomplished during the budget year or by the end of the proposed five-year project. In addition, there is no indication that graduate students are qualified to do the mapping work with only minimum field supervision, as the budget assumes. Finally, the division has not selected overall priorities for the revision of regional maps.

On this basis, we recommend that the \$100,000 be deleted from the budget. We also note that the division proposes to finance the project during the budget year with \$100,000 from the Energy and Resources Fund (Item 223). This special fund has not been established. Appropriations should not be budgeted from a fund that does not exist.

OIL, GAS AND GEOTHERMAL PROTECTION

The Oil, Gas and Geothermal Protection Program is administered by the Division of Oil and Gas (DOG). 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 \$4,816,667, which is an increase of \$275,177, or 6.1 percent, above the estimated current year expenditure. 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 operations.

Heavy Oil Decontrolled

We recommend that at the time of budget hearings the Division of Oil and Gas report to the Legislature on the impact of (1) increased statewide oil and gas production, and (2) division regulatory and monitoring workload, resulting from decontrol of domestic crude oil prices by the federal government.

The Division of Oil and Gas (DOG) is requesting three new engineer positions plus clerical support, for anticipated increases in workload to regulate increasing oil and gas production in Kern County. The division expects that decontrol of domestic crude oil and gas prices will result in (1) new wells being drilled into heavy-oil reserves, and (2) reworking of existing idle wells to return them to production.

Federal decontrol of 16 degree gravity (heavy crude) oil is projected to eventually increase oil production statewide by 42 percent, or 409,000 barrels per day.

DOG expects new well operations in District 4 (Kern and Tulare Counties) to increase by 20 percent in the budget year, and 50 percent over the next five years. However, the division's estimates do not reflect more recent federal action to decontrol 20 degree gravity oil which could increase statewide production by an additional 130,000 barrels per day.

To ensure that the division's budget for 1980-81 is adequate to handle any increased workload due to increased exploration of heavy-crude oil reserves, we recommend that at the time of budget hearings the Division of Oil and Gas report on any additional staffing that may be required to meet anticipated workload. If an augmentation to the division's budget is necessary, the annual assessment on oil and gas production can be adjusted to cover the additional costs prior to the start of the budget year.

Regulatory Jurisdiction Over Offshore Wells

The Supplemental Report of the Committee on Conference in the 1978 Budget Bill directed the Department of Finance to evaluate the overlapping jurisdictions of the State Lands Commission (SLC) and the Division of Oil and Gas (DOG) in the regulation of offshore oil and gas operations. The purpose of the study was to determine whether the Department of Finance should have included staffing revisions in the 1979-80 budget and proposed legislation needed to revise DOG assessments on production from offshore wells administered by State Lands.

When the study was made available (*State Regulatory Jurisdiction Over Offshore Wells*, Department of Finance), it identified a total of 2 positions within DOG and State Lands which performed duplicative regulatory activities. An additional 5 positions were identified in each agency as performing regulatory activities of a nonduplicative nature. Although no specific recommendation was contained in the report, the Department of Finance discussed a total of five alternatives:

1. Do nothing.
2. Direct State Lands Commission to cease activities which duplicate those of the Division of Oil and Gas.
3. Direct the division to cease activities also performed by the State Lands Commission.

DEPARTMENT OF CONSERVATION—Continued

4. Grant the commission full regulatory jurisdiction over offshore oil and gas operations.

5. Grant the division authority to conduct all on and offshore oil and gas regulation.

Under alternatives (2) and (3), staff costs for two positions (\$60,000) could be reduced in either agency. Reduction of the two positions from the DOG budget would result in reduced costs to oil operators, due to reduced DOG assessments on offshore production. However, this alternative would require legislation to reduce the assessment on such production and not result in any net General Fund savings. If the two positions were deleted from State Lands, it could be accomplished through the budget process and would result in General Fund savings of \$60,000.

Under alternatives (4) and (5), the above two positions would be deleted, plus an additional 5 positions in either budget. Deletion of all seven such positions from the Division of Oil and Gas would increase tideland oil revenue by about \$170,487, according to Finance, and require legislation exempting offshore oil and gas production from the DOG assessment. As a policy matter, this alternative would create separate onshore and offshore regulatory entities for oil and gas operation. It would also make offshore regulation a cost to the state, while onshore regulation would remain a fully reimbursed governmental function.

Deletion of the 7 positions from State Lands under alternative (5) would mean eliminating all regulatory-type positions from the commission staff and could increase DOG staffing by up to 5 positions. If the additional 5 positions in DOG were required, support for the staff would be derived from the assessment on production. The advantages of this alternative are (a) all oil and gas regulation could be performed by one agency (DOG), (b) state General Fund revenue would increase by \$182,562 (Department of Finance estimate), and (c) implementation could occur through the budget process. A disadvantage of this alternative is that the commission would lose some control over regulation which currently results from having its own regulatory staff.

None of the available alternatives discussed above have been incorporated by the Department of Finance in either the State Lands Commission or Division of Oil and Gas budget for 1980-81. Apparently, the department has determined that the degree of overlap between the two agencies is minor. What duplicative budgeting exists in both agencies continues in 1980-81.

SPECIAL SERVICES FOR RESOURCES PROTECTION

The Special Services for Resources Protection program has two components: (1) administration of subventions to cities and counties for open-space lands (financed by Item 481), and (2) planning aimed at developing policy and legislative proposals for a departmental role in soil resource protection. During the current year, the Special Services Unit has also provided federally-funded administrative and technical assistance to the Geothermal Resources Board. Federal funds will not be available for this purpose in 1980-81.

Budget year expenditures are estimated at \$1,445,965, an increase of \$1,179,919 from the \$266,050 estimated to be spent in the current year. Almost all of this increase is financed through new expenditures from the (1) Energy and Resources Fund (\$900,000), and (2) Environmental License Plate Program Fund (\$310,637). Most of the additional funds would be used to finance new mapping and data gathering efforts on soils and agricultural lands.

Computer Mapping of Open-Space Lands

We recommend that Item 221 be reduced by \$310,637 to delete funds budgeted to expand a computer project to map prime agricultural lands.

The department proposes to spend \$310,647 from the Environmental License Plate Fund for 4 new positions, plus temporary help, to expand a computer mapping project. Of this amount, \$190,000 is budgeted to finance contract mapping work to be done by the U.S. Soil Conservation Service (SCS).

Two years ago the Legislature appropriated funds to finance a pilot project undertaken by the department to develop a statewide map identifying the location of all open-space and agricultural lands subject to Williamson Act contracts. The work was performed by the same staff that administers open-space subventions in behalf of the Secretary of Resources.

The department now proposes to spend \$190,000 in contract funds to expedite publication of 38 agricultural land maps now being prepared by the SCS. These maps are the product of an ongoing SCS project to map (1) those lands defined as prime by the physical and chemical characteristics of the soil, and (2) other lands under agricultural uses determined to be of "statewide" or "local significance", according to the type of crop produced or the availability of irrigation water. These new SCS maps will be prepared on a 1:100,000 scale. They will show 90 percent of all prime agricultural land area previously mapped on a smaller scale by the SCS in 1977-78.

The department indicates that the SCS has completed most of the field work required to publish the new 1:100,000 scale maps. Without additional funding, however, federal budget constraints would delay publication of all 38 maps until 1985 or 1986. If the state contracts for the work with SCS, publication would be expedited and most of the maps would be completed by July 1, 1981.

When the SCS maps are completed, the department expects to compare the location of lands now under Williamson Act contracts with the location of prime agricultural land as defined by the SCS. The department expects that this will permit the effectiveness of the Williamson Act in preserving such lands to be evaluated. This evaluation would serve as the basis for recommendations to modify the Williamson Act, exclude inappropriate or nonprime lands, or to adopt other agricultural land preservation approaches.

Last year we recommended that funds requested to finance Williamson Act open-space subventions to local government be deleted from the budget bill. Our recommendation was based on two factors:

DEPARTMENT OF CONSERVATION—Continued

1. Providing tax incentives to preserve agricultural land in areas not subject to development was not a high priority use of state resources.
2. Passage of Proposition 13 reduced the valuation of land for tax purposes and further diminished the effectiveness of the Williamson Act as an incentive for preserving agricultural and open-space lands.

The Legislature did not delete funding for the subvention.

In past years the Legislature has chosen not to approve bills designed to provide direct protection of agricultural lands by imposing controls on the development of such lands, because it has been unable to agree on (1) a definition of "prime agricultural land", or (2) the controls appropriate to protect prime lands.

Given that the Legislature has not been able to adopt a definition of prime agricultural lands, it is not apparent how computer mapping that relies on a definition proposed by the SCS will contribute to either substantive revisions to the Williamson Act or the enactment of alternative agricultural land preservation legislation. The Legislature needs an acceptable definition rather than more maps. Consequently, we recommend that the \$310,637 in funds budgeted for computer mapping by the department be deleted from Item 221.

Resource Information Mapping

We recommend that Item 223 be reduced by \$500,000 to delete funds budgeted for an inventory and computer mapping of miscellaneous natural resources information.

In addition to the \$310,637 requested from the Environmental License Plate Fund (Item 221) to expand a computer (digitized) mapping project on agricultural lands, the department proposes to spend \$500,000 from the Energy and Resources Fund (Item 223) for two positions and \$400,000 in contractual services with other state agencies for another computer mapping project. The department proposes to develop computerized maps of:

- Timber production areas
- Fisheries and wildlife habitat
- Critical topographic features
- Vegetative cover
- Cultivated lands
- Groundwater deposits
- County boundaries
- Urban and urbanizing areas
- Current transportation and pipeline facilities
- Critical energy facilities, and
- Scenic and other special interest land areas.

The department has no information on how the mapping will be used or why it is needed. If those agencies with statutory authority in the areas to be covered by the project need the mapping, and if the Department of Conservation is able to meet these needs, the agencies should contract with the department for the work. With the exception of mineral resources development, earthquake fault mapping, surface mining, and regulation of oil and gas production, the department has no statutory basis

for the proposed mapping, and has no programmatic justification for any of the work. Consequently, we recommend that these funds be deleted. We also note that the department proposes to finance the natural resources mapping with \$500,000 from the Energy and Resources Fund. There is no statutory basis for this special fund.

Soil Resource Planning

We recommend a reduction of \$400,000 from Item 223 to delete funds for soils data gathering and planning activities by the department's soils resource protection unit.

The department has requested \$400,000 from the Energy and Resources Fund to expand its development of a state soils program. The funds would be utilized to add three new positions and finance \$325,000 in contracts with other state agencies to:

1. Develop a statewide general soils map.
2. Compile and digitize detailed regional soils classification maps for all areas of the state, using data from other state and federal agencies.
3. Digitize maps which show areas having critical soils problems.
4. Quantify winter erosion on 3.9 million acres of critically affected croplands and rangelands.
5. Use digitized regional soils classification maps and soils problem maps to analyze the relationships between soil resource problems and soil characteristics.

In the 1977 Budget Act the Legislature provided funds for the department's use in planning a limited soils program. The department spent \$42,600 for this purpose in fiscal 1977-78. During the 1978-79 fiscal year, \$148,213 was used to finance additional positions in order to augment the planning effort and to enable the department to assume certain responsibilities previously performed by the Resources Conservation Commission.

The department's two-year study led to the preparation of a draft report (*California Soils: An Assessment*) which was submitted to the Legislature in April 1979. At that time the department stated that legislation would be sponsored during the current budget year to (1) implement the report's recommendations, and (2) provide specific statutory authority for a departmental role in soils resource protection. The Legislature deleted funds contained in the 1979-80 budget for implementation of the report's recommendations on the basis that any funding for continuing soils planning and establishing a department program should be provided through enabling legislation.

Funding for a Department of Conservation soils program was originally included in Senate Bill No. 547. This legislation was also the administration's attempt to provide a statutory basis for a departmental role in soil resource protection. Because (1) these provisions were deleted from SB 547, and (2) no other legislation establishing a soils program has been enacted or proposed, the department remains without any statutory basis for a soils program. On this basis, we recommend deletion of the \$400,000.

We also note that the \$400,000 appropriation requested in the budget would come from the Energy and Resources Fund, for which there is no statutory basis.

Resources Agency
DEPARTMENT OF FORESTRY

Items 224-225 from the General
Fund and Items 226-231 from
special funds

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Requested 1980-81	\$115,271,464
Estimated 1979-80.....	97,737,728
Actual 1978-79	95,669,642
Requested increase (excluding amount for salary increases) \$17,533,736 (+17.9 percent)	
Total recommended reduction	\$4,182,078

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
224	Department of Forestry Primary Support	General	\$99,185,339
225	Emergency Fire Suppression	General	5,000,000
226	Department of Forestry Registration of Foresters	Professional Forester Registration	68,900
227	Soil Erosion Study and Timber Harvest Plan Review	California Environmental License Plate	339,557
228	Department of Forestry	Timber Tax	16,292
229	Reforestation, Urban Forestry	Forest Resources Improvement	9,661,376
230	State Forest System, Support	Forest Resources Improvement	(1,862,261)
231	Vegetation Management, Land Conservation Projects	Energy and Resources	1,000,000
Total			\$115,271,464

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Equipment costs. Reduce Item 224 by \$260,726.* Recommend reductions because of lack of justification. 505
2. *Administrative Overhead Charge. Reduce Item 224 by \$319,999.* Recommend reimbursements for administrative overhead charge in local government contracts be increased. 507
3. *Structural Fire Protection Contract.* Recommend department report to the Legislature at the time of budget hearings on termination of its structural fire protection agreement with Orange County. 508
4. *Revision of State Responsibility Boundaries in Contract Counties.* Recommend (1) one-year limitation on funds budgeted for local government protection of state responsi- 510

- bility lands in Orange County, (2) that the department review state responsibility lands in Orange County, and (3) report by December 1, 1980 on the appropriate level of funding for all contract counties.
5. **Forest Service Contract.** Withhold recommendation on \$2,759,563 budgeted for contract protection of state responsibility lands by U.S. Forest Service, pending clarification of location and amount of acreage protected. 511
 6. **Direct Protection Areas.** Recommend that (1) Board of Forestry be directed to review all direct protection areas to exclude local responsibility areas, and (2) the department report at time of budget hearings on timetable and plan for providing support to the Board of Forestry to conduct a comprehensive, statewide review of direct protection areas. 512
 7. **Fire Fighter Trainee Program.** *Increase Item 224 by \$835,600.* Recommend funds be budgeted for additional seasonal fire fighting positions in lieu of using California Conservation Corpsmembers (CCC) at 40 department fire stations. 513
 8. **New Helitack Units.** *Reduce Item 231 by \$600,000; increase Item 224 by \$515,491.* Recommend augmentation to support operation of three new helicopters for fire season only with department fire crews in lieu of CCC fire crews. 515
 9. **Forest Improvement Projects.** *Reduce Item 229 by \$3.1 million, and add new item to appropriate excess state forest revenues to General Fund.* Recommend reduction in proposed level of expenditures for forest improvement projects and transfer of surplus revenue in Forest Resources Improvement Fund to General Fund. 516
 10. **Reforestation of School Lands.** Recommend revised language for Item 229 to allocate funds for State Lands Commission forest restoration projects from Forest Resources Improvement Fund. 518
 11. **North Coast Land Conservation Projects.** *Reduce Item 231 by \$400,000.* Recommend reduction to delete funds budgeted for unspecified conservation projects. 518
 12. **Relocation costs.** Recommend adding language to Item 224 to limit expenditure of funds for staff relocation costs. 519
 13. **Department Overhead.** *Reduce Item 224 by \$352,444.* Recommend deletion of funds budgeted to offset reductions in administrative overhead for Orange County. 519

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 29 counties to provide fire protection services in 37 areas which are a local responsibility. The department (1) regulates logging activities on private forestland, (2) provides advisory and financial assistance to landowners on forest and

DEPARTMENT OF FORESTRY—Continued

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

The budget proposes eight appropriations totaling \$115,271,464, for support of Department of Forestry activities in 1980-81. This is \$17,533,736, or 17.9 percent, more than estimated current-year expenditures. This amount will increase by the amount of any salary or staff increase approved for the budget year.

Funding Sources

The department estimates that total expenditures for support programs will be \$143,730,678 in 1980-81. This amount will be financed from the following sources:

1. Items 224-231	\$115,271,464
2. Chapter 1104, Statutes of 1979 (wood energy project) ..	133,373
3. Federal funds (including reimbursements)	1,524,059
4. Reimbursements	26,801,782
Total	\$143,730,678

The reimbursements are for:

Local fire protection services provided to counties, cities, and special districts, using department fire fighters	\$21,856,444
Supervision of California Conservation Corps members	3,453,444
Subsistence and other services provided to employees	459,200
Conservation Center Instructors (provided by the Department of Corrections)	239,975
Licensing timber operators	80,000
Miscellaneous	712,719
Total	\$26,801,782

Budget Changes

Table 1 summarizes the department's budget by funding sources and identifies the significant changes proposed for 1980-81.

Current Year Reductions Restored

The budget includes \$1,757,515 to continue support of 53.7 personnel-years added by the Legislature during the current year. The 1979-80 Governor's Budget proposed various reductions in department programs totaling \$3,069,700 and 136 positions, including \$2,556,200 and 129 positions in the department's fire protection program for state responsibility lands. The Legislature provided funds in the Budget Act to restore part of the reductions in the fire protection program. These funds were vetoed by the Governor. Subsequently, the Legislature enacted Chapter 1104, Statutes of 1979 (SB 201), which appropriated \$649,929 to restore the budget reductions in the fire protection program.

Table 1
Department of Forestry
Program Changes by Funding Sources

<i>Program and Significant Changes</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>	<i>Changes in</i>				<i>Changes from 1979-80</i>
			<i>General Fund</i>	<i>Special Funds*</i>	<i>Federal Funds</i>	<i>Reimbursements</i>	
Fire Protections, State Responsibility Lands (Establishment of Fire- fighter Trainee Program, \$330,400; Addition of 3 military surplus helicopters, \$709,688; and new volunteer/media campaign Fire Prevention Program, \$630,000)	\$93,811,167	\$97,019,110	\$+6,382,454	\$+100,000	\$-815,788	\$-2,458,723	\$+3,207,943
Fire Protection, Local Government Contract (Reduction of 467.5 per- sonnel-years)	31,868,202	20,219,222	—	—	—	-11,648,980	-11,648,980
Resource Management (Addition of 32.5 personnel-years, \$9,661,376 in support funds and consultant/ professional services for reforesta- tion, urban forestry and wood-en- ergy programs; augmentation for land conservation projects in North Coast, \$400,000)	9,312,955	17,781,359	+202,266	+9,662,036	-202,318	-1,193,580	+8,468,404
Civil Defense and Other Emergencies Administration (Increase of \$1,852,444 for potential staff relocation ex- penses and to offset loss of over- head derived from Orange County contract; Addition of \$122,000 for aircraft parts, ware- house and inventory system)	173,284	176,545	+3,261	—	—	—	+3,261
	8,661,860	8,534,442	+917,092	—	None	-1,044,510	-127,418
Totals	\$143,827,468	\$143,710,678	\$+7,505,073	\$+9,762,036	\$-1,018,106	\$-16,345,793	\$-96,790

* Includes Forest Resources Investment Fund, Energy and Resources Fund, Renewable Resources Fund, Environmental License Plate Fund, Professional Forester Registration Fund, and Timber Tax Fund.

DEPARTMENT OF FORESTRY—Continued

The funds appropriated by Chapter 1104 provided increased support for the second half of the current budget year, including the start of the 1980 fire season. These funds are being used to support the Columbia helitack station, 9 bulldozer units, 5 fire engines, 4 lookouts, 7 fire prevention captains, 34 seasonal fire prevention assistants, and related contract county and U.S. Forest Service protection costs on state responsibility lands. The full-year cost of continuing these positions and activities will be \$1,757,515 during 1980-81.

The budget also contains \$559,583 to restore a one-time reduction in personal services made during the current year pursuant to Section 27.2 of the 1979 Budget Act. These reductions total 25.6 personnel-years, and were accomplished through increased salary savings.

Budget Year Reduction in Reimbursements

As shown in Table 1, reimbursements in 1980-81 will decrease about \$16.3 million from the current year level. Most of the decrease is due to termination of the department's structural fire protection contract with Orange County during the current year. Termination of the contract will result in \$12.6 million decrease in reimbursements received for local government fire protection services and the deletion of 467 fire fighter and administrative positions.

Another significant decrease in budget year reimbursements occurs in federal funds. A total of \$2,167,967 in federal funds from the Public Works Employment Act (Title II) will not be continued, resulting in 66 personnel-years of temporary help.

Budget Increases

The budget proposes increased funding for the following:

1. \$9,661,376 from state forest revenues to implement a reforestation, land conservation and urban forestry program authorized pursuant to the Forest Improvement Act of 1978.
2. \$1,000,000 for potential staff relocation expenses due to cancellation of the local government contract for structural fire protection in Orange County.
3. \$709,688 to acquire and operate three military surplus medium helicopters on a year-round basis for fire fighting purposes and miscellaneous activities.
4. \$630,000 for a new volunteer and mass media fire prevention program.
5. \$400,000 for unspecified forestland conservation projects in the North Coast area.
6. \$383,493 to offset the loss of administrative overhead payments previously reimbursed through the Orange County contract.
7. \$122,000 to operate parts warehouse and develop inventory controls for aircraft used in air attack program.
8. \$49,654 to staff a new policy, planning and program development unit in the office of the director.

Although not specifically identified as a funding increase, the department proposes a redirection of \$468,951 in savings resulting from closure of the Orange County Ranger Unit Headquarters.

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 the largest single program element in the department. It includes nearly all of the field organizations of the department and directly protects 28.1 million acres of land, most of which is in private ownership. The field facilities include 226 forest fire stations, 74 lookouts, 7 helitack units, 13 air attack bases, 30 conservation camps, and 8 California Conservation Corps (CCC) centers.

Equipment Needs Not Detailed

We recommend a reduction of \$260,726 in Item 224 because the department is unable to substantiate its budget request for equipment. We further recommend that the Legislature direct the department to submit to the Joint Legislative Budget Committee by December 1, 1980 its Supplemental Schedule of Equipment (Schedule 9) for the 1981-82 budget.

The budget includes a total of \$4,740,605 for acquisition and replacement of equipment during 1980-81. Upon receipt of the budget proposal, we requested the Supplemental Schedule of Equipment (Schedule 9) which is required by Sections 6120 and 6125 of the State Administrative Manual (SAM). We were informed that the schedule was not prepared and no detail was available.

Subsequently, the department submitted an informal schedule of annual mobile equipment needs. This information indicates a total replacement need of \$4,159,147 for the budget year. It includes (1) \$2,129,750 for 36 fire engines and 5 bulldozers, (2) \$358,950 for 53 pickup trucks, and (3) \$213,405 for 31 sedans and 3 station wagons. The balance of mobile equipment needs totals \$1,457,042. The schedule does not indicate how the mobile equipment budget would be allocated to the department's various regional headquarters, ranger units or fire stations. Nor does it indicate for what purposes the \$30,000 budgeted for "miscellaneous" will be spent.

The department's budget change proposals (BCPs) contain a total of \$350,732 for equipment purchases. If this amount is added to the \$4,159,147 generally identified for mobile equipment purchases, the identified need for equipment totals \$4,509,879 during 1980-81. This is \$230,726 more than the \$4,740,605 which is budgeted for equipment.

Accordingly, we recommend that Item 224 be reduced by this \$230,726. We also recommend that an additional \$30,000 in the "miscellaneous" category within the mobile equipment schedule be deleted as unjustified.

To facilitate legislative review of the department's proposed equipment expenditures in future budget years, we recommend that the Legislature direct the department to comply with SAM Sections 6120 and 6125, by preparing and submitting a Supplemental Schedule of Equipment as part of the 1981-82 budget process. In order to permit this line-item expenditure category to be evaluated for purposes of the 1981 budget bill analysis, the schedule should be submitted to the Joint Legislative Budget Committee by December 1, 1980.

DEPARTMENT OF FORESTRY—Continued

We recommend the following supplemental report language be adopted:

“The Department of Forestry shall prepare and submit a Supplemental Schedule of Equipment (Schedule 9) for its 1981-82 budget to the Joint Legislative Budget Committee by December 1, 1980.”

Local Fire Protection and Proposition 13

The enactment of Proposition 13 substantially reduced property tax revenues to local governments. The property tax had been a major source of support for local police and fire operations. The Legislature passed SB 154 and its successor bill, AB 8, which provided state assistance to local governments to replace a portion of the lost property taxes. Under AB 8, state funds are allocated by counties to local fire suppression agencies based on the priorities of each county.

To the extent that existing or budgeted fire suppression activities of the Department of Forestry (1) provide subsidized or lower cost fire protection services to certain local governments or (2) perform what are local responsibilities, the department's activities favor some local governments over others. This introduces inequities into the pattern of state assistance. Accordingly, this analysis gives special attention to those activities of the Department of Forestry which provide assistance to some but not all local fire suppression agencies.

Local Government Contract Program

The fire protection, local government contract program consists of fire protection services provided by forestry firefighters in areas where local government has the statutory fire suppression responsibility. The Department of Forestry currently administers 37 contracts in 28 counties for local responsibility fire protection services. Major services provided by the department through these agreements include:

- Year-round staffing, operation and maintenance of fire trucks owned by local government which provide fire protection to urban areas.
- Structural fire protection within 22 incorporated cities which have separately subcontracted with the county to provide such service.
- Paramedic services within the local jurisdiction.
- Protection of watershed areas within the boundaries of incorporated city. (By law, the department is not responsible for any structural fire protection within an incorporated city.)
- Administration of a county fire department such as Orange County.
- Supplemental watershed protection on state responsibility lands within the county.

Most of the local areas serviced by the department pursuant to these contracts are rapidly developing communities adjacent to, or intermingled with, state responsibility wildlands. However, the contracts with Fresno, Orange, Riverside and San Bernardino Counties have for many years required the department to operate what primarily are urban fire protection programs.

Overhead Charges for Local Government Programs are Inadequate

We recommend that Item 224 be reduced by \$319,999 to require proper budgeting of reimbursements for the administrative overhead charge in local government contracts.

The schedules supporting the proposed budget indicate that the state will be reimbursed an estimated \$21,856,444 for local government (contract) fire protection services in 1980-81. That amount consists of \$20,219,222 for direct costs and \$1,637,222 for administrative ("indirect") costs.

Section 8755 of the State Administrative Manual (SAM) requires state agencies performing contract services for other governmental jurisdictions (such as federal or local government agencies) to charge for "all appropriate costs." The department indicates that federal agencies provided contract services were charged in 1979-80 for direct and indirect overhead costs, based on an administrative overhead rate of 9.68 percent. This is the administrative overhead rate developed by the department pursuant to Section 8755 of SAM for purposes of properly allocating indirect costs to other governmental agencies receiving contract services.

The dollar amount of administrative overhead charged to local government contracts is only 8.1 percent rather than 9.68. Using direct costs of \$20,219,222, a charge of 9.68 percent would provide reimbursement of \$1,957,221, which is \$319,999 more than the budgeted amount of \$1,637,222. The department is unable to explain why its overhead charges to local government are less than its charges to federal agencies. Accordingly, we recommend that the reimbursements in Item 224 be increased by \$319,999, and the appropriation be reduced by \$319,999. This will result in uniform budgeting of administrative costs incurred by the department for contract services provided to both federal and local government agencies.

Change in Fire Suppression Responsibility in Orange County

The Governor's Budget for 1979-80 proposed that the department terminate its contract to provide local fire protection services in Orange County, effective July 1, 1979. The termination date was later revised by the administration to January 1, 1980. Subsequently, the Legislature provided funds to continue the contract for a full year, and added language in the 1979 Budget Act which requires termination of the agreement with Orange County on or before June 30, 1980.

The department is complying with this directive and is proceeding with an orderly transfer of local fire protection responsibilities to county government. This will result in the transfer of 447 structural fire fighters and 20.5 field administrative positions from state service to Orange County. The transfer will reduce department reimbursements by \$12,638,109, including \$941,751 for administrative overhead.

Resolution Chapter 36, Statutes of 1979 (ACR 32), directed the Assembly Office of Research (AOR) to determine what impact terminating the agreement between Forestry and Orange County would have on state and local taxpayers and on the Department of Forestry's ability to perform its fire suppression mission. Subsequently the Supplemental Report of the Committee of Conference of the 1979 Budget Bill directed the Assembly Office of Research to study the broader impact if the remaining fire

DEPARTMENT OF FORESTRY—Continued

protection contracts with local governments were canceled or phased out.

The Assembly Office of Research found that termination of the Orange County agreement will have a negligible effect on the quality of fire protection in Orange County. It found, however, that termination will have a substantial financial effect on the county if employee wages and working conditions are raised to levels comparable with those paid by other local fire suppression agencies in the county. The AOR study concluded that the loss of the Orange County contract, by itself, is unlikely to cause a major weakening of the department's overall fire suppression capabilities because cancellation of the county's contract will not materially reduce the amount of fire fighting equipment in southern California. Moreover, even though control of the Orange County Fire Department will pass from the state to the county, the department's basic fire fighting capability should remain intact. Thus, the department will be able to assist in suppressing large wildland fires on a mutual-aid basis, provided there is effective interagency cooperation in the future.

Problems of Contract Termination

We recommend that the department report during budget hearings on the termination of its structural fire protection contract with Orange County, including the status of (1) department equipment and real property, and (2) transfer of employee benefits such as retirement, medical insurance, workers compensation, vacation and reemployment rights.

At the time this analysis was prepared, the details for completing the transfer of local fire protection responsibilities to Orange County had not yet been completed.

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 value of state-owned land, equipment and buildings is estimated to be \$2.6 million. The department is now engaged in negotiations with county administrators concerning the transfer of state equipment and real property.

It is still unclear whether the state or county government will assume liability for the employee benefits earned by department personnel who transfer to county service.

Any agreements regarding the transfer that are reached through negotiations between the department and county administrators will be subject to approval by the Orange County Board of Supervisors. Because resolution of these matters will have financial implications for the state during 1980-81 and in future years, we recommend that the department report at the time of budget hearings on the ongoing transfer and phase-out of Forestry operations in Orange County.

FIRE PROTECTION—STATE RESPONSIBILITY AREA (SRA)

Section 4125 of the Public Resources Code (PRC) requires the Board of Forestry to classify all privately-owned range, brush and timberland for the purpose of determining which areas are the responsibility of the state for preventing and suppressing wildland vegetation fires. Section 4126 of the PRC defines state responsibility lands as follows:

1. Lands covered wholly or in part by forests or trees producing forest products (timberland).
2. Lands covered wholly or in part by timber, brush, undergrowth, or grass, whether of commercial value or not, which protect the soil from excessive erosion, retard runoff of water or accelerated water percolation, if such lands are sources of water which is available for irrigation or industrial use (watershed).
3. Lands in areas which are principally used or useful for range or forage purposes which are contiguous to the land described above (grazing land).

Final authority for translating the statutory definition of Section 4126 into specific geographic boundaries rests with the Board of Forestry. Lands owned by the federal government or contained within the boundaries of incorporated cities may not be included within the state responsibility area (SRA), even if such lands meet any of the criteria defined in Section 4126.

The total amount of land currently classified as state responsibility is 33.2 million acres. Table 2 indicates the amount of acreage provided fire protection at state expense.

Table 2
Department of Forestry
State Responsibility Area Protection Summary
Acreage by Agency

1. Direct protection provided by the Department of Forestry with state employees and equipment (does not include 3,531,711 acres of federal land directly protected by Forestry under reimbursement)	24,641,164 acres
2. Contract protection provided by five counties under reimbursement from the department (1980-81 budget proposes contracting with Orange County for protection of an additional 206,112 acres)	4,109,709 acres
3. Contract protection provided by the U.S. Forest Service under reimbursement from the department	4,038,243 acres
4. Contract protection by other federal agencies (Bureau of Land Management, National Park Service, Bureau of Indian Affairs) under reimbursement from the department	449,762 acres
Total	33,238,878 acres

Wildland Fire Protection by Contract Counties

The department currently operates, at state expense, six fire stations and a ranger unit headquarters for protecting 206,122 acres in Orange County which are currently classified as state responsibility area (SRA) by the Board of Forestry. The budget assumes that Orange County will take over the responsibility for protecting these areas on a reimbursement basis.

Five counties already provide fire protection for SRA lands within their boundaries. If approved by its board of supervisors, Orange County will become the sixth county to provide protection to state responsibility lands

DEPARTMENT OF FORESTRY—Continued

on a reimbursed basis. The amount budgeted for state payments to the six counties in 1980-81 is illustrated in Table 3.

Table 3
Department of Forestry
Funds Budgeted for Contract County Protection
State Responsibility Area (SRA) Lands

1. Kern	\$2,017,910
2. Los Angeles	2,997,163
3. Marin	602,398
4. Santa Barbara	1,058,494
5. Ventura	1,078,131
6. Orange	786,933
Totals	\$8,541,029

In addition to reimbursing the counties, the department also makes available, at their request, airtankers, conservation camp crews and fire trucks for fire suppression purposes. Salaries and expenses of departmental employees who assist in suppressing fires in these counties are financed through the department's support appropriation.

Revision of State Responsibility Boundaries in the Contract Counties

We recommend (1) that \$786,933 budgeted to provide fire protection on state responsibility lands in Orange County be approved for 1980-81 only; (2) that the department review the 206,112 acres in Orange County currently classified as state responsibility land to exclude (a) urbanized areas such as El Toro, Mission Viejo, Laguna Hills, and (b) residential subdivisions and other areas zoned for such development in unincorporated portions of the county; and (3) that the Department report to the Joint Legislative Budget Committee by December 1, 1980, on an appropriate level of funding for contract protection of state responsibility lands in Orange County and the five existing contract counties for 1981-82.

According to the 1978 *Wildfire Activity Statistics* (an annual Department of Forestry publication), the existing five contract counties are reimbursed for protecting 4,109,709 acres of lands classified by the Board of Forestry as state responsibility area (SRA). If SRA lands in Orange County (206,112 acres) are included, the total increases to 4,315,821 acres.

Department of Forestry statistics indicate that the amount of SRA acreage in Orange County has remained unchanged since 1975. Our analysis and field investigations indicate that there is substantial acreage in the county which is misclassified as state responsibility. We are not able to determine the exact acreage of inappropriately classified land. Clearly, however, the heavily urbanized and residential areas of Mission Viejo, El Toro and Laguna Hills should be deleted from SRA status because the land-uses are incompatible with the standards specified in Section 4125 of the Public Resources Code. There are extensive residential subdivisions in other unincorporated portions of the county presently classified as state responsibility. In addition, the Orange County Planning Department indicates there is substantial undeveloped acreage which is presently zoned or being rezoned for more intensive residential land-uses. The depart-

ment should not enter into a long-term contract with Orange County to provide state-financed fire protection for lands which do not properly qualify as state responsibility area.

There are also indications that some lands protected by the five existing contract counties are inappropriately classified as state responsibility land. Department of Forestry statistics indicate that the acreage of SRA protected by the five contract counties has remained unchanged for eight years. Given the rate of development and population growth within unincorporated areas in Orange County, it is likely that land-uses within unincorporated portions of Kern, Marin, Los Angeles, Santa Barbara and Ventura Counties have also undergone similar (although possibly less extensive) changes.

Any changes in the acreage currently classified as state responsibility will affect the level of fire protection which needs to be financed at state expense. For this reason, we recommend the \$786,933 budgeted for contract protection of SRA lands in Orange County be approved for 1980-81 only. During the budget year, the department should review these lands to exclude any that is misclassified.

The department should also review SRA lands protected by other contract counties to ensure that the state is not improperly financing structural fire protection in urban or residential areas. Appropriate Supplemental Report language is:

"The Department of Forestry shall (1) review the 206,112 acres in Orange County currently classified as state responsibility land to exclude urbanized areas such as El Toro, Mission Viejo, Laguna Hills, residential subdivisions and other areas zoned for such development in unincorporated portions of the county, and (2) report to the Joint Legislative Budget Committee by December 1, 1980, on an appropriate level of funding for contract protection of state responsibility lands in Orange County and the other five contract counties for 1981-82."

Wildland Fire Protection—U.S. Forest Service

We withhold recommendation.

The budget contains \$2,759,563 to finance a continuing contract with the U.S. Forest Service to provide fire protection for state responsibility lands which are within or contiguous to national forest (public) land boundaries. According to published Department of Forestry statistics, the amount of state responsibility land protected under the Forest Service contract totaled (1) 4,565,907 acres in 1977, and (2) 4,208,537 acres in 1978. However, revised information from the Forest Service indicates that the *current* acreage protected under contract is 4,038,243 acres. This indicates that there has been a decrease of 527,664 acres in two years.

The amount and location of SRA land protected under contract determines the level of protection required and the amount of state funding necessary to finance this level of protection. The Forest Service, however, has sole responsibility for monitoring changes in the amount of acreage protected under its contract with the state. The department does not maintain any oversight over this acreage.

DEPARTMENT OF FORESTRY—Continued

We are unable to determine whether this decrease has been reflected in the department's contract with the Forest Service. We have asked the Forest Service and the department for (1) detailed information regarding the location of state responsibility land protected under contract, and (2) an explanation for the decrease in acreage protected. There is also a possibility that some acreage may be misclassified as state responsibility lands. For example, it is not clear that the acreage totals have been adjusted to exclude the significant amounts of private land in the Tahoe Basin that have been purchased by the federal government during the last five years.

For these reasons, we cannot recommend approval of the amount budgeted for the Forest Service contract until the department can (1) identify where the land is located, (2) account for the revisions in the amount of acreage, and (3) justify the level of protection which is budgeted.

Revision of Direct Protection Areas

We recommend (1) that the Board of Forestry conduct a comprehensive review of lands receiving direct protection from the department for the purpose of revising those boundaries to exclude areas which should be the responsibility of local government; and (2) that the department report to the Legislature at the time of budget hearings on a schedule and plan for providing support to the Board of Forestry so that it may conduct a comprehensive, statewide review of direct protection areas.

The department last conducted a comprehensive review of state responsibility areas in 1970-71. As indicated in Table 4, the total acreage directly protected by the department has remained relatively unchanged, increasing by only 1.3 percent between 1971 and 1978. Since the last review, however, major segments of the SRA have been subdivided and developed. In some unincorporated areas, entire urban communities have been built.

One indicator of this change is the population growth in unincorporated portions of counties containing SRA lands. Table 5, "Population in Selected Unincorporated Areas of California, 1970-79", illustrates the changing nature of rural counties that are provided direct wildland fire protection by the department.

Table 4
California Department of Forestry (CDF)
Change in Direct Protection Acreage by Years^a

<i>Year</i>	<i>Acreage</i>
1970.....	27,427,119
1971.....	27,798,223
1972.....	28,119,984
1973.....	28,103,231
1974.....	28,101,647
1975.....	28,100,642
1976.....	28,134,049
1977.....	28,131,509
1978.....	28,172,875

^a Includes federal lands directly protected by CDF under reimbursement.

Table 5
Population in Selected Unincorporated Areas
of California, 1970-1979

County	SRA Acreage ^a	<u>Changes in Population</u>		Percent Change
		1970	1979	
Amador	285,490	5,363	10,700	+99.5
Butte	540,381	70,204	94,500	+34.6
El Dorado	448,579	25,496	50,200	+97.0
Lake	463,636	16,543	29,250	+76.8
Madera	379,600	21,126	30,750	+45.5
Napa	405,789	35,650	33,900	-5.0
Nevada	277,567	18,883	37,400	+98.1
Placer	312,847	45,828	67,800	+47.9
Riverside	1,070,320	178,591	247,200	+38.4
San Diego	1,442,946	292,813	411,300	+40.5
San Luis Obispo	1,625,260	45,941	68,100	+48.2
Santa Barbara	691,141	125,949	141,900	+13.5
Santa Cruz	246,361	68,004	99,000	+45.6
Sonoma	846,753	105,714	122,800	+16.1
Tuolumne	359,680	19,069	29,800	+56.3

^a Area provided direct protection by Department of Forestry. Source: 1978 *Wildfire Activity Statistics*.

Unincorporated areas of counties which contain urban communities and residential subdivisions should not remain classified as state responsibility land for fire protection purposes. The provision of structural fire protection in these areas should be the responsibility of local government and financed by the property owners benefiting from this protection.

Misclassification of SRA land impacts the department's budget because it affects the size of the area the department must protect at General Fund expense. To ensure that the state's costs are not inflated by the misclassification of land, we recommend that the Legislature direct the Board of Forestry to conduct a comprehensive review of the department's direct protection area. Following this review, the board should revise SRA boundaries to exclude lands with urban and residential uses that do not meet the requirements of the Public Resources Code. The department should be prepared to report at the time of budget hearings on a schedule and plan for accomplishing this rezoning effort. The appropriate Supplemental Report language is:

"The Board of Forestry shall conduct a comprehensive review of lands receiving direct protection from the department for the purpose of revising *state responsibility boundaries* to exclude areas which should be the responsibility of local government."

Fire Fighter Trainee Program

We recommend (1) a reduction of \$330,400 from Item 224 to delete funds for operating expenses and equipment associated with adding 240 California Conservation Corpsmembers at 40 Department of Forestry fire stations, and (2) an increase of \$1,166,000 to Item 224 to add 95.5 personnel-years of seasonal fire fighting positions at the same 40 fire stations, in lieu of utilizing CCC personnel on a full year basis. (Net increase of \$835,600 to Item 224.)

In our analysis of the California Conservation Corps (Item 201), we

DEPARTMENT OF FORESTRY—Continued

discuss the proposal to establish a Fire Fighter Trainee Program. The proposal would add 240 CCC members as year-round fire fighters at 40 selected CDF fire stations which are currently operated on a seasonal basis. During winter and spring months, the corpsmembers would work at the fire stations on (a) fuel management and vegetation management work and (b) fire prevention inspections.

The cost of this joint CDF-CCC proposal would be \$2,714,600 during the budget year: \$2,494,200 from Item 201; and \$330,400 from Item 224. Funds to be appropriated by Item 201 are for support of the 240 corpsmembers; the \$330,400 in Item 224 is for miscellaneous operating expenses and equipment, such as safety clothing for the corpsmembers.

The proposal will provide five crew members on each of the two fire engines at the 40 CDF fire stations. The present complement is three persons—a Fire Captain (or Fire Apparatus Engineer), plus two seasonal fire fighters. The joint CDF-CCC proposal would add two CCC members to each crew. The 40 CDF fire stations scheduled to receive additional staffing were selected on the basis of the number of fire responses and the resource values protected.

The Department of Forestry indicates that the additional fire fighting personnel will increase the effectiveness of engine crews on initial attack. It claims that the additional fire fighting positions financed with federal Title II funds during the 1976 and 1977 fire seasons were responsible for keeping the number of acres burned per fire below the previous 10-year average (1964-75).

We cannot recommend approval of the joint CDF-CCC proposal for three reasons: First, under existing law, CCC is scheduled to terminate on January 1, 1981. (The Governor has proposed to continue the programs.)

Second, CCC personnel should not be used on a permanent basis for initial attack and fire prevention programs. This would bring about a significant change in the role of the CCC. Permanent assignment of CCC members to CDF fire fighting and fire prevention activities would blur any distinction between the two organizations. Third, including funds for the Fire Fighter Trainee Program in the CCC budget is not consistent with program budgeting. It causes the actual General Fund cost of the Department of Forestry's programs to be understated by \$2.5 million (the amount in Item 201). Similarly, it results in the number of authorized positions in the department's state responsibility fire protection program being understated by 240 personnel-years. Chapter 1284, Statutes of 1978 (AB 3322), requires the state to adopt program budgeting.

In lieu of the CDF-CCC Fire Fighter Trainee proposal, we recommend that \$835,600 be added to the CDF budget to support an increase of 240 seasonal fire fighting positions (95.5 personnel-years). Our analysis indicates that the same number of additional *permanent* positions is not justified. The budget contains an increase of \$360,000 for fire prevention activities during 1980-81. Therefore, we conclude that the addition of 240 seasonal fire fighters is adequate.

New Helitack Units

We recommend that (1) \$709,688 to acquire and operate three new helicopters be deleted by reducing \$109,688 from Item 224 (General Fund), and \$600,000 from Item 231 (Energy and Resources Fund); and (2) Item 224 be increased by \$625,179 to support operation of the three helicopters for the fire season only, utilizing Department of Forestry fire fighting crews in lieu of CCC crews. (Net augmentation of \$515,491 to Item 224).

The department has proposed replacing three of its small helicopters with larger, military surplus UH-1B helicopters. The larger helicopters would be used on a full-year basis and utilize 36 CCC members in lieu of CDF seasonal fire fighting crews. The savings from the use of CCC members would be redirected to partially offset the higher costs of the larger helicopters. The three new helicopters would be acquired through the California National Guard, and would be operated and maintained by civilian contractors.

The three new medium-turbine helicopters replace three smaller helicopters which are now leased only on a seasonal basis from private contractors. The medium-turbine helicopters have a 10-place fire fighter capacity, compared to the 4-place capacity of the smaller helicopters. This increases the size of the fire fighting crew which can be flown to the scene of a fire.

In addition to augmenting the department's helitack fire fighting program in the summertime, the three medium helicopters would be used during the non-fire season for vegetation and forest management work. Two of the three new helicopters would be equipped with helitorch units to support five vegetation management (prescribed burn) projects in Mendocino, Tehama, El Dorado, Tulare and San Diego Counties during the winter months.

The costs for the 36 corpsmembers—approximately \$509,184 during 1980-81—would be paid by the California Conservation Corps. These funds are contained in the CCC budget (Item 201).

We cannot recommend approval of this proposal because:

1. Two of three new helicopters would be financed with \$600,000 from the Energy and Resources Fund (Item 231). This new special fund is not authorized by law.

2. The proposal is not consistent with program budgeting. Because the funds for the 10-person helitack crews are contained in the CCC budget, the actual cost of the department's state responsibility fire protection program is understated.

3. As noted above, existing law terminates the CCC on January 1, 1981.

4. Although the department proposes to use the helicopters for controlled or prescribed burns, the statutory authority for conducting prescribed burning is unclear. Chapter 1118, Statutes of 1978, requires the department to prepare two model plans for the initial development and implementation of a program of wildland resources management, one in northern California and one in southern California. The two model plans must be submitted to the Board of Forestry for approval.

Chapter 1118 requires the department to furnish at least two fire sup-

DEPARTMENT OF FORESTRY—Continued

pression crews, at specified times of the year, to any landowner in a wildland area for which a plan has been approved by the board, if the landowner:

- (a) Has obtained a brush burning permit,
- (b) Agrees to comply with the plan in all respects, and
- (c) Assumes all liability for damage.

The two model plans required under Chapter 1118 have not yet been prepared. Consequently, the state, rather than the property owner, might be liable for unintended damage to the landowner's property (or adjoining landowner property) caused by the escape of a prescribed burn. In any event, the program authorized under Chapter 1118 did not contemplate that the department would use expensive equipment such as helicopters. (The department estimates the operating cost of helicopters is \$362 per hour.)

As an alternative to the proposed operation of the three helicopters on a year-round basis, we recommend that \$575,491 be provided in Item 224, (General Fund) to finance their use during the fire season only. Included in this amount are funds for three 10-person fire fighting crews. If legislation is introduced extending the CCC, the dangers of using CCC members as helitack fire fighting crews can be considered at that time, and their role authorized through such legislation.

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) operating of 3 forest nurseries, (4) emergency revegetation, (5) registration of professional foresters, (7) administration of the Forest Resources Assessment and Planning Act (FRAPA), and (8) funding of reforestation and urban forestry activities under the Forest Improvement Act.

Forest Improvement Projects

We recommend (1) an unallocated reduction of \$3.1 million in Item 229 to reduce the proposed level of expenditures for forest improvement projects; and (2) that the Legislature add a new item in the Budget Bill to reappropriate to the General Fund the balance of all revenues in excess of \$6.2 million that are deposited during 1980-81 in the Forest Resources Improvement Fund.

The budget includes \$9,661,376 for administration and funding of reforestation, urban forestry and land conservation projects authorized pursuant to the California Forest Improvement Act of 1978 (Chapter 1181, Statutes of 1978). The source of funding for these projects is the Forest Resources Improvement Fund. Legislation effective January 1, 1980 (Chapter 812, Statutes of 1979) requires that all revenues from the sale of timber products from the state forest system be deposited in this special fund. Ten percent of the net receipts from state forest revenues must be spent annually for urban forestry programs.

The Forest Improvement Act of 1978 authorizes the department to execute cost-sharing agreements with private timberland owners for 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.

The budget shows \$12,165,000 available from state forest revenues for forest improvement projects during 1980-81. This consists of \$2,827,000 in revenue received during the last six months of the current fiscal year (January 1, 1980 to June 30, 1980), and \$9,338,000 in new revenues to be received during 1980-81. The department plans to use these revenues during the budget year as follows:

- \$6.6 million for loans and grants to private landowners for reforestation and pre-commercial thinning projects on 40,000 acres of timberland.
- \$1,030,274 for assistance to cities, counties and nonprofit organizations for urban forestry projects.
- \$800,534 for unspecified land conservation and fish and wildlife projects.
- \$250,000 for other unspecified demonstration projects on state-owned lands.
- \$908,630 for support of 32 new positions in the Department of Forestry to administer the above projects.
- \$71,938 to finance two new forester positions within the State Lands Commission (SLC) to accelerate the sale and harvest of timber from state school lands.
- \$1,862,261 to the General Fund for the operating cost of the state forest system.

This would leave a balance of \$643,363 in the Forest Resources Improvement Fund at the end of the budget year. No information is available regarding the proposed expenditure of \$800,534 for land conservation or fish and wildlife projects, or the \$250,000 for unspecified demonstration projects on state-owned lands.

During hearings on Chapter 812 (AB 320), the department indicated that it expected to receive \$6.2 million from state forest revenues during the entire 1979-80 budget year. On this basis, it estimated that after deducting \$1.1 million to reimburse the General Fund for the cost of operating state forests, \$5.1 million would be available for forest improvement projects. The department's estimate of state forest revenues was important because it represented the amount of money which under Chapter 812 would be deposited in the Forest Resources Improvement Fund instead of the General Fund.

The department now expects to receive \$9,338,000 in state forest revenues for 1980-81. This amount represents a 50 percent increase in the amount of revenues estimated from this same source for 1979-80. The department's \$11.5 million expenditure plan for forest improvement projects during the budget year relies on this revenue increase for 1980-81, plus a carryover of \$2.8 million from current year state forest revenues. The current year carryover represents the estimated amount of revenue deposited in the Forest Resources Improvement Fund between January 1, 1980 and June 30, 1980 pursuant to provisions of Chapter 812. (All state forest revenues generated prior to January 1, 1980, were deposited in the General Fund.)

DEPARTMENT OF FORESTRY—Continued

Our analysis indicates the department's revenues projections may be overly optimistic. Economic projections for 1980 anticipate an economic slowdown and mild recession in California. We note that, during the 1974-75 recession, bid prices for timber sold from the state forest system dropped by 52 percent in one year.

Nevertheless, the expenditures proposed for the Forest Improvement Program require a significantly larger amount of revenue being diverted from the General Fund than was projected a year ago. To the extent that state forest revenues deposited in the Forest Resources Improvement Fund during all of 1980-81 exceed a total of \$6.2 million, we recommend that the excess be transferred to the General Fund. On this basis, the amount of net revenue diverted to this new special fund during the budget year will not exceed the annual amount projected a year ago by the department during hearings on Chapter 812. This would still leave a total of (1) \$2.8 million carried over from current year state forest revenues, plus (2) \$6.2 million from budget year state forest revenues, to finance forest improvement projects during 1980-81. Our analysis indicates this total of \$9 million should be more than adequate to finance the program's first year of activities.

Reforestation of School Lands

We recommend that language be added to Item 229 to allocate \$550,000 from the amount appropriated from the Forest Resources Improvement Fund for forest restoration projects on lands administered by the State Lands Commission.

In our analysis of the State Lands Commission's budget (Item 234), we discuss a proposal in the budget to spend \$550,000 from the Energy and Resources Fund to continue a reforestation project on SLC lands. The project was started two years ago with federal funds from the Public Works Employment Act (Title II). Additional funds from Title II are not available to continue the project in 1980-81.

Because the Energy and Resources Fund is not established by law, we have recommended that the \$550,000 be deleted from the State Lands Commission budget. As an alternative, we recommend that a portion of the \$9 million which we recommended be appropriated from the Forest Resources Improvement Fund by Item 229 be allocated to the commission to continue the forest restoration project. The addition of control language will ensure that \$550,000 appropriated from this special fund will be available for allocation by the Director of Forestry to the State Lands Commission.

North Coast Land Conservation Projects

We recommend a reduction of \$400,000 from Item 231 to delete funds budgeted for unspecified land conservation projects in the North Coast.

We have already discussed the department's budget request for financing forest improvement projects with state forest revenues. The department is also requesting \$400,000 from the Energy and Resources Fund (Item 231) for unspecified forestland conservation projects on the North Coast.

According to detail accompanying the department's budget request, land conservation projects to be financed include:

- Installation and repair of failed or undersized culverts.
- Installation of fords to replace inadequate stream crossing culverts or bridges.
- Cleaning and reconstruction of side ditches.
- Installation of subdrains for control of slides and mass wasting.
- Revegetation of eroding fills, slides and cut banks.
- Abandonment of unnecessary and eroding roads or skid roads by installation of water bars, check dams, and traffic barriers.

In support of these projects, \$32,423 is budgeted to finance an additional forester position and \$355,917 is budgeted for contractual services. No additional details regarding the location or types of projects is available. It is not clear to what extent installation or repair of culverts and drains, and revegetation of eroding fills duplicate maintenance of public roads on the North Coast, whether the projects are on private logging roads or skid trails, or whether the department is financing corrective work which is the responsibility of the landowner.

We cannot recommend approval of the budgeted amount because (1) the proposal is not adequately defined and (2) the financing would come from the Energy and Resources Fund which does not exist.

ADMINISTRATION

Administration provides executive management, policy direction, fiscal and personnel services, public information, training and safety programs in the department. The administration program has 276 authorized positions and is budgeted for \$8,534,442 in 1980-81.

Relocation Costs

We recommend that language be added to Item 224 as follows: "... provided further, that \$1,000,000 appropriated by this item may be used only for reimbursement of staff relocation costs resulting from termination of the Orange County fire protection contract."

The budget requests \$1 million for potential staff relocation costs due to termination of the local fire suppression contract with Orange County and a transfer of 467.5 fire fighter positions from state service to the county. Because some employees may not wish to transfer, \$1 million has been budgeted to pay for their relocation within the department. This amount is based on an estimate of \$10,000 each for up to 100 department employees. We recommend approval of the request, subject to control language to prevent use of any unneeded funds for other programs or activities.

Overhead Augmentation Unjustified

We recommend deleting \$852,444, requested to offset reductions in administrative overhead for the Orange County local fire protection contract, from Item 224.

The department's contract for fire protection in Orange County presently reimburses all of the department's direct costs and administrative

DEPARTMENT OF FORESTRY—Continued

overhead associated with the Orange County contract. Line item detail supporting the budget shows that the state would have been reimbursed (1) \$11,696,538 for direct costs, and (2) \$941,571 for administrative overhead during 1980-81. The administrative overhead charge is determined on a pro rata basis from the department's program time reporting system.

The department proposes a reduction of \$89,127 and three positions in its administrative and overhead staff due to termination of the Orange County contract. The balance of the overhead associated with this contract would be maintained, at a General Fund expenditure of \$852,444. Only \$383,443 of this amount shows up as an *increase* in the department's General Fund budget request for 1980-81. The remainder represents the redirection of savings resulting from contracting with local government to protect state responsibility lands in Orange County. The department proposes to pay local government \$786,933 to protect these lands during 1980-81, which is \$468,951 less than what the department would have spent on direct protection (\$1,255,884).

The department's local responsibility fire protection contract with Orange County included \$11,696,538 and 467.5 fire fighting positions. Because the department no longer has to administer personnel, payroll and accounting workload resulting from this contract, our analysis indicates that additional administrative positions should be eliminated. In any event, the \$852,444 which is requested for continued departmental overhead has not been justified. Consequently, we recommend that the funds be deleted.

**Resources Agency
STATE LANDS COMMISSION**

Items 232 from the General
Fund and Items 233-234 from
special funds

Budget p. R 61

Requested 1980-81	\$6,888,960
Estimated 1979-80.....	5,906,578
Actual 1978-79	4,838,116
Requested increase (excluding amount for salary increases) \$982,382 (+ 16.6 percent)	
Total recommended reduction	\$725,000

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
232	State Lands Commission Basic Support	General	\$6,163,960
233	Lake Tahoe Shore Zone Study	California Environmental License Plate	175,000
234	Reforestation on State School Lands	Energy and Resources	550,000
	Total		\$6,888,960

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
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- | | |
|---|-----|
| 1. Revenue Reports. Recommend that supplemental report language be adopted directing the commission to provide adequate revenue reports. | 526 |
| 2. Offshore Drilling. Recommend that the commission report on plans for increased offshore drilling at the budget hearings. | 526 |
| 3. <i>Tahoe Pier Study. Eliminate \$175,000 in Item 233.</i> Recommend deletion of funding for a study of the shorezone at Lake Tahoe pending a reformulation of the proposal to make it more useful. | 527 |
| 4. <i>Forest Restoration. Eliminate \$550,000 in Item 234 and increase reimbursements in Item 232.</i> Recommend (1) funding be provided from the Department of Forestry's Forest Resources Improvement Fund instead of the proposed Energy and Resources Fund, and (2) that the commission report at the budget hearing on its experience with and plans for forest restoration. | 528 |

GENERAL PROGRAM STATEMENT

The State Lands Commission is composed of the State Controller, the Lieutenant Governor, and the Director of Finance. It is responsible for the management of sovereign and statutory lands which the state has received from the federal government. These lands total more than four million acres and include tide and submerged lands, swamp and overflow lands, the beds of navigable waterways, and vacant school lands. In 1980-81, the commission may receive as much as \$455 million in revenue, primarily from oil and gas production on state lands.

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 tidelands granted to the City of Long Beach.
3. Determining boundaries and ownership of tide and submerged lands.
4. Overseeing other land management operations including appraisals, surface leases, timber operations, and maintaining records concerning state lands.
5. Administering tidelands trusts granted by the Legislature to local governments.

The commission has approximately 250 employees. The commission's headquarters are in Sacramento. Oil, gas and other mineral operations are directed from an office in Long Beach.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes appropriations totalling \$6,888,960 for the support of the State Lands Commission in 1980-81, an increase of \$982,382, or 16.6 percent, over the current year. Total proposed expendi-

STATE LANDS COMMISSION—Continued

tures, including reimbursements and federal funds, are \$9,525,213 from all sources for support of the commission in 1980-81, which is \$152,761, or 1.6 percent, more than the estimated current year expenditure. The \$152,761 will increase by the amount of any salary or staff benefit increases approved for the budget year (the 9 percent salary increase proposed in the budget would increase personal services by \$512,739). Table 1 shows the proposed sources of funding for the commission's expenditures, and Table 2 details the funding and program changes between the current year and budget year.

Table 1
State Lands Commission
Sources of Funds—1980-81

General Fund (Item 232)	\$6,163,960
Reimbursement from Long Beach Tidelands Oil Revenues ^a	2,248,431
Energy and Resources Fund—reforestation (Item 234)	550,000
California Environmental License Plate Fund—Tahoe study (Item 233)	175,000
Contract with Coastal Commission for petroleum transfer safety program	140,884
U.S. Fish and Wildlife Service—reimbursement for wetlands boundary determination ..	75,000
Timber management reimbursement from Department of Forestry	71,938
Miscellaneous reimbursements	100,000
Total expenditures	\$9,525,213

^a Reimbursement for commission expenses in overseeing oil operations at Long Beach. These reimbursements reduce revenue to the Capital Outlay Fund for Public Higher Education (COFPE).

Table 2
State Lands Commission
1980-81 Budget Changes

	<i>General Fund</i>	<i>Reimburse- ments</i>	<i>Other</i>	<i>Totals</i>
1979-80 Current Year Revised	\$5,906,578	\$3,390,874	\$75,000 ^a	\$9,372,452
1. Projects Not Continued				(-920,095)
a. Hazard identification and removal Santa Barbara coast (PWEA) ^b	—	-555,672	—	—
b. Reforestation (PWEA) ^b	—	-217,786	—	—
c. Environmental Impact Report (Union Oil Company)	—	-144,837	—	—
d. Other	—	-1,800	—	—
2. New Program Funding				(+796,938)
a. Reforestation (Energy and Resources Fund)	—	—	+550,000	—
b. Lake Tahoe shore zone study (California Environmental License Plate Fund)	—	—	+175,000	—
c. Timber management (funded by Department of Forestry)	—	+71,938	—	—
3. Baseline Changes				(+275,918)
a. Price, salary and workload changes ..	+139,413	+18,536 ^c	—	—
b. Restoration of Section 27.2 reduction	+117,969	—	—	—
1980-81 Proposed Expenditures	\$6,163,960	\$2,561,253	\$800,000	\$9,525,213
Total Proposed Changes	(\$257,382)	(\$-829,621)	(\$725,000)	(\$152,761)

^a Federal funds.

^b Federal Public Works Employment Act Title II funds allocated by the Employment Development Department.

^c Long Beach Tidelands Oil Revenues.

Support for the commission from state funds is proposed to increase by \$1,080,356, or 13.3 percent. This increase is primarily due to \$796,938 of new funding from (1) the proposed Energy and Resources Fund for purposes of forest restoration, (2) the California Environmental License Plate Fund for a study of Lake Tahoe, and (3) from the Department of Forestry for timber management. Baseline adjustments of \$275,918 account for the remainder of the increase. Total expenditures do not increase by as much as state support because \$918,295 in reimbursements from non-state sources received in the current year will not continue into 1980-81. These reimbursements are from federal Public Works Employment Act funds for two projects and from an oil company for an environmental impact report.

Commission Revenues

In the *Analysis of the 1979 Budget Bill* we noted that elimination or liberalization of federal oil price controls could dramatically increase state oil revenues received by the commission. This has happened.

On December 21, 1979, the President eliminated price controls on all oil "heavier" than 20 degrees gravity. (Heavy oil is thick and viscous; the lower the gravity number, the heavier the oil.) The order had the effect of releasing from price controls more than 90 percent of the 73,000 barrels of daily production at Long Beach and approximately one-third of the 5,000 barrels of daily royalty production under other leases. Oil heavier than 16 degrees gravity had been decontrolled in August, but this affected only a small portion of the oil produced from state lands.

Previously, in May 1979, the President, anticipating the expiration of federal price control authority in September 1981, established a phased price decontrol for all oil. This action is increasing revenue from the oil still subject to price controls.

In addition to price decontrol, the recent rapid rise in world oil prices is also contributing to increased revenue from oil. The combination of price decontrol and rising world prices will increase total revenues from \$110.6 million in 1978-79 to \$454.5 million in 1980-81, according to the State Lands Commission's estimates released on December 24, 1979.

Table 3 compares the December 24 revenue estimates of the commission with the lower figures in the Governor's Budget. Our analysis and subsequent discussions with commission staff indicate that revenues in 1979-80 may be \$74 million above current estimates. We have shown this amount in Table 3, as well.

Total commission revenues include approximately \$2.2 million from activities other than oil and gas extraction.

Under the provisions of Section 6217 of the Public Resources Code, all of the commission's annual revenue in excess of approximately \$40 million is deposited in the Capital Outlay Fund for Public Higher Education (COFPHE). The Governor's Budget, however, proposes that only one-third of these revenues, or \$77.8 million (based on the revenue estimates in the budget), be deposited in the COFPHE. The remaining two-thirds would be divided equally between a new Energy and Resources Fund and

STATE LANDS COMMISSION—Continued

the General Fund. The diversion of funds from the COFPHE is not authorized by current law, and is not authorized by the Budget Bill for 1980-81.

Table 3
Revenues of State Lands Commission
(in millions)

	1979-80	1980-81	1981-82
Amount in Governor's Budget.....	\$197.3	\$272.7	N/A
Increase in commission's estimate of December 24, 1979.....	18.8	181.8	\$506.4 ^a
Possible additional increase.....	74.0	—	—
Totals.....	\$290.1	\$454.5	\$506.4

^a Estimate of total revenue; no 1981-82 figures were included in the Governor's Budget.

Table 4 shows the amounts that would be deposited in each of the three funds, using the revenue estimates shown in Table 3.

Table 4
Allocation of State Lands Commission Revenues
(in millions)

	1979-80	1980-81	1981-82
Existing statutory distributions (other than COFPHE) ^a	\$38.0 ^b	\$39.1 ^b	\$40.3 ^c
COFPHE.....	252.1	138.5	155.4
Energy and Resources Fund.....	0	138.5	155.4
General Fund.....	0	138.5	155.4
Totals ^d	\$290.1	\$454.5	\$506.4

^a Includes \$25 million to California Water Fund, \$5 million to Central Valley Project Construction Fund, \$600,000 for the Sea Grant Matching program, and a distribution to the General Fund of income from state school lands and land rentals, and the commission's General Fund support appropriation.

^b From 1980-81 Governor's Budget.

^c Estimate based on growth rate from 1979-80 to 1980-81.

^d Columns may not add due to rounding.

Marine Petroleum Transfer Safety Program

Last year, the Legislature authorized four permanent positions requested by the commission for a safety program at docks and moorings where oil tankers load and unload crude oil or petroleum products. The General Fund supports one of the positions. The other three are supported by a two-year grant of \$281,768 from the Coastal Commission using federal Coastal Energy Impact Program (CEIP) funds. The State Lands Commission is preparing a model terminal operations manual and training program, and will conduct inspections of terminals on state leases. The grant did not become effective until October 1979. None of the federally funded positions had been filled as of January 1980.

Approximately one-half of the state's marine petroleum terminals are on lands leased from the State Lands Commission. The remaining terminals are located on lands granted to local governments, over which the commission has little, if any, authority. The commission also lacks authority to regulate activities at terminals, and can enforce a terminal safety program only by terminating a lease.

In our *Analysis of the 1979 Budget Bill* we noted these problems. We also

pointed out that many other agencies have responsibilities pertaining to tanker terminals, including local port authorities, the Coastal Commission, the San Francisco Bay Conservation and Development Commission (BCDC), the Department of Fish and Game, and the U.S. Coast Guard. A 1978 report by the Interagency Tanker Task Force, which was created by the Resources Secretary, has documented the "clear potential for confusion and duplicated effort" among these agencies, and has called for efforts to coordinate their activities. The task force, however, did not make any specific recommendations. As a result, the Conference Committee adopted language in the Supplemental Report of the 1979 Budget Act directing the Resources Secretary to (1) report further to the Legislature on the requirements of a comprehensive state marine petroleum terminal safety program, (2) designate a responsible state agency, and (3) propose legislation to establish a regulatory program, including penalties for violations.

The Secretary has issued the report called for by the supplemental language. Like the earlier report of the Tanker Task Force, the new report describes the existing overlapping responsibilities and duplicating efforts, but does not propose any specific solution. Instead, the Secretary finds that it is "premature to recommend, at this time, major legislation to redirect existing efforts of state agencies." The report notes that, in addition to the work at the State Lands Commission, there are several CEIP-funded projects related to tanker terminal safety being conducted by the Coastal Commission, the Ports of Los Angeles and Long Beach, the BCDC, and the Water Resources Control Board. These projects are to be completed in 1981, and the report indicates that major legislation may be required at that time.

Duplication of Long Beach Oil and Gas Supervision

Last year we recommended, and the Conference Committee adopted, supplemental report language to the 1979 Budget Act directing the State Lands Commission to initiate negotiations with the City of Long Beach to eliminate duplication in the supervision of oil and gas operations. Chapter 138, Statutes of 1964, assigned responsibilities to the city and the commission with respect to supervision of oil and gas development on the tidelands granted to the city which partially duplicate each other. The city has day-to-day supervision over the field contractors. The commission reviews and approves spending plans for oil and gas development to maximize the net profits to the state from the oil and gas operations.

The city and the commission each spend approximately \$2 million annually (a total of \$4 million) to supervise production and manage revenues. These costs are paid from state oil revenues. In order to provide an incentive to the city, the supplemental report language directs the commission and the city to share resulting savings. The commission was instructed to keep the Legislature informed on the progress of the negotiations by means of quarterly reports.

In the first quarterly report, issued in December 1979, the commission stated that the city had belatedly appointed its two representatives to the joint study group, but that no meeting had taken place. Progress has been

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slow and the prospects for success are uncertain.

Adequate Revenue Report Needed

We recommend the legislature direct the State Lands Commission to issue semiannual reports of actual and estimated revenue to the commission. These reports should include significant revenue assumptions, production data, prices, costs, and the state's percentage of net profits or royalty for each major property or producing zone.

The commission's oil, gas and geothermal operations are becoming a major source of state revenue. However, the commission's revenue reports and forecasts have shown only aggregated annual net revenue. Net revenue depends on the production from each property; the price received for the oil, gas, or steam; any costs, taxes or payments deductible from gross revenue; and the net profits or royalty percentage payable to the state. Without detailed information on these factors and assumptions, analysis of the revenue forecasts is difficult and time-consuming. Accordingly, we recommend the Legislature adopt the following supplemental report language: "The State Lands Commission shall report semiannually to the Legislature and the Governor on its actual revenue during the past fiscal year, revenue to date in the current year, and estimated revenue in each of the next two years. For each major oil, gas or geothermal property or producing zone, the reports shall include production levels; prices; costs, taxes or payments deductible from gross revenue; and the percentage of net profits or royalty payable to the state. The report shall state important assumptions and discuss any factors which may significantly affect revenue for the next five years."

Revenue forecasting and reporting are only partially automated. Much staff time and effort is required to issue each estimate. This has resulted in significant delays in the release of revised estimates during the past year when prices and pricing regulations were changing rapidly. The commission should automate the data generation for its reports in order that estimates can be made more rapidly and staff time on this function can be reduced.

Additional Offshore Drilling

We recommend that at the time of budget hearings the State Lands Commission report on its plans for increased oil, gas and geothermal development on state lands, including state costs, sources of needed funding, prospects for future revenue, and actions to safeguard the environment.

In June 1979, the U.S. Department of Interior held Outer Continental Shelf (OCS) Lease Sale No. 48 and obtained more than \$277 million in bonuses for parcels adjacent to or near unleased state-owned submerged land between Point Conception and Point Arguello. Some of the oil and gas development on federal OCS lands at Point Conception and elsewhere may drain petroleum reservoirs extending under adjoining state lands. The state should receive revenue for any drainage or develop its own oil properties in order to prevent drainage. The commission is interested in leasing new lands adjacent to the federal leases at Point Conception on a

net profit basis similar to Long Beach. In addition, five oil companies have now applied for oil drilling permits on leased but undeveloped state tide and submerged lands between Point Conception and Oxnard. Some of the exploration will take place through the redrilling of existing wells. Some new offshore wells will be drilled. Environmental impact reports (EIRs) are now, or soon will be, prepared under the direction of the commission for these projects (costs are reimbursed by the oil companies.)

Commission staff indicate that \$530,000 is needed to prepare an initial EIR for an exploratory drilling program at Point Conception. In addition, as much as \$3 million may be required for the state to do some geological investigation, including possible core drilling. These investigations would permit the state to characterize the area in order to obtain the best lease terms possible.

The commission is also interested in conducting geophysical survey work in San Pablo Bay for oil and gas, and expanding its geothermal leasing program at The Geysers. The proposed budget contains \$210,000 from the General Fund to contract for technical and environmental studies at Point Conception, San Pablo Bay and The Geysers. The commission would need approximately \$3.5 million in addition to these budgeted funds to carry out its complete plan for environmental and exploratory work. If additional money is needed, it would be appropriate to use current tidelands oil revenues to finance the work as an investment in increased future oil, gas, and geothermal revenues.

Tahoe Pier Study

We recommend deleting \$175,000 from the California Environmental License Plate Fund pending reformulation of a proposed study of the environmental effects of piers at Lake Tahoe.

The State Lands Commission is requesting \$175,000 from the California Environmental License Plate Fund to study the effect of piers and similar structures at Lake Tahoe on sediment movement and wave action, and the impact of piers on the lake's biology and water quality. The study will take two or three years to complete, but the commission states that no additional funding will be needed beyond the amount requested this year.

Piers and other structures that extend into the water at Lake Tahoe require a lease from the State Lands Commission because the state owns the submerged lands of the lake. In 1978, the commission established a moratorium on leases for new piers at Lake Tahoe, except mooring buoys and multiple-use facilities (marinas) pending a study of the cumulative environmental impacts of piers and the activities associated with them.

Under the provisions of the California Environmental Quality Act (CEQA), an environmental impact report (EIR) is required for the leasing program if the cumulative effect of new piers could be significant, even though the effect of individual new piers may be insignificant. A study sponsored by the commission in cooperation with other California, Nevada and federal agencies and published in February 1978, (*The Cumulative Impacts of Shorezone Development at Lake Tahoe*) indicated a lack of knowledge concerning the effects of pier densities.

The California Tahoe Regional Planning Agency (CTRPA) has overall

STATE LANDS COMMISSION—Continued

responsibility for development on the California side of the lake. It has adopted an ordinance to regulate shorezone activity, and is therefore the "lead agency" under CEQA. As lead agency, CTRPA is responsible for making environmental determinations under CEQA, preparing an EIR and coordinating its activities with those of other responsible agencies, such as the commission. The study proposed by the commission does not address several important considerations regarding pier construction at Tahoe such as the effects of increased boat traffic, public access to the shore, and further growth. The proposed study has not been designed as an EIR or general planning document. Moreover, it is not clear that final decisions on pier construction can be made by the commission, CTRPA or any other agency without more information than will be produced by the study.

There may be a need for the proposed study, although a large body of research data already exists. However, without some assurance that a new study will address the most relevant questions and will provide a basis for coordinated action by all of the responsible agencies, it is unlikely that the study will be cost-effective. We therefore recommend deletion of the \$175,000 from the California Environmental License Plate Fund pending a reformulation of the study.

Forest Restoration

We recommend (1) that \$550,000 to fund this project be provided from the Department of Forestry's Forest Resources Improvement Fund instead of the proposed Energy and Resources Fund, and (2) that the commission report at budget hearings on (a) the experience gained in the first two years of its forest restoration project and (b) submit specific plans for reforestation projects.

The budget proposes spending \$550,000 from the Energy and Resources Fund, for forest and rangeland restorations and other projects to enhance the productivity of state school lands under the jurisdiction of the commission. This fund has not been established.

The school lands were granted to the state by the federal government in 1853 as a revenue source to support public schools. Approximately 600,000 acres of these lands remain in state ownership in a large number of parcels scattered throughout the state, primarily in desert and mountainous areas.

Revenue generated from timber sales or other activities on the school lands is paid into the General Fund (\$91,400 in 1979-80). The commission estimates that between 2,000 acres and 3,000 acres of school lands which now have little or no timber on them are capable of producing timber if reforested. Most of these parcels are in the mountains of northern California.

Program Experience. The commission is now in the second year of a reforestation effort. The requested funds would finance a third year, and an additional \$2 million would be needed during the next several years to complete the project (in addition to ongoing management costs). Support for the first two years of the forest rehabilitation project has come from

federal Public Works Employment Act (PWEA), Title II funds allocated by the Employment Development Department.

Typically, land being reforested must be mechanically cleared of brush that would compete with the trees and erosion must be controlled before trees (usually pine or fir) can be planted. The commission plans to plant 697 acres by June 30, 1980 at a total cost of \$633,630, which is an average cost of \$909 per acre. The commission has used private contractors to clear the land and the California Conservation Corps to do the planting. The commission's cost to date appears high. Portions of the land, even with some standing timber, may not be worth as much as the cost of clearing and planting. According to commission staff, the Conservation Corps has been more expensive to use than private contractors. Costs are also high because the parcels average less than 50 acres each and are widely scattered. However, the commission staff states that some undetermined portion of the cost is due to wildlife enhancement and other activities which usually would not be included in a commercial reforestation project.

Lack of Criteria for Parcel Selection. There has been no evaluation of the completed work. There has been no identification of parcels scheduled for forest restoration in 1980-81, nor has the commission established specific criteria to select parcels for restoration, other than the biological capability of growing trees on the site and the possibility of access to work on the land. Guidelines should be established to indicate when the cost of clearing and planting exceeds a reasonable level based on the value of future timber and other benefits for wildlife, grazing, watershed and recreational use. The commission also needs to consider whether some of the scattered parcels should be traded for Forest Service or other federal lands in order to consolidate some of the school lands before undertaking restoration work. Consolidation would produce larger parcels and make restoration and future management less expensive.

We recommend that the commission report to the Legislature at the budget hearings on the experience gained during the project's first two years, and present specific plans for the future of the project. These plans should include ways to minimize costs, guidelines for selecting parcels, a list of specific parcels to be included in the project, and staffing plans.

Change in Source of Funding. We recommend that the source of funding for this program, which was started with federal funds, be changed from the proposed Energy and Resources Fund to the Forest Resources Improvement Fund.

The Forest Resources Improvement Fund consists of revenues from the sale of timber at state forests. The money is designated for projects to improve the productivity of forest lands under the Forest Resources Improvement Act. The Governor's Budget shows that the fund will have received \$12 million by June 30, 1980. The fund was established primarily to aid owners of small parcels who desire to undertake reforestation and timber improvement. It is administered by the Department of Forestry.

Although the state is not a small landowner, the law allows the department to make grants from the fund to public agencies. Our analysis indicates that the commission's program is consistent with the purposes of the Forest Resources Improvement Act. Moreover, the commission's program

STATE LANDS COMMISSION—Continued

could serve as a model for timberland management on public or private property. In sum, we believe the Forest Resources Improvement Fund is a more appropriate funding source than the Energy and Resources Fund, which has not been established.

Our recommended funding change can be accomplished by increasing the reimbursement in Item 232(c) by \$550,000 and by deleting Item 234 from the Energy and Resources Fund. For further discussion of the Forest Resources Improvement Fund, see the analysis of Item 224.

Timber Harvest Program. The Governor's Budget also proposes a reimbursement of \$71,938 to the commission from the Forest Resources Improvement Fund to establish two forester positions. These positions would enable timber to be harvested on those school land parcels which have mature trees. The foresters would prepare cutting plans, obtain access to the parcels, and oversee harvesting. Cutting of mature trees is expected to free younger trees for more rapid growth and make the land more productive. The commission indicates that timber harvests will generate between \$150,000 and \$200,000 annually in additional revenue to the General Fund.

Resources Agency
SEISMIC SAFETY COMMISSION

Item 235 from the General
Fund

Budget p. R 69

Requested 1980-81	\$312,883
Estimated 1979-80.....	380,336
Actual 1978-79	440,654
Requested decrease (excluding amount for salary increases) \$67,453 (-17.7 percent)	
Total recommended increase	\$38,573

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. *Position Upgrade. Reduce by \$11,427.* Recommend that a staff service analyst position not be upgraded to research specialist II. 531
2. *Evaluation of Earthquake Hazards—State-Owned Buildings. Increase by \$50,000.* Recommend that the commission design and conduct an implementation program for a comprehensive seismic evaluation of state-owned buildings and transmit its findings to the Legislature by January 1, 1981. 532

GENERAL PROGRAM STATEMENT

The Seismic Safety Commission was created by Chapter 1413, Statutes of 1974, with termination scheduled for February 1977. The termination date was subsequently extended to January 1981, and recent legislation (Chapter 412, Statutes of 1979) again extended the termination date to January 1986.

The 15 member commission was established to provide a consistent policy framework for, as well as a means of coordinating, earthquake related programs of government agencies. The commission performs policy studies, reviews programs and conducts hearings on earthquake safety. It advises the Governor and the Legislature on the needs to improve seismic safety programs, and advises various federal agencies on the scope, impact and priorities of national earthquake research and hazard reduction programs. The commission also advises the Division of Mines and Geology relative to the Alquist-Priolo special studies zone act, and on the installation and maintenance of strong motion instruments throughout the state.

ANALYSIS AND RECOMMENDATIONS

The Governor's 1980-81 Budget proposes \$312,883 for support of the commission. This is \$67,453 or 17.7 percent, less than estimated current year expenditures. This change is a result of (1) reduction of two positions (2) a reduction in operating expenses, and (3) position upgrading.

Position-Change. The budget proposes elimination of two positions which were established to complete the earthquake prediction and hazard reduction feasibility study pursuant to Chapter 154, Statutes of 1978. The positions are no longer needed because the study will be completed and transmitted to the Legislature by June 30, 1980. Elimination of these positions would save approximately \$45,500 in the budget year. These savings would be partially offset by the costs (\$33,000) of continuing a senior staff engineering position. This position was established administratively in the current year. The engineer serves as the commission's principal staff person responsible for specialized interdisciplinary engineering matters such as earthquake related architectural and engineering programs, codes and standards and other related technical programs.

Operating Expenses. The commission's operating expenses have been reduced by \$65,544, or 46 percent. The major component of this reduction—\$49,802—is in consultant and professional services, which reflects the conclusion of consultant services required for the earthquake reduction and hazard feasibility study. Other significant reductions are in general expenses (\$—6,926), printing (\$—4,500), and travel (\$—4,489). The budgeted amount should be adequate to operate the commission because the reductions are related to the completion of the aforementioned study and fewer staff.

Position Upgrading

We recommend that a staff service analyst position not be upgraded to research specialist II, for a General Fund savings of \$11,427.

The budget proposes upgrading a staff service analyst position to research specialist II. The primary purpose for upgrading this position is to

SEISMIC SAFETY COMMISSION—Continued

implement the commission's "earthquake prediction and hazards reduction study."

The commission's study will not be completed and available for review until the end of the current fiscal year. Consequently, there is not adequate information available on the workload that will result from the study or the need to upgrade the staff services analyst position. Until this information is available, we have no basis on which to recommend the proposed upgrading.

Evaluation of Earthquake Hazards—State-Owned Building

We recommend an augmentation of \$50,000 to enable the commission to design and conduct an implementation program for a comprehensive seismic evaluation of state-owned buildings and transmit its findings to the Legislature by January 1, 1981.

In response to the Supplemental Report of the Budget Act of 1976, the commission completed its final report on the seismic hazards of state-owned buildings in April 1979. The Legislature requested this study to establish criteria upon which the statewide need and benefit of upgrading the seismic resistivity of state-owned buildings could be determined on a priority basis.

The commission's report proposes a methodology which would establish reconstruction priorities based on obtaining the greatest *life-saving potential*. Under this concept, a building would not necessarily be reconstructed to fully meet code requirements for new buildings. Reconstruction would, however, be based on increasing the safety for occupants. The proposed method takes into consideration the life-safety ratio (postulated number of fatalities per 10,000 population) for a particular structure before and after reconstruction, the equivalent continuous building occupancy before and after reconstruction and the anticipated reconstruction cost. The method allows for alternative choices such as the demolition and replacement of a building or changing the use of a building. The commission has experimentally tested this methodology using 38 buildings of various ages and construction types (such as steel frame, concrete frame, wood frame, etc.). The commission concluded that the methodology is "... valid for the purpose of establishing priorities for the abatement of buildings deemed hazardous during earthquakes. Following preparation of building inventories and additional cost studies, the methodology can be applied statewide to all appropriate classes of buildings and yield meaningful results."

If the state is to embark on a program to improve the seismic resistivity of state-owned buildings, it is essential that the hazard of buildings be evaluated on a statewide priority basis. In this way the most critical hazards can be identified and corrected in an appropriate manner. Our analysis of the commission's report indicates that the proposed methodology would provide the necessary information for the Legislature to assess the needs in this area.

The commission report indicates that much of the basic data required for this program could be collected by building managers. Consequently,

a significant portion of the required work can be accomplished utilizing existing statewide staff. Taking this into consideration, the commission staff has indicated that \$50,000 should be sufficient to undertake the program and develop a meaningful document for legislative consideration. This amount would provide the necessary consultant services to oversee the program, review and compile data, establish design guidelines for building rehabilitation to meet the life-safety goal and to prepare the final document.

**Resources Agency
DEPARTMENT OF FISH AND GAME**

Items 236-237 from the General
Fund, and Items 238-243 from
various special funds

Budget p. R 71

Requested 1980-81	\$40,807,571
Estimated 1979-80.....	38,868,632
Actual 1978-79	33,090,998
Requested increase (excluding amount for salary increases) \$1,938,939 (+5.0 percent)	
Total recommended reduction	\$606,692

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
236	Nongame Species and Environmental Protection Programs	General	\$4,395,324
237	Free Licenses	General	517,000
238	Nongame Species and Environmental Protection Programs	Environmental License Plate Program	2,150,566
239	Primary Funding Source	Fish and Game Preservation	32,455,520
240	Crab Research and Management	Fish and Game Preservation	83,139
241	Duck Stamp Account—Migratory Waterfowl Projects	Fish and Game Preservation	845,000
242	Training Account—Employee Education and Training	Fish and Game Preservation	327,991
243	Native Species Conservation and En- hancement Account	Fish and Game Preservation	33,031
Total			\$40,807,571

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Budgeting of Nongame Programs. Reduce Item 236 by \$126,882.* Recommend support of nongame programs at current year funding levels. 540
2. *Natural Areas Office. Reduce Item 238 by \$117,810.* Recommend funds for support of Natural Areas Office be deleted from Budget Bill and considered in authorizing legislation called for by the Legislature. 541
3. *Commercial Fishing Revenues Decline. Reduce Item 239* 542

DEPARTMENT OF FISH AND GAME—Continued

by \$362,000. Recommend unallocated reduction in commercial fisheries management work to reflect decrease in commercial fishing revenues during budget year. Further recommend that the Legislature direct the Department to show a comparison of commercial fishing revenues and expenditures in Governor's Budget.

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 who are 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 generally reserved for itself the authority to regulate commercial taking of fish and game.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$40,807,571 from various funds for support of the Department of Fish and Game in 1980-81, which is \$1,938,939, or 5.0 percent, more than estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year.

The department estimates it will spend \$55,914,023 from all sources for support programs in 1980-81. This amount is financed from the following sources:

1. Fish and Game Preservation Fund (Items 239-240) including Item 237 which transfers \$517,000 from the General Fund	\$33,744,681
2. General Fund (Item 236)	4,395,324
3. California Environmental License Plate Program Fund (Item 238)	2,150,566
4. Chapter 1104, Statutes of 1979	1,069,327
5. Federal funds	9,948,369
6. Reimbursements	4,605,756
Total	\$55,914,023

A description of the funding sources follows:

1. *Fish and Game Preservation Fund.* The department is primarily a special fund agency, financed through the Fish and Game Preservation Fund. This fund receives revenues from (1) the sale of hunting and fishing licenses and stamps, and (2) 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.

In addition to providing the primary source of support for departmental activities, the Fish and Game Fund contains several special accounts which have separate sources of revenue to support special categories of activities. These are as follows:

a. *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.

b. *Duck Stamp Account, Fish and Game Preservation Fund.* Chapter 1582, Statutes of 1970, as amended, created this account and requires any person who hunts ducks or geese to purchase a \$5 duck stamp.

c. *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 fines imposed and collected by a court for violation of the Fish and Game Code.

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 threatened native plants.

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

3. *California Environmental License Plate 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, game and nongame species preservation work.

4. *Federal funds.* The state-federal cooperative programs are based primarily 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—\$3,666,321.
- b. Federal Aid in Fish Restoration Act (Public Law 81-681), known as the Dingell-Johnson Act. Excise tax on sport fishing equipment—\$1,496,109.
- c. Commercial Fisheries Research and Development Act (Public Law 83-309), known as the Bartlett Act—\$298,476.
- d. Andromous Fisheries Act (Public Law 89-304)—\$737,018.
- e. Federal Endangered Species Act (Public Law 93-205)—\$984,212.
- f. Reimbursements from various federal agencies for miscellaneous projects—\$2,766,233.

Table 1
Department of Fish and Game
Program Changes by Funding Source

<i>Program and Significant Changes</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>	<i>F & GP Fund^a</i>	<i>General Fund</i>	<i>Changes In Other Funds^b</i>	<i>Federal funds</i>	<i>Reimburse- ments</i>	<i>Changes from 1979-80</i>
Enforcement of Laws and Regulations (Addition of \$414,844 to provide portable radios for wardens; increase of 18 positions pursuant to Chapter 543, Statutes of 1979 which restored 1979-80 budget reductions)	\$16,390,374	\$17,654,399	\$+1,098,950	\$+77,749	-	\$+27,832	\$+59,494	\$+1,264,025
Wildlife Management (Increase of \$546,042 for waterfowl habitat projects; \$225,000 for San Elijo Lagoon Protection Project; addition of 14 positions restored pursuant to Chapter 543)	9,386,309	10,294,269	+676,030	+46,229	\$-102,350	+186,339	+101,712	+907,960
Inland Fisheries (Increase of 42.5 personnel-years restored pursuant to Chapter 543)	10,079,336	10,544,305	+275,160	+8,006	-13,700	+148,263	+47,240	+464,969
Anadromous Fisheries (Increase of \$1,069,327 for 2 positions and contract services for salmon habitat restoration; addition of 9 positions restored pursuant to Chapter 543)	7,153,591	8,140,994	+72,650	—	+279,504	+333,448	+301,801	+987,403
Marine Resources (Increase of 23.5 positions for reimbursed projects; increase of 12 positions restored pursuant to Chapter 543)	4,924,918	5,444,116	-141,841	+6,002	-55,700	+161,042	+549,695	+519,198

Environmental Services (Increase of \$151,623 and 5 positions for Instream Analysis Team; 9 positions restored pursuant to Chapter 543; 9 positions for reimbursed projects)	3,447,133	3,835,940	+40,236	+13,896	+210,445	+461	+123,769	+388,807
Administration	(3,748,636)	(3,843,980)	—	—	—	—	—	(+95,344)
Free Licenses (Reduced level of reimbursement reflects revised estimate of actual revenue lost due to free fishing licenses)	(764,229)	(517,000)	—	(-247,229)	—	—	—	(-247,229)
Totals	\$51,381,661	\$55,914,023	\$+2,021,185	\$+151,882	\$+318,199	\$+857,385	\$+1,183,711	\$+4,532,362

^a Fish and Game Preservation Fund.

^b Includes Environmental License Plate Fund, Renewable Resources Investment Fund, and Wildlife Restoration Fund.

DEPARTMENT OF FISH AND GAME—Continued**Significant Budget Changes**

Table 1 summarizes the department's budget by funding source and program, and indicates significant changes in 1980-81.

The budget proposes the following increases:

1. \$1,953,496 to continue programs and activities financed in the 1979-80 budget by Chapter 543, Statutes of 1979 (\$1,864,026 from the Fish and Game Preservation Fund; \$89,470 from the Environmental License Plate Fund). These programs and activities were funded in the 1978 Budget Act, but support for them provided by the Legislators in the 1979 Budget Act was vetoed by the Governor.

2. \$596,042 in additional waterfowl habitat improvement projects in Canada and California, financed from the sale of duck stamps to hunters.

3. \$414,844 to equip 148 wardens with portable radio units for law enforcement purposes (Fish and Game Preservation Fund).

4. \$225,000 for rehabilitation of San Elijo Lagoon in San Diego County (Environmental License Plate Fund).

5. \$151,000 for five new positions to develop instream flow requirements for streams and waterways for use by the State Water Resources Control Board for water rights purposes (Environmental License Plate Fund).

6. \$147,613 in added expenditures for departmental training programs (Fish and Game Preservation Fund).

7. \$85,000 for a major engine overhaul of the department's twin-engine Beechcraft aircraft used in aerial fish planting (Fish and Game Preservation Fund).

We recommend approval of the requested increases in expenditures.

These increases exceed the total increase in support expenditures proposed for the budget year due to several factors. First, estimated current year expenditures include certain one-time appropriations totaling \$375,000 from the California Environmental License Plate Fund which are not continued in the budget year. Second, the amount appropriated by the General Fund to reimburse the Fish and Game Preservation Fund for the cost of issuing free fishing licenses decreases by \$264,740 in the budget year. The department indicates it overestimated the actual amount of revenues lost for the current year. Third, the budget for the department's marine resources activities reflects a decrease in program expenditures from the Fish and Game Preservation Fund for market crab research. This results in a \$141,843 decrease in expenditures from the Fish and Game Fund for the budget year.

Status of Fish and Game Preservation Fund

During the budget year, several factors will affect the status of Fish and Game Preservation Fund revenues:

1. Pursuant to provisions of Chapter 855, Statutes of 1978, the department is administratively increasing fees for certain categories of sport fishing and hunting licenses. Prior to Chapter 855, license fee increases required legislation. This act, however, allows permit license fees to be increased in increments of \$0.25, according to an inflation factor deter-

mined by the Department of Finance. The fishing license fee increases were effective January 1, 1980. Fee increases for hunting license categories will be effective July 1, 1980. The resulting changes in license fees are indicated in Table 2:

Table 2
Department of Fish and Game
1980 Increases in License Fees

<i>License Category</i>	<i>Previous Fee</i>	<i>New Fee</i>
Non-resident fishing (annual)	\$20.00	\$20.75
Non-resident (10-day)	8.00	8.25
Resident hunting (annual)	10.00	10.25
Non-resident hunting (annual)	35.00	36.25
Non-resident deer tag (one deer)	25.00	26.00
Non-resident deer tag (two deer)	35.00	36.25

The department indicates that minor additional revenues resulting from the increase in fishing license fees are shown in the budget. However, additional minor revenues from hunting license fee increases are not included in the revenue estimates contained in the budget.

2. Chapter 1104, Statutes of 1979, requires ocean anglers to purchase a \$3 trout stamp, in addition to other appropriate ocean licenses, if they sport fish for salmon or steelhead trout in the ocean waters of the state. The department estimates that the new trout stamp will generate between \$75,000 and \$150,000 in additional revenue per year.

3. Chapter 189, Statutes of 1979, provides that, effective January 1, 1980, persons desiring to fish in the ocean for one-designated day may purchase a one-day ocean license for \$2. However, if such persons intend to fish for steelhead or salmon, a special one-day trout stamp must also be purchased for a fee of \$1. These provisions are expected to generate additional revenues of \$130,000 per year.

4. Chapter 1104, Statutes of 1979, added to the categories of persons who may be issued free sport fishing licenses. Effective January 1, 1980, persons who are permanently disabled, as defined, may receive such licenses. Other provisions of existing law (Chapter 855, Statutes of 1978) require the General Fund to reimburse the Fish and Game Fund for the loss of all revenue attributed to the provision of free licenses to eligible persons. The budget provides a total of \$517,000 from the General Fund for replacement of revenues lost due to issuance of free licenses to all categories of eligible persons during 1980-81.

5. Unless legislation is enacted prior to January 1, 1981, existing law will reduce the privilege tax and license fee revenues from the commercial fishing industry. Chapter 443, Statutes of 1978, increased commercial fishing privilege taxes and license fees by approximately 25 percent for 2 years. Because the provisions terminate on January 1, 1981, the department expects to lose a total of \$362,000 in Fish and Game Preservation Fund revenues during the budget year. This loss, however, has not been reflected in the department's revenue estimates for 1980-81. Consequently, commercial revenue estimates for the Fish and Game Preservation Fund are overstated by \$362,000. The annual revenue loss for a full year is \$837,000.

DEPARTMENT OF FISH AND GAME—Continued**Estimated Surplus**

On July 1, 1979, the Fish and Game Preservation Fund had an accumulated surplus of \$9,563,253. The budget estimates that the fund will have a surplus of \$6,990,262 on July 1, 1980, and \$3,652,461 on July 1, 1981. These estimates do not reflect the following two contingencies which would have a significant impact on the surplus:

1. Scheduled termination of commercial license fees and fishing taxes. On January 1, 1981, the estimated surplus needs to be reduced by \$362,000 to reflect the loss of revenue from these sources during the budget year.

2. Proposed salary increase for department employees. The cost of the 14.5 percent increase for the current year was \$2,274,072. The department has not calculated the cost of the proposed 9 percent salary increase for 1980-81. Assuming that the budget year salary increase costs the Fish and Game Fund 9 percent, this would reduce the surplus in the fund available July 1, 1981 by \$1.6 million.

These two adjustments would leave a surplus of approximately \$1,674,304 at the end of the budget year. Because of the size of this revised estimated surplus, the department may have difficulty in meeting cash-flow requirements during 1980-81.

Salmon Fishery Enhancement

Several developments initiated during the current year will result in new and continuing expenditures by the department for enhancing natural and hatchery production of anadromous fisheries in the state.

Chapter 1104, Statutes of 1979, appropriated \$2,165,000 from the Renewable Resources Investment Fund to the department for:

- (1) Development of preliminary plans and working drawings for construction of a new hatchery on a tributary of the Klamath River, expansion of the existing Nimbus Hatchery on the American River, and expansion of the Tehama-Colusa spawning channel at Red Bluff on the Sacramento River (\$315,000).

- (2) Habitat restoration work for salmon and steelhead on the Upper Sacramento, Shasta, Upper Klamath, Yuba and other rivers (\$1,850,000). Of this amount, approximately \$710,000 is budgeted for support of contract services during the current year and \$987,464 is for the budget year.

The 1979 Budget Act appropriated \$250,000 from the Environmental License Plate Fund to enhance the salmon resource in the Klamath River through increased production in existing and new rearing ponds, and through habitat improvement work to remove barriers to natural spawning. An additional \$250,000 from the fund is provided in Item 238 to continue this work in the budget year.

Budgeting of Nongame Programs

We recommend a reduction of \$126,882 in Item 236 because the department has failed to comply with a legislative request to incorporate work objectives for nongame activities in its 1980-81 budget.

Chapter 855, Statutes of 1978, provides that the cost of nongame programs be paid from the General Fund. The budget contains a total of

\$4,395,324 from the General Fund for this purpose (Item 236).

The \$4,395,324 budgeted for support of nongame and environmental programs during the budget year is an increase of \$126,882 over estimated current year expenditures. The funds are distributed throughout the department's programs as follows:

• Enforcement of Laws and Regulations.....	\$2,249,967
• Wildlife Management	1,337,848
• Inland Fisheries.....	231,678
• Anadromous Fisheries	—
• Marine Resources	173,703
• Environmental Services	402,128
Total	\$4,395,324

The amounts reflect pro rata allocations determined by the Department of Finance in 1978 pursuant to a study which developed criteria for identifying programs that benefit nongame species. The study resulted in various shifts in program support from the Fish and Game Preservation Fund to the General Fund. This shift increased General Fund support of the department significantly, even though the level of nongame activities has remained largely unchanged from 1978-79.

The 1978 Department of Finance study recommended that work objectives for nongame General Fund-financed activities be prepared and incorporated into the Department of Fish and Game's annual budget planning process. These work objectives would allow both the executive branch and the Legislature to evaluate departmental programs supported from the General Fund. Subsequently, the Supplemental Report of the 1979 Budget Act directed the department to prepare the work objectives for nongame activities for its 1980-81 budget.

At the time this analysis was prepared, no work objectives were available for evaluating the department's General Fund request. The narrative for nongame programs in the Governor's Budget is unchanged from last year. Consequently, the increase for nongame activities has not been justified, and we are unable to recommend approval for the higher level of expenditure.

Natural Areas Office

We recommend that funds for support of the Natural Areas Office be provided through legislation establishing statutory authority. (Reduce Item 238 by \$117,810).

The Budget Act of 1979 provides \$105,000 from the Environmental License Plate Fund to establish a Natural Areas Office in the department. The budget requests a total of \$117,810 from this same source to continue the office in 1980-81.

Information accompanying the budget request last year indicated the funds for the Natural Areas Office 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.

DEPARTMENT OF FISH AND GAME—Continued

The Supplemental Report of the 1979 Budget Act directed the Resources Agency and the Department of Fish and Game to (1) determine the need for the program, the extent of overlap between agencies and means to integrate the natural areas functions of other departments, and (2) seek legislation to establish a Natural Areas Office in the Department of Fish and Game.

At the time this analysis was prepared, no legislation had been introduced establishing a statutory basis for the Natural Areas Office. In addition, there is no indication that overlapping activities within other constituent departments of the Resources Agency have been eliminated during the current year. Consequently, the natural areas concept remains inadequately defined. Under these circumstances, we recommend that this office not be funded in the Budget Bill. Instead, funds for the office should be considered in connection with legislation to establish the office which the Legislature called for last year.

Commercial Fishing Revenues Decline

We recommend: (1) an unallocated reduction of \$362,000 in Item 239 to reflect the anticipated decrease in commercial fishing revenues during the budget year, and (2) that the Legislature direct the Department of Finance to include a comparison of revenues and expenditures in the Governor's Budgets for future years to show that commercial fishing license fees and privilege taxes are sufficient to cover commercial fishing program costs.

Most of the expenditures for management of commercial fisheries are contained within the marine resources program. The department's law enforcement and anadromous fisheries programs also contain additional expenditures for activities relating to commercial fisheries management. Total expenditures for these three programs are shown in Table 3. However, the actual amounts of such expenditures for support of commercial fisheries management activities within the three programs is not specifically identified in the Governor's Budget and was not available from the department.

Table 3
Department of Fish and Game
Total Budgeted Expenditures for Programs
Containing Portions of Commercial
Fisheries Management Activities

	<i>Total Expenditures</i>	<i>Amount From F & GP Fund*</i>
Enforcement of Laws and Regulations	\$17,654,399	(\$14,529,636)
Anadromous Fisheries	8,140,994	(2,280,307)
Marine Resources	5,444,116	(3,372,579)

* Fish and Game Preservation Fund. Commercial fisheries expenditures are some portion of the amounts in this column.

Chapter 443, Statutes of 1978, authorized various increases averaging 25 percent for commercial fishing license fees and privilege taxes, but pro-

vided for termination of the increases on January 1, 1981. The department advises that termination will result in a net loss of (a) \$362,000 in revenue from commercial sources during the budget year, and (b) \$837,000 for 1981-82.

Chapter 855, Statutes of 1978, specifies 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. To ensure that adequate long-term levels of support are maintained for wildlife management and inland fisheries programs, Chapter 855 also authorized the department, beginning January 1, 1980, to administratively increase various sport hunting and fishing license fees each year, according to an inflation factor. Chapter 443 increased the commercial fishing license fees in order to bring those revenues more closely in line with expenditures.

If legislation to continue the commercial fish taxes is not enacted, it is likely that the department will use revenues derived from noncommercial fisheries sources to offset the reductions in commercial fisheries revenues. The scheduled reduction of commercial fishing revenues during the budget year, without a compensating reduction in commercial fisheries expenditures, appears to be inconsistent with Chapter 855. Furthermore, our analysis fails to indicate a statutory basis for subsidizing activities that primarily benefit this industry.

Because the department had not identified the extent or source of proposed budget year expenditures in law enforcement, anadromous fisheries and marine resources which are for commercial fisheries, it is difficult to assess the precise impact of the budget year reduction in commercial fisheries revenues on the department's proposed expenditure plan. However, we note that when the higher commercial fishing license fees and taxes were authorized in Chapter 443 two years ago, the department stated that the higher revenues were necessary to adequately finance the budgeted levels of commercial fisheries work. This was because commercial revenues had previously been inadequate to support the expenditures.

Accordingly, we recommend that 1980-81 expenditures be reduced by the amount of the revenue decrease (\$362,000) that will occur during the budget year. If legislation is introduced continuing commercial fishing taxes at existing levels, or proposing new revenues, the department's expenditures for commercial fishing activities could be restored through such legislation.

In order to ensure that revenues are adequate to finance proposed levels of expenditures for commercial fisheries management activities in future years, we recommend that the Legislature direct the department to specifically include information on expenditures for these activities starting with the 1981-82 budget. Specifically, we recommend adoption of the following supplemental report language:

"The Governor's Budget shall show a comparison of revenues and expenditures for commercial fisheries programs each year in order to show whether the commercial fishing license fees and privilege taxes are sufficient to cover Fish and Game Preservation Fund costs."

Department of Fish and Game
WILDLIFE CONSERVATION BOARD

Item 244 from the Wildlife Restoration Fund

Budget p. R90

Requested 1980-81	\$330,111
Estimated 1979-80.....	322,447
Actual 1978-79	210,021
Requested increase (excluding amount for salary increases \$7,664 (+2.4 percent))	
Total recommended reduction	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. It 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 act appropriations to the Department of Fish and Game from the Environmental License Plate Fund (from the sale of personalized license plates) for acquisition and development of ecological reserves.

Acquisitions utilizing these funds are authorized through capital outlay appropriations contained in the Budget Act.

Part of the cost for certain board projects is reimbursed by the federal government, primarily from the Federal Land and Water Conservation Fund. In the past, such reimbursements have been deposited in the bond act fund or credited to the Budget Act appropriation from which the project was originally financed. Consequently, expenditure of federal funds has required further action by the Legislature in the form of Budget Act appropriations, and additional record keeping by the board.

Chapter 683, Statutes of 1979, changed the control of and accounting for federal funds. It requires all federal reimbursements or grants to be deposited in the Wildlife Restoration Fund. The fund has always been continuously appropriated for board expenditure without regard to fiscal year. Thus, Chapter 683 will reduce the board's accounting workload to some

extent, but it will also reduce legislative oversight of how federal reimbursements are used because appropriation through the Budget Act will no longer be required. The board indicates that each year about \$250,000 to \$1.4 million is received in reimbursements from the Federal Land and Water Conservation Fund.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The board requests \$330,111 from the Wildlife Restoration Fund to support its activities in 1980-81, which is \$7,664, or 2.4 percent above the estimated current year expenditure. The increase results from higher costs for merit increases, staff benefits, operating expenses and equipment. The budget continues the existing level of service and staff.

Resources Agency DEPARTMENT OF BOATING AND WATERWAYS

Item 245 from the General
Fund, and Items 246-251 from
special funds

Budget p. R 95

Requested 1980-81	\$17,371,363
Estimated 1979-80	13,960,383
Actual 1978-79	12,289,074
Requested increase (excluding amount for salary increases) \$3,410,980 (+24.4 percent)	
Total recommended reduction	None

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
245	Support of Beach Erosion Control Program	General	\$249,004
246	Support of Boating Programs	Harbors and Watercraft Revolving	2,304,545
247	Beach Erosion Control Projects	Energy and Resources Fund	1,700,000
248	Loans to Local Agencies for Marina and Harbor Development	Harbors and Watercraft Revolving	9,178,000
249	Grants to Local Agencies for Launching Facilities	Harbors and Watercraft Revolving	1,758,000
250	Subventions to Counties for Boating Safety and Law Enforcement	Harbors and Watercraft Revolving	2,081,814
251	For Emergency Repairs and payment of Deficiencies in Appropriations	Harbors and Watercraft Revolving	100,000
Total			\$17,371,363

DEPARTMENT OF BOATING AND WATERWAYS—Continued**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS***Analysis
page*

- | | |
|---|-----|
| 1. Beach Erosion. Recommend Budget Bill language in Item 247 to (a) fund \$1,700,000 in beach erosion control projects from state tideland oil revenues, and (b) make the encumbrance of funds for the Santa Barbara and Sunset Cliffs beach erosion control projects contingent upon the completion of an environmental impact report and approval by the California Coastal Commission. | 548 |
| 2. Oakland Embarcadero Marina. Recommend adoption of Budget Bill language in Item 248 prohibiting the encumbrance of funds for construction until the project is approved by the Bay Conservation and Development Commission. | 550 |
| 3. Santa Barbara Harbor. Recommend adoption of Budget Bill language in Item 248 prohibiting the encumbrance of funds for construction until the project is approved by the California Coastal Commission. | 550 |
| 4. Lake McCloud. Recommend adoption of Budget Bill language in Item 249 prohibiting the encumbrance of funds until an approved federal environmental impact statement is received. | 551 |

GENERAL PROGRAM STATEMENT

The Department of Boating and Waterways 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 shipbrokers' 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 has a seven-member advisory commission.

ANALYSIS AND RECOMMENDATIONS

The Budget Bill proposes appropriations of \$17,371,363 from various state funds which is an increase of \$3,410,980, or 24.4 percent, over estimated current year expenditures for support of Department of Boating and Waterways in 1980-81. Total proposed expenditures from all funds are \$18,614,905, an increase of \$4,248,638, or 29.6 percent, over total estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year. Table 1

summarizes the proposed 1980-81 budget changes by fund.

Table 1
Department of Boating and Waterways
Proposed Budget Adjustments, 1980-81

	<i>General Fund</i>	<i>Harbors and Watercraft Revolving Fund</i>	<i>Energy and Resources Fund</i>	<i>Federal funds</i>	<i>Total</i>
1979-80 Base Budget, Revised	\$238,749	\$13,721,634	—	\$405,884	\$14,366,267
A. Workload Adjustments					
1. Increase in Loan Program	—	2,928,000	—	—	2,928,000
2. Increase in Grant Program	—	88,000	—	—	88,000
3. Increase in Boating Safety and Enforcement	—	181,814	—	—	181,814
4. Decrease for the San Mateo Harbor District Loan (Ch. 1040, 1979)	—	-1,500,000	—	—	-1,500,000
5. Miscellaneous Adjustments (including price increase)	10,255	2,911	—	-162,342	-149,176
B. New Programs					
1. Private Marinas (Ch. 1062, 1979)	—	1,000,000	—	—	1,000,000
2. Beach Erosion Projects	—	—	1,700,000	—	1,700,000
Total 1980-81 Budget Changes	10,255	2,700,725	1,700,000	-162,342	4,248,638
Total 1980-81 Proposed Budget	\$249,004	\$16,422,359	\$1,700,000	\$243,542	\$18,614,905

Total expenditures in Table 1 differ from the total appropriations in the Budget Bill because Table 1 shows (1) \$1,000,000 appropriated by Chapter 1062, Statutes of 1979, for a private marina loan program and (2) \$243,542 in unappropriated federal funds.

Total revenues to the Department of Boating and Waterways will be approximately \$16.4 million in the budget year. Revenue sources are shown in Table 2.

Table 2
Department of Boating and Waterways
1980-81 Revenues by Source of Funding

Transfer from Motor Vehicle Fuel Account (boater's gasoline taxes)	\$7,400,000
Revenue from boat registration fees	1,984,900
Boat launching fees (state park reservoirs)	346,951
Interest on loans to local agencies	1,134,670
Repayment of principal on loans to local agencies	1,100,000
Interest from Surplus Money Investment Fund	2,100,000
Yacht brokers license fees and penalties	96,000
General Fund (support of beach erosion control)	249,004
Energy and Resources Fund (beach erosion control projects)	1,700,000
Federal funds	243,542
Total	\$16,355,067

Fund Surplus

The budget projects a June 30, 1981 accumulated surplus of \$50,617 in the Harbors and Watercraft Revolving Fund. Past experience, however, suggests that this surplus is substantially understated. For example, the 1978-79 Governor's Budget, as introduced, projected a June 30, 1979 surplus of \$67,267. The actual surplus for that date was \$6,646,897. Much of the

DEPARTMENT OF BOATING AND WATERWAYS—Continued

disparity results from actual expenditures falling short of budgeted expenditures. 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.

Surplus Money Investment Fund. The department deposits its surplus from the Harbors and Watercraft Revolving Fund, including funds encumbered under contracts to local agencies, in the Surplus Money Investment Fund. This fund serves as an investment account for idle monies from various state funds. On December 31, 1979, the department had \$28,229,000 on deposit in the Surplus Money Investment Fund. The department has budgeted revenue of \$2,100,000 in interest from that fund for 1980-81.

DEPARTMENT SUPPORT (ITEM 246)

The department's request for support of its boating facilities and boating safety and enforcement program is \$2,304,545 for 1980-81. This is an increase of \$2,911, or 0.1 percent.

We recommend approval.

BEACH EROSION CONTROL (Items 245 and 247)

The objective of the Beach Erosion Control Program is to mitigate coastal erosion and develop shoreline protection measures to preserve and enhance the state's beaches and shoreline. The program involves cooperative efforts with federal, state and local agencies. Major beach erosion projects are constructed by the U.S. Corps of Engineers. The Governor's Budget includes funding (Item 247) for local assistance to projects constructed by the Corps and local agencies.

Department Support (Item 245)

We recommend approval.

The department's support request of \$249,004 from the General Fund is an increase of \$10,255, or 4.3 percent, over current year expenditures. The amount finances three positions plus professional and consulting services for several studies pertaining to offshore sand sources, measurement of the coastal wave climate and the movement of sand by waves and currents.

Local Assistance Projects (Item 247)

We recommend that Budget Bill language be adopted to (a) transfer the funding of \$1,700,000 for beach erosion control projects in Item 247 to state tidelands oil revenues and (b) make the encumbrance of funds for the Santa Barbara and Sunset Cliffs beach erosion control projects contingent on the completion of an environmental impact report and approval of the projects by the California Coastal Commission.

Item 247 requests \$1,700,000 from the proposed Energy and Resources Fund for the following two beach erosion control projects:

- (1) *Santa Barbara Beach Project.* The budget proposes \$600,000 for the state's share of a cooperative beach stabilization project with the U.S. Corps of Engineers. The Corps will provide \$590,000. The

project consists of removing sand shoals at the Santa Barbara Harbor entrance and transferring the sand to downcoast beaches.

- (2) *Sunset Cliffs Shoreline Protection Project.* The budget proposes \$1,100,000 to pay half the cost of a shoreline protection program in the Sunset Cliffs area of San Diego. The remaining \$1,100,000 would be shared equally between the City of San Diego and private property owners.

The state's share of previous beach erosion control projects has come from the General Fund. The \$1.7 million proposed for appropriation in 1980-81 is from the Energy and Resources Fund. This fund has not been authorized by statute, and does not exist. The budget proposes that the fund derive its revenues from tidelands gas and oil revenues. In the capital outlay summary of the Analysis we have recommended that legislation be enacted allowing these oil and gas revenues to be used to fund the capital outlay needs of General Fund state agencies. Beach erosion control is a General Fund component of the Department of Boating and Waterways. Therefore, pending enactment of this legislation, we recommend that the Legislature adopt the following budget language under Item 247:

"For beach erosion control, local assistance, Department of Boating and Waterways payable from revenues received by the State Lands Commission and allocated under the provisions of Section 6127 of the Public Resources Code except that this appropriation shall be allocated immediately prior to allocations made pursuant to subdivision (e) (the Capital Outlay Fund for Public Higher Education) of Section 6217, and after allocations made pursuant to subdivisions (a) through (d), inclusive, of that section."

The department indicates that neither of the proposed projects has an approved environmental impact report (EIR), as required by the California Environmental Quality Act. In addition, neither has received the approval of the California Coastal Commission. Both actions should be accomplished before funds are encumbered. Consistent with the actions of the Legislature in prior years, we recommend adoption of the following budget language for Item 247:

"... provided, that none of the funds specified in category (a) for Sunset Cliffs project or in category (b) for the Santa Barbara Beach project may be encumbered unless and until each project is approved by the California Coastal Commission and an environmental impact report has been approved."

LOANS FOR MARINA AND HARBOR DEVELOPMENT (ITEM 248)

The budget proposes \$9,178,000 for marina and harbor development loans to local agencies, as shown in Table 3.

Table 3
Small Craft Harbor Loans
1980-81

<i>Project</i>	<i>Number of Boaters</i>	<i>Description</i>	<i>Project Status</i>	<i>Amount</i>
1. Channel Islands Marina, Ventura County	—	Construction	Continuing	\$700,000

DEPARTMENT OF BOATING AND WATERWAYS—Continued

2. Coyote Point Marina, San Mateo County	—	Construction	Continuing	500,000
3. Long Beach Downtown Shoreline Marina	1,700	Construction	New	3,900,000
4. Monterey Harbor	—	Construction	New	300,000
5. Oakland Embarcadero	—	Construction	New	1,500,000
6. Planning Loans, Statewide	—	—	—	50,000
7. Richmond Marina	500	Construction	Continuing	852,000
8. Santa Barbara Harbor Improvement	—	Rehabilitation	New	1,176,000
9. Spud Point, Sonoma County	250	Plans and Specifications	Continuing	200,000
Total Proposed Loans				\$9,178,000

Oakland Embarcadero Marina

We recommend the adoption of Budget Bill language prohibiting the encumbrance of funds for construction of the Oakland Embarcadero Marina until the project is approved by the Bay Conservation and Development Commission.

The department requests \$1,500,000 for the construction of new facilities in the Oakland Embarcadero Marina. The total cost of the project is estimated to be \$2.2 million. Berthing facilities for 130 recreational and commercial boats will be provided by the Port of Oakland or a private concessionaire.

Approval by the Bay Conservation and Development Commission (BCDC) is necessary before construction can begin. Final BCDC approval is contingent on a detailed review of plans and specifications for the facility. We recommend adoption of Budget Bill language to require that approval of the Bay Conservation and Development Commission be secured before any of the new funds are encumbered for construction purposes.

Santa Barbara Harbor Improvement

We recommend the adoption of Budget Bill language prohibiting the encumbrance of funds for improvement of the Santa Barbara Harbor until the project is approved by the California Coastal Commission.

The department requests \$1,176,000 for repair and improvement of the boating facilities at the Santa Barbara Small Craft Harbor. This loan will cover the total cost of the project.

Approval by the California Coastal Commission is required before work can begin. We recommend adoption of Budget Bill language to require approval by the California Coastal Commission before any of the funds are encumbered.

Increase in Interest Rates

During the current year, the Boating and Waterways Commission increased the interest rate on public marina construction loans from the existing 4.5 percent to 8 percent. Subsequent to that action, the commission approved a 5.5 percent interest rate for four marina projects currently being "phase-funded" (approved projects where the total amount of the loan is disbursed over several years).

The commission's formal resolution increasing the interest rate to 8 percent also provides for the automatic adjustment of the base rate on

January 1, 1980 and annually thereafter. The resolution indicates that the rate should be adjusted "according to the average relative changes in the prime rate and the interest paid by the State of California for the sale of general obligation bonds for the previous 12 months." At the time this analysis was written, the commission had not developed a specific formula to implement that provision. Based on our calculations, the interest rate may be increased to above 10 percent in calendar 1980.

Private Marina Loans

Chapter 1062, Statutes of 1979 (AB 1284), effective January 1, 1980, created a new program to provide loans to private recreational marinas. The act appropriated \$1,050,000 from the Harbors and Watercraft Revolving Fund to the State Recreational Revolving Account to provide loans and administer the program. The department is presently developing guidelines and criteria for the allocation of funds. No interest rate has yet been set for the program.

LAUNCHING FACILITY GRANTS (Item 249)

The department requests \$1,758,000 for launching facility grants to local government as shown in Table 4. These projects generally include restrooms, parking areas, and landscaping, but funds for floating restrooms and for repairs and extensions to existing launching ramps are also provided.

Table 4
Launching Facility Grants
1980-81

<i>Project</i>	<i>Launching Lanes</i>	<i>Project Status</i>	<i>Grant Amount</i>
1. Pillar Point Marina San Mateo County	3	Expansion	\$417,000
2. Floating Restrooms	—	—	100,000
3. Ice House Reservoir, El Dorado National Forest	Existing	Improvement	183,000
4. Lake McCloud, Shasta-Trinity National Forest	1	New	266,000
5. Las Palmas, Stanislaus County	2	New	153,000
6. Loon Lake, El Dorado National Forest	Existing	Improvement	50,000
7. Oyster Point, South San Francisco	2	New	333,000
8. Park Moabi, San Bernardino County	Existing	Continuing	50,000
9. Ramp repair and extensions	—	—	50,000
10. Union Valley, El Dorado National Forest	2	New	156,000
Total			\$1,758,000

Lake McCloud Launching Facility

We recommend the adoption of Budget Bill language prohibiting the encumbrance of funds for construction of launching facilities at Lake McCloud until an approved federal environmental impact statement is received.

The department requests \$266,000 to construct a one-lane launching ramp and other facilities at Lake McCloud in the Shasta-Trinity National Forest. An approved federal environmental impact statement (EIS) must be received before construction can begin. To date the EIS for the project has not been formally approved by the federal government. We recommend adoption of Budget Bill language prohibiting the encumbrance of

DEPARTMENT OF BOATING AND WATERWAYS—Continued

funds for construction of launching facilities until an approved EIS is received.

GRANTS FOR BOATING LAW ENFORCEMENT (Item 250)

Item 250 requests \$2,081,814 from the Harbors and Watercraft Revolving Fund 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.

We recommend approval.

EMERGENCY REPAIRS AND REPAYMENT OF DEFICIENCIES (Item 251)

Item 251 provides \$100,000 to the department for emergency repairs to boat launching ramps and other facilities which have been damaged by such events 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 252, 254-255, from the
General Fund, and Item 253
from the California Environmental License Plate Fund

Budget p. R 104

Requested 1980-81	\$6,696,729
Estimated 1979-80.....	6,272,106
Actual 1978-79	5,862,713
Requested increase (excluding amount for salary increases) \$424,623 (+6.8 percent)	
Total recommended reduction	None

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
252	Support	General	\$5,767,204
253	Support	California Environmental License Plate Fund	173,100
254	Local Assistance	General	356,425
255	Legislative Mandates	General	400,000
Total			\$6,696,729

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). These plans implement the policies of the California Coastal Act at the local level. All local coastal plans are to be submitted to the regional commissions by January 1, 1981 and certified by the state commission no later than July 1, 1981. After the commission certifies the LCPs, regulation of most coastal development will be delegated to local governments.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes four appropriations totaling \$6,696,729 from the General Fund and the Environmental License Plate Fund for support of the California Coastal Commission in 1980-81. This is \$424,623, or 6.7 percent, more than estimated current year expenditure. Total expenditures, including federal funds and reimbursements, are budgeted at \$12,143,309 for 1980-81, which is \$3,668,020, or 23.1 percent, less than estimated current year expenditures. Of this amount, \$9,987,884 is for state operations and \$2,101,425 is for local assistance. Table 1 identifies total program expenditures, by funding sources.

Federal funds for the coastal management program and the Coastal Energy Impact Program (CEIP) are anticipated to be \$5,392,580, or 43 percent less than in 1980-81 because: (a) most of the remaining local assistance funds for LCP work will be expended in the current year, and (b) CEIP grants will be reduced in the budget year.

Proposed program and position changes are presented in Table 2. There is a net increase of 2.7 personnel years from the current year to the budget year because of program changes in the commission's permit, planning, and public access programs. After review of these changes, we concluded that the amounts requested are warranted.

Table 1
California Coastal Commission
Source of Funding

Fund	Estimated 1979-80	Proposed 1980-81	Change	
			Amount	Percent
1. General Fund (Items 252, 254, 255)	\$6,260,106	\$6,523,629	\$+263,523	+4.2%
2. California Environmental License Plate Fund (Item 253)	12,000 *	173,100	+161,100	+1,342.5
3. Federal Funds				
A. Coastal Zone Management Funds				
1. Local Assistance (Item 254)	4,510,021	1,345,000	-3,165,021	-70.2
2. Grants (Item 252)	1,725,000	1,645,000	-80,000	-4.6
Subtotal, Coastal Zone Funds	\$6,235,021	\$2,990,000	\$-3,245,021	-52.0%
B. Coastal Energy Impact Program Funds (in Item 252)				
1. Planning Grants	658,226	142,580	-515,646	-78.3
2. Formula Grants (in Item 252c)	2,401,976	2,260,000	-141,976	-5.9
3. Environmental Grants	180,000	—	-180,000	-100.0
Subtotal, Coastal Energy Impact Funds	\$3,240,202	\$2,402,580	\$-837,622	-25.8%
Subtotal, All Federal Funds	\$9,475,223	\$5,392,580	\$-4,082,643	-43.0%
4. Reimbursements	64,000	54,000	-10,000	-15.6
Total, Program Expenditures	\$15,811,329	\$12,143,309	\$-3,668,020	-23.2%

* Appropriated by Chapter 868, Statutes of 1979 for preparation of public coastal access guides.

CALIFORNIA COASTAL COMMISSION—Continued

Table 2
California Coastal Commission
Proposed 1980-81 Budget Changes

Program Changes	Estimated 1979-80	Proposed 1980-81	Changes In				Changes from 1979-80
			General Fund	ELPF *	Federal Funds	Reimburse- ments	
1. Coastal Management Program							
A. Regulation of Development (redirect to LCP, add 6.0 PY for permit assistance and enforcement)	\$2,990,967	\$2,869,568	\$ -121,399	—	—	—	\$ +121,399
Personnel-Years	(99.4)	(89.5)	—	—	—	—	(-9.9)
B. Local Coastal Program	7,537,136	4,671,150	+309,035	—	\$ -3,165,021	\$10,000	-2,865,986
Personnel-Years	(72.4)	(81.5)	—	—	—	—	(+9.1)
C. Statewide Planning (initiate evaluation function)	1,098,379	1,227,266	+138,887	—	-10,000	—	+128,887
Personnel-Years	(18.1)	(20.2)	—	—	—	—	(+2.1)
D. Pass-Through Funds to BCDC	380,000	310,000	—	—	-70,000	—	-70,000
E. Coastal Access (expand program pursuant to Ch. 840, Statutes of 1979)	75,000	173,100	-63,000	\$ +161,100	—	—	+98,100
Personnel-Years	(1.6)	(3.0)	—	—	—	—	(+1.4)
2. Coastal Energy Impact Program (continue positions and restructure grant programs)	3,275,847	2,438,225	—	—	-837,622	—	-837,622
Personnel-Years	(13.1)	(13.1)	—	—	—	—	—
3. Administration (costs are distributed to other programs; BCDC reimburses commission for personnel and fiscal as- sistance)	(942,908)	(1,020,996)	—	—	—	—	—
Personnel-Years	54,000	54,000	—	—	—	—	—
Personnel-Years	(27.8)	(27.8)	—	—	—	—	—
4. Legislative Mandates	400,000	400,000	—	—	—	—	—
Totals, Program Expenditures	\$15,811,329	\$12,143,309	\$ +263,523	\$ +161,100	\$ -4,082,643	\$ -10,000	\$ -3,668,020
Personnel-Years	(207.6)	(210.3)	—	—	—	—	(+2.7)

* Environmental License Plate Fund

COASTAL MANAGEMENT PROGRAM IMPLEMENTATION

The major program of the California Coastal Commission is the implementation of the Coastal Act of 1976. Total funding of \$9,251,084 from all sources is budgeted for this program in 1980-81 to (a) assist local governments in submitting their local coastal plans (LCPs) to regional commissions by the statutory deadline of January 1, 1981, and (b) regulate development in the coastal zone while the local coastal plans are being prepared.

The objective of the LCPs is to plan local development that will conform with the policies of the Coastal Act. After LCPs are prepared by local governments, they are certified by the commission. The permit authority for development in the coastal zone thereafter will rest with local governments. Permits from the state will be required only for development on tidelands, submerged lands, or public trust lands. The Coastal Commission will monitor LCP implementation, assist in enforcing permit terms, hear permit appeals, review plan amendments, and evaluate the programs' effectiveness.

The budget year is one of transition for the Coastal Commission. Its primary objective will be to complete as many of the LCPs as possible by the statutory deadline. Thereafter, the commission will shift its emphasis to assisting local governments in implementing their certified local coastal programs.

Permit Processing and Enforcement

For 1980-81, 89.5 personnel-years and \$2,869,568 will be devoted to permit processing and permit appeals. This represents a net reduction in the commission's permit program of 9.9 personnel-years in the budget year. The major components of this change are as follows:

- 2 additional personnel-years (\$36,000) to provide procedural information for coastal permit applicants as required by Chapter 919, Statutes of 1979.
- 4.0 additional personnel-years of temporary help (\$50,000) to initiate a permit enforcement program. On-site inspections will be conducted to ensure compliance with existing coastal permit conditions.
- A reduction in permit-processing of 12.6 personnel-years (\$308,508) due to the redirection of staff to LCP development and to salary savings.

Local Coastal Program (LCP) Preparation and Implementation

A total of 81.5 personnel-years and \$2,795,140 in General Fund support are devoted to LCP preparation and implementation in 1980-81. The preparation and implementation of local coastal programs involves 15 counties and 53 cities. The commission estimates that approximately 17 LCPs will have been certified by the end of the current year. In the budget year, the commission proposes to shift 8.1 positions and \$162,169

CALIFORNIA COASTAL COMMISSION—Continued

(General Fund) from regulation of development and statewide planning to the LCP effort to ensure that 80 percent of the LCPs will be certified by the July 1, 1981 deadline specified in the Coastal Act. As we noted in our 1979-80 *Analysis*, an 80 percent completion rate is acceptable if the results are quality, workable programs.

Statewide Planning and Support

The commission's statewide planning program finances special studies to resolve problems related to regulating coastal development and preparing local coastal programs. For the budget year, the commission is proposing to improve its data collection, research, and program evaluation capabilities at an added cost of \$141,648 and 3 new positions. The increase was proposed by the federal Office of Coastal Zone Management (OCZM). OCZM is conditioning the provision of all federal funds on the state's approval of this proposal.

Budget year activities will focus on developing an electronic data process for permit retrievals to assist in administering the public access and permit programs. The permit retrieval is the first step in developing a system to monitor the permit activities of local governments after LCPs are certified.

Coastal Access Program

Chapters 840 and 868, Statutes of 1979, gave the Coastal Commission lead agency responsibility for an ongoing coastal access program in conjunction with the Coastal Conservancy, to promote the Coastal Act policy of maximum public access.

The two chapters appropriated \$63,000 from the General Fund to inventory existing accessways, and to plan future access locations, and \$12,000 from the Environmental License Plate Fund (ELPF) to prepare a public access guide for each coastal county. In the budget year, the commission requests \$173,100 from the Environmental License Plate Fund and an additional 1.4 positions to review existing permits where access dedications have been required in the permit process to ensure that the dedications are made. These funds will not be used for acquisition and maintenance of public access areas.

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. As shown in Table 2, the total program cost is expected to be \$2,438,225 in 1980-81, to be financed with \$2,402,580 in federal funds, and \$35,645 from the General Fund. Activities include Coastal Commission monitoring of energy development in the coastal zone, and administration of the CEIP grant program.

Coastal Energy Impact Program Grants

Item 252(c) provides \$2,064,000 for federal CEIP grants to states, local agencies and councils of governments. Projects must qualify under federal guidelines and reflect the allocation priorities developed by the Coastal

Commission and the Office of Planning and Research.

Three types of grants are eligible for funding under the provisions of the Federal Coastal Zone Management Act: (a) planning grants, (b) formula grants, primarily for outer-continental related studies (OCS), and (c) environmental grants. The focus of the program for the budget year is on formula grants for OCS-related activities. The commission will continue 4.4 positions administratively established in 1979-80 to coordinate the state's position on OCS-related activities. Planning grant funds are reduced by \$525,646 from the current year to \$142,580, and environmental grants are eliminated.

LOCAL ASSISTANCE (Item 254) AND LEGISLATIVE MANDATES (Item 255)

Local Assistance

The budget provides \$2,101,425 for local assistance in 1980-81 consisting of:

Federal funds (Item 254(b))	\$1,345,000
General Fund (Item 254)	356,425
Legislative Mandates (Item 255)	400,000
Total	\$2,101,425

Current Year Funding. The California Coastal Act provides that at least 50 percent of funds received under Section 306 of the Federal Coastal Zone Management Act shall be used to develop and implement local coastal programs. Table 1 shows \$4,510,021 budgeted for local assistance in the current year. This is an increase of \$3,165,021 above the \$1,345,000 shown in the 1979 Budget Act. Unspent local assistance funds in the amount of \$3,165,021 were carried over from 1978-79 into the current year to fund LCP tasks. This carryover occurred because LCP work in 1978-79 was slower than anticipated and many local governments fell behind schedule. The commission will disburse the federal funds only after local governments have completed specified LCP work.

Budget Year Funding. In 1980-81, the commission expects to receive \$2,990,000 in federal funds (Section 306 management grants), of which \$1,345,000 is budgeted for local agencies to complete their LCPs—the same amount budgeted for the current year. This represents a reduction of \$3,165,021 from estimated current year expenditures because the commission expects drafts of most LCP tasks to be completed by the end of 1979-80, as described above. The budget also includes \$356,425 from the General Fund to provide the local match for the federal grants.

Section 306 of the Federal Coastal Zone Management Act must be reauthorized by Congress this year. California's grant level is expected to remain at approximately \$3 million annually.

Legislative Mandates

Item 255 provides \$400,000 to pay state mandated costs attributable to the Coastal Act whenever the mandated costs are not eligible for federal funds. In the past, these funds have only been available for costs of preparing LCPs. Because of Chapter 919, Statutes of 1979, money in this item will also be available to reimburse local agencies for specified costs of imple-

CALIFORNIA COASTAL COMMISSION—Continued

menting certified local coastal programs. Only costs directly attributable to the implementation of an LCP, such as the initial administrative costs of establishing local coastal permit processes, are eligible for reimbursement.

Resources Agency

DEPARTMENT OF PARKS AND RECREATION

Item 256 from the General
Fund and Items 257-261 from
various funds

Budget p. R 115

Requested 1980-81	\$92,522,808 ^a
Estimated 1979-80.....	70,006,734 ^a
Actual 1978-79	76,267,792 ^a
Requested increase (excluding amount for salary increases) \$22,516,074 (+32.2 percent)	
Total recommended reduction	\$6,031,037

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
256	Department Support	General	\$62,881,648
257	Department Support	State Parks and Recreation	4,330,228
258	Department Support	Off-Highway Vehicle	1,590,056
259	Boating Safety	Harbors and Watercraft Re- volving	281,029
260	Resource Preservation	Energy and Resources ^b	500,000
261	Local Assistance Grants for historic pres- ervation and recreation projects	Federal funds	22,939,847
Total			\$92,522,808

^a Expenditures for Urban Open-Space and Recreation Local Grants, and Off-Highway Vehicle Local Assistance Grant programs not included to facilitate comparison of expenditures.

^b Proposed Fund.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *California Railroad History Museum. Reduce Item 256 by \$669,416. Recommend reduction of 18 positions for operation and maintenance of this new unit.* 563
2. *New Operations Staff. Reduce Item 256 by \$597,949. Recommend reduction of 18.2 personnel-years for patrol of new acquisitions and operation of specified new facilities.* 564
3. *Operational Efficiencies. Recommend department provide fiscal committees with details pertaining to reductions of \$349,512 (26 personnel-years) made possible by operational efficiencies.* 566

4. State Park Reservation System. Recommend department be directed to (1) implement a one-year pilot test of a telephone reservation system and (2) submit a report on the test and recommendations for implementation of a statewide telephone reservation system to the Legislature. 566
5. Old Town San Diego Concession Contract. Recommend department attempt to renegotiate its concession contract for the Bandini House restaurant in Old Town San Diego State Historic Park. 567
6. *State Park Road Repair. Reduce Item 257 by \$1,500,000.* Recommend request for state park road repairs, when justified, be made under Item 530. 568
7. *Resource Management Program. Reduce Item 256 by \$596,041 and Item 260 by \$500,000.* Recommend denial of new resource management program. 569
8. *Grants Administration. Reduce Item 256 by \$318,961.* Recommend reduction of 9 personnel-years for administration of local assistance grants. 570
9. State Park System Plan. Recommend department be directed to correct deficiencies in State Park System Plan and submit revised plan to Legislature on September 1, 1980. 571
10. *Solar Retrofitting Program. Reduce reimbursements from Item 532 to Item 256 by \$64,130.* Recommend deletion of 2 personnel-years for proposed solar retrofitting program. 573
11. Bond Fund Balances. Recommend department submit to fiscal committees at the time of budget hearings, a report on (1) bond act acquisition projects, (2) balances available to complete projects, and (3) low priority projects that should be reverted to hold costs within bond fund limits. 581
12. Irvine Coast Ranch Leases. Recommend the Legislature review and decide important issues associated with long-term leases at Irvine Coast Ranch. 581
13. Design, Construction and Restoration Backlog. Recommend legislation be enacted permitting department to manage historic restoration projects rather than contract with State Architect. 582
14. *Interpretive Development. Reduce Item 256 by \$335,544.* Recommend reduction of 10 personnel-years for interpretive development projects. 591
15. *Administration Staffing. Reduce Item 256 by \$233,488.* Recommend reduction of 9 personnel-years in administration and management staffing. 591
16. *Professional and Consulting Services. Reduce Item 256 by \$1,215,508.* Recommend deletion of amount budgeted for professional and consulting services. 591

DEPARTMENT OF PARKS AND RECREATION—Continued**GENERAL PROGRAM STATEMENT**

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

In its role as manager of the state park system, the department is responsible for acquiring, preserving, developing, interpreting and assuring the appropriate use of the outstanding natural, cultural, and recreational resources of the state, within the framework of environmental protection goals and objectives. New state park system projects are undertaken with the advice 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 over 63 million park visitations anticipated in the budget year. The system's units are grouped into several different categories: 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 262 and 263.

ANALYSIS AND RECOMMENDATIONS

The Budget Bill proposes six appropriations totaling \$92,522,808 from various funds for support of the Department of Parks and Recreation in 1980-81. This is \$22,516,074, or 32.2 percent, more than estimated current year appropriations. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year.

The department's budget proposes total expenditures of \$120,215,446 (2,730 personnel-years) for support and local assistance programs. Financing for these expenditures will come from the General Fund, special funds, federal funds and reimbursements. The budget shows total expenditures decreasing by \$15,193,548, or 11.2 percent, from the current year level. The decrease would result primarily from (1) a \$20,401,625 reduction in financial assistance to local agencies, (2) a \$1,743,800 reduction in development program staffing, (3) a \$5,685,653 increase in field operations staffing, and (4) a \$1,263,103 increase in resource preservation projects.

Program Changes

State Park Operations. The proposed increase in field operations staffing (144 personnel-years) would primarily provide for the operation of new facilities and the patrol of new acquisitions. Included in this increase are 50 new positions to operate and maintain the California Railroad History Museum in Sacramento which will open during the budget year.

Assistance to Local Park Agencies. The department's bond fund grant

programs for local park projects will be essentially completed in the budget year unless funds are made available for this purpose from a new bond issue. Chapter 1166, Statutes of 1979, appropriated \$10 million from the General Fund for continuation of grants to local parks in urban areas during the budget year. Federally funded grants are estimated to increase by \$14.3 million, bringing the total up to the level reached in 1978-79.

Resources Preservation Program. The budget proposes \$1,096,421 for a new resource management program in the state park system. Of this amount, \$500,000 would be funded from the proposed Energy and Resources Fund.

Development Program. The proposed cutback in development staffing (46 personnel-years) is brought about primarily by reduced workload associated with 1974 and 1976 Park Bond Act acquisitions and interpretive exhibit projects.

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

STATE PARK SYSTEM OPERATIONS (Items 256-259)

The Operations Division has the responsibility to manage, operate and maintain the state park system. The proposed expenditures for this program are \$64,686,877 (2,336 personnel-years), an increase of \$5,685,653 or 9.6 percent, above the current year. This increase would provide for a net increase of 144 positions, as follows:

- One hundred and nine new positions would be added for patrol of new acquisitions and operation and maintenance of new park facilities,
- Sixteen positions would be deleted for day-labor maintenance projects and contractual services,
- Twenty-six positions would be deleted by operational economies,
- Three positions would be added for public information services,
- One hundred and ten personnel-years eliminated in the current year pursuant to control Section 27.2 of the 1979 Budget Act would be reinstated, and
- Thirty-six positions for the Youth Conservation Corps would be deleted.

DEPARTMENT OF PARKS AND RECREATION—Continued

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

<i>Program Expenditures</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>	<i>Changes In</i>				<i>Total Change</i>	
			<i>General Fund</i>	<i>Special funds</i>	<i>Federal funds</i>	<i>Reimbursement</i>	<i>Amount</i>	<i>Percent</i>
Statewide parks planning	\$1,002,612	\$1,005,733	\$-132,938	\$-13,768	\$9,380	\$140,447	\$3,121	—*
Development of the state park system	11,080,321	9,336,521	280,206	1,010,945	-292,450	-2,742,501	-1,743,800	-15.7%
State park operations	59,001,224	64,686,877	4,813,722	888,561	-385,567	368,937	5,685,653	9.6
Resources preservation	2,138,152	3,401,255	562,732	588,746	16,962	94,663	1,263,103	59.1
Assistance to local park agencies	62,186,685	41,785,060	-6,076,314	-28,755,103	14,296,325	133,467	-20,401,625	-32.8
Administration (distributed)	(6,921,121)	(7,144,609)	—	—	—	—	(233,488)	3.2
Totals	\$135,408,994	\$120,215,446	\$-552,592	\$-26,280,619	\$13,644,650	\$-2,004,987	\$-15,193,548	-11.2%

*Less than .5 percent

California Railroad History Museum

We recommend a reduction of \$669,416 (18 positions) in Item 256 for operation and maintenance of the California Railroad History Museum.

The department is requesting \$1,217,730 (50 personnel-years and associated operating expenses and equipment) for operation and maintenance of the \$18 million California Railroad History Museum in Sacramento, which is scheduled to open on October 1, 1980. The request includes 6 positions for museum administration, 22 positions for facility and exhibit maintenance and 22 positions for interpretive services and security. These positions, when added to the 24 existing positions budgeted for the Central Pacific Passenger Station, the B. F. Hastings Building and the Old Eagle Theatre, would provide a total of 74 positions for Old Town Sacramento State Historic Park.

Operation and maintenance of the new railroad museum will require a sizable staff to conduct tours, provide crowd control and maintain the railroad rolling stock, exhibits and facilities. However, our analysis of the department's request indicates it is excessive and should be reduced. Specifically, we recommend that (1) staffing of the museum be delayed from July 1, 1980 to January 1, 1981, and (2) 18 positions be deleted from the department's request, for a savings of \$669,416.

Problems with exhibit design and contracting will delay the museum's opening from October 1980 until spring 1981. As a result, the additional staffing will not be needed on July 1, 1980. Furthermore, our analysis indicates that the number of new positions requested exceeds the number needed to provide public services, security and museum maintenance. The specific positions that we recommended be deleted are as follows:

- One supervisor and 2 clerical positions from the 6 maintenance positions requested.
- Seven maintenance assistant and aid positions from the 22 maintenance positions requested, and
- One archivist, 1 librarian, 2 clerical and 5 ranger positions from the 22 interpretive and security positions requested.

Reductions in operating expenses and equipment amounting to \$208,605 are included in the total recommended savings.

In lieu of permanent staff, the department should make greater use of volunteer docents to provide public contact, conduct tours and control crowds. The Museum of Science and Industry in Los Angeles has had considerable success using volunteer docents in these functions. Our analysis also suggests that only two rangers will need to be on duty at one time for security purposes because Old Town Sacramento is patrolled by city police. The budget allows for additional part-time rangers if necessary to control peak crowds. Deletion of the archivist and the librarian is possible by assignment of document cataloging and other work in the museum's library to volunteer docents. Deletion of the seven maintenance positions is possible by consolidating maintenance work on facilities, exhibits and railroad rolling stock into one multi-purpose maintenance unit rather than using three separate units for this work. In addition, routine maintenance

DEPARTMENT OF PARKS AND RECREATION—Continued

work should be done on a five-day week rather than on a seven-day week as planned by the department.

Additional positions can be added to the museum in future years if operating experience demonstrates that they are needed.

Operations Staff Increases

We recommend a reduction of \$597,949 (18.2 positions) in Item 256 for patrol of new acquisitions and operation of new facilities.

In the budget year, the department is requesting \$1,194,556 (56 personnel-years) for patrol of new acquisitions and operation and maintenance of new day-use, camping and boating facilities in the state park system. Our analysis indicates that the following reductions should be made in the department's request.

Bothe Napa State Park. The department proposes the expenditure of \$85,614 (2.5 personnel-years and associated operating expenses and equipment) for operation and maintenance of a new campground, visitors center and area office at Bothe Napa State Park in Napa County.

We recommend a reduction of \$25,600 in personnel services and operating expenses because construction of the new facilities will not be completed until mid-winter 1980-81, rather than on July 1, 1980 as originally planned.

Folsom Lake State Recreation Area. The department proposes to spend \$85,764 (4 personnel-years and associated operating expenses and equipment) for patrol and maintenance of a new segment of the American River Bike Trail within the Folsom Lake State Recreation Area in Sacramento County.

We recommend deletion of \$85,764 and 4 positions for this project because the bike trail will not be completed during the budget year.

Henry Coe State Park. The department proposes to spend \$94,853 (2.5 personnel-years and associated operating expenses and equipment) for patrol of the 17,000 acre Coit Ranch addition to Henry Coe State Park in Santa Clara County.

We recommend deletion of \$94,853 and 2.5 positions for this project because it is not clear when this property will be acquired. If acquisition is completed in the budget year, existing staff is sufficient to start patrol of the property until a public-use plan is developed.

John Marsh Home. The department proposes to spend \$63,284 (2 personnel-years and associated operating expenses and equipment) to provide security for the John Marsh Home and to operate a public fishing area on the property. The Marsh Home is in Contra Costa County.

We recommend deletion of \$63,284 and 2 positions for this project. This property should not be opened to the public until restoration is completed in 1982. Until that time, the County of Contra Costa should continue to provide security for the property as it is currently doing.

Lake Earl and Lake Talawa. The department proposes to spend \$215,462 (5.5 personnel-years and associated operating expenses and equipment) for patrol of the 6,000 acre Lake Earl and Lake Talawa acquisition in Del Norte County.

We recommend a reduction of \$149,225 and 4 permanent positions for this project. Our analysis indicates that two part-time rangers and one park aide, will be sufficient to patrol this property until a public-use plan is completed. Until that time, public access to this important wildlife habitat area should not be encouraged.

Malibu Creek State Park. The department proposes to pay electric utility bills of \$10,200 next year for two single-family dwellings at Malibu Creek State Park in Los Angeles County. The dwellings are on lands which have recently been acquired.

We recommend deletion of \$10,200 (\$850 per month) for electric utilities because the cost is excessive. If these dwellings must be used by rangers and their families, ways should be found to reduce the electricity consumption.

Montara State Beach. The department proposes \$45,980 (1 personnel-year and associated operating expenses and equipment) for patrol of the 1,000-acre McNee Ranch acquisition in San Mateo County.

We recommend deletion of \$45,980 and 1 position for this project. Because the department must condemn this property, acquisition will probably not occur in the budget year.

Pismo Dunes State Vehicles Recreation Area. The department proposes \$246,959 (9.5 personnel-years and associated operating costs and equipment) for patrol and maintenance of 1,600 acres which are to be added to the Pismo Dunes State Vehicle Recreation Area in San Luis Obispo County.

We recommend deletion of \$49,789 for 2 maintenance positions because approximately 1,000 acres owned by the Union Oil Company and the Mobil Oil Company will probably not be acquired in the budget year. The addition of 7.5 personnel-years to the park's existing staff of 56 personnel-years will be adequate to handle security and maintenance problems at this unit. Additional positions can be added in future years after all acquisitions are completed.

San Mateo Coast. The department proposes \$46,879 (1.5 personnel-years and associated operating expenses and equipment) for patrol and maintenance of the 1,121-acre Burleigh Murrey Ranch in San Mateo County. This property was recently given to the state.

We recommend deletion of \$46,879 and 1.5 positions for this project. The ranch should be leased for agricultural purposes until a public-use plan is developed by the department.

Stanford House. The department proposes \$26,375 (1.2 personnel-years and associated operating expenses and equipment) for maintenance of the Governor Stanford Home in Sacramento.

We recommend deletion of \$26,375 and 1.2 positions for this project. The home will not be turned over to the department until June 1, 1982. The Department of General Services should be asked to retain custody and maintain the property until then.

DEPARTMENT OF PARKS AND RECREATION—Continued**Operational Efficiencies**

We recommend that the department provide the fiscal subcommittees at the time of budget hearings with the specific operational efficiencies that will make possible the proposed reductions of \$349,512 (26 personnel-years).

The department proposes to effect operational efficiencies in the budget year which will effect savings of \$349,513 and 26 positions in field operations. The department indicates that the savings will result from (1) closure of selected historical units for 2 days each week and (2) reorganization of district and area headquarters offices. No details have been provided on which historical units will be affected and what specific organizational changes will be made.

In order to permit the Legislature to review the department's plans and associated impacts on public services, we recommend that the department submit details on this matter to the fiscal subcommittees at the time of budget hearings.

State Park Reservation System

We recommend the Legislature direct the department to (1) implement a one-year pilot test of a telephone reservation system for the state park system and (2) submit to the Legislature by October 1, 1981, a report on the results of this test and recommendations for implementation of a statewide telephone reservation system.

The department proposes to expend \$99,666 for a consulting contract to design a telephone reservation system for the state park system which could be operated by the department.

Since 1971, the department has relied on contractor-operated reservation systems having approximately 150 walk-in ticket offices. These offices are located primarily in retail stores in heavily populated areas of the state. This system does not serve persons in small towns and rural areas, who must make reservations by mail. The department's current contract for operation of the system expires on December 31, 1981.

Our analysis indicates that a telephone reservation system offers clear advantages over the present system. Telephone reservations could be made quickly using any of the millions of telephones in the state. This would provide persons in rural areas, as well as persons in urban areas, equal access to the reservation system. Accordingly, we support further investigation of a phone-in system. This is consistent with recommendations that we have made in prior Analyses that the department study such a system.

We find, however, that the department is not ready to start the detailed design of a statewide telephone reservation system because it lacks sufficient experience either to develop such a system in-house or to effectively direct the efforts of a design consultant in such work. We also question the department's intention to make this a state operated system, ruling out the alternatives of a contractor or a joint contractor/state operated system. The National Park Service has attempted to implement a nationwide phone-in reservation system and has failed because it lacked operational

experience to enable it to successfully develop and operate a complex system of this type.

In order to gain needed operational experience with a phone-in system, the department should implement a one-year pilot test using the \$99,666 which it has budgeted for the design contract. Operational experience is essential to determine public response, system problems and operating costs and revenues. This information is necessary to formulate recommendations on the implementation of a statewide phone-in reservation system using (1) a 800 toll-free number, or (2) local telephone numbers in each region, (3) a state-owned and operated system, (4) a contractor-owned and operated system, or (5) a contractor-owned and operated computer and state operated phone-in reservation offices.

Pursuant to SB 710, which is currently before the Assembly, the department has selected a well defined urban and rural area in the state and has developed a detailed plan for implementation of a pilot telephone reservation system. The cost of implementing the pilot test is estimated to be \$92,000. This is within the \$99,666 requested by the department for the system design contract. The department also indicates that the operation costs for the pilot test can be covered by existing reservation fees.

Accordingly, we recommend that the Legislature adopt the following supplemental language under Item 256:

"The Department of Parks and Recreation shall (1) implement a one-year pilot test of a telephone reservation system for the state park system in the budget year, and (2) submit a report to the Legislature by October 1, 1981, on the results of this test and its recommendations for implementing a statewide telephone reservation system."

Concessions Contracts

We recommend approval.

Section 8.1 of the Budget Bill requires legislative approval of new and amended concession contracts covering state park concessions. The department has included the following concession proposals in its budget:

1. Pismo State Beach—Extend golf course, club house, and restaurant contract.
2. McArthur-Burney Falls Memorial State Park—Extend grocery store, snack bar and boat rental contract.
3. Hearst San Simeon State Historical Monument—Bid snack bar and souvenir shop contract.

Old Town San Diego Concession Contract

We recommend that the Legislature direct the Department of Parks and Recreation to attempt to renegotiate its concession contract for the Bandini House restaurant in Old Town San Diego Historic Park.

In June 1971, the department entered into a contract with Bazaar Del Mundo, Inc., for development and operation of Mexican-style shops and three restaurants in Old Town San Diego State Historic Park. This contract remains in effect until June 30, 1991.

The department forecasts that Bazaar Del Mundo may earn gross revenues in excess of \$7 million in 1979-80. Of that amount, rental payments to the state will be \$3,600—less than 0.1 percent of gross revenues. The

DEPARTMENT OF PARKS AND RECREATION—Continued

contract also requires the concessionaire to finance improvements to the structures. This level of rental payments is substantially below what is paid by other state park concessionaires. For example, the concessionaire at Hearst Castle is required to make rental payments to the state estimated at \$536,779 (38.6 percent of gross receipts totaling approximately \$1.4 million) in 1980-81. Although there are differences in contracts, the Hearst Castle concessionaire is also financing the cost of improvements to facilities.

Fourth restaurant added. In the current year, the department has permitted the concessionaire to expand operations into the historic Bandini House. Bazaar Del Mundo currently is making improvements to this building for a new restaurant (Bazaar Del Mundo's fourth), which will be opened in February 1980. The concessionaire will also have private office space in the Bandini House. The department anticipates that the new restaurant will produce revenues to Del Mundo in excess of \$1 million annually. Improvements to the building are expected to cost the concessionaire in excess of \$500,000.

Contract not renegotiated. Section 8.1 of the Budget Act requires that the department submit any new concession contract or any amendment to an existing contract involving an investment or gross receipts of more than \$100,000 to the Legislature in the Budget Act for *prior* review and approval. The department did not renegotiate the rental payments called for by the contract with Bazaar Del Mundo when the department vacated the space in the Bandini House and made it available to the concessionaire as permitted under the concession agreement.

Contract review needed. Our analysis suggests that a \$3,600 annual rental payment on facilities expected to gross over \$8 million in revenues is inadequate. Moreover, it is not fair to either the taxpayers or the other state concessionaires. Accordingly, we recommend that the Legislature direct the department to attempt to renegotiate its contract with Bazaar Del Mundo at this time. The amended contract should be submitted to the Legislature for approval in accordance with Control Section 8.1.

State Park Road Repair

We recommend deletion of \$1,500,000 from Item 257 for road repair in state park units. We further recommend that, if justified, this request be considered under Item 530.

Prior to 1980, existing law provided a \$900,000 continuing appropriation from the Highway Users Tax Account in the Transportation Tax Fund for state park road repair and maintenance work. Chapter 1065, Statutes of 1979, eliminated the continuing appropriation and authorized the department to request an appropriation up to \$1.5 million for repair and maintenance work in the Budget Bill. The amount requested in Item 257 includes \$1.5 million for this purpose.

We recommended deletion of the \$1.5 million in Item 257. Funds for road repairs should be requested in Item 530 because this is a capital outlay expenditure rather than a support expenditure.

If the department chooses to submit a request under Item 503, it should

provide a list of all planned road repair and maintenance projects, their costs and details on the work to be done.

RESOURCES PRESERVATION (Items 256-258 and 160)

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 budget proposes expenditures for this program of \$3,401,255 (70 personnel-years), an increase of \$1,263,103 or 59.1 percent from the current year. This reflects a net increase of 6 positions, as follows:

- Twelve positions would be added to fund capital outlay projects,
- Four positions would be added for various functions,
- Three personnel-years reduced in the current year pursuant to control Section 27.2 of the 1979 Budget Act would be restored,
- Eight positions for off-highway vehicle projects would be deleted,
- Five positions for a federally funded archeology project in Old Town Sacramento State Historic Park would be deleted.

In addition, \$1,096,421 is requested to begin a major resource management program; \$500,000 of this amount would come from the proposed Energy and Resources Fund.

Resource Management Program

We recommend deletion of \$596,041 from Item 256 and \$500,000 from Item 260 for expansion of the resource management program, because the proposed projects have not been adequately justified.

In the spring of 1979, the department identified over \$6 million of resources management projects in the state park system. Included in the department's budget request is \$1,096,041 to fund those projects with the highest priority. These projects involve erosion control, fuel control, exotic plant control and forest protection in 40 state park units. Of the amount requested, \$500,000 would come from the proposed Energy and Resources Fund.

Resource management is an important area of responsibility for the department. However, the department has not provided sufficient information to the Legislature to justify expansion of this program. It is not clear what needs to be done, how the work will be accomplished and what the costs will be. Furthermore, the proposed Energy and Resources Fund has not been statutorily authorized by the Legislature. For these reasons, we recommend that this request be denied.

ASSISTANCE TO PUBLIC AND PRIVATE RECREATIONAL AGENCIES (Items 256, 258 and 261)

The department's Recreation and Local Services Division is responsible for providing financial and technical assistance to public and private recreational agencies. The budget proposes expenditures for this program of \$41,785,060 (37 personnel-years), a decrease of \$20,401,625 or 32.8 percent, from the estimated current year. The budget requests a net increase of 1 position, as follows:

- Two personnel-years eliminated in the current year pursuant to Control Section 27.2 would be reinstated,

DEPARTMENT OF PARKS AND RECREATION—Continued

- One position would be deleted because of reduced workload.

State funded local grant programs using bond proceeds are expected to be completed by the middle of 1980-81. Federally funded grant programs are expected to continue in future years. Chapter 1166, Statutes of 1979, supplemented these funds by appropriating an additional \$10 million to the California Urban, Open-Space and Recreation Local Grants Program in 1980-81. Table 2 shows the estimated grant amounts for the current year and the budget year, by funding sources.

Table 2
Parks and Recreation Grants By Source of Funding
Estimated Expenditures

<i>Fund Sources</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>	<i>Budget Bill Item or Chapter No.</i>
General Fund	\$15,985,870	\$10,000,000	Ch. 1166/79
State Beach, Park, Recreational and Historical Facilities Fund of 1974	5,845,532	3,285,505	582
State, Urban and Coastal Park Fund	21,464,044	4,283,864	590
Off-Highway Vehicle Fund	8,658,057	—	—
California Environmental Protection Program Fund	360,000	—	—
Land and Water Conservation Fund	8,649,600	22,939,600	261
Totals	\$60,963,103	\$40,508,969	

Grants Administration

We recommend a reduction of \$318,961 (9 personnel-years) in Item 256 for administration of local assistance grants.

Since 1978-79, when the department's local assistance grant program peaked at \$78 million, program expenditures have declined. Expenditures estimated at \$61 million in the current year will decline to \$41 million in the budget year. The 1980-81 level reflects completion of the state's bond funded grant programs. Thus, there has been a \$37 million, or 47 percent, decrease in expenditures over two years. In 1981-82, a further reduction of approximately \$8 million is anticipated unless a new funding source is made available for local assistance grants.

Despite the decrease in program workload, the department proposes to reinstate 2 personnel-years deleted in the current year as a result of Section 27.2 of the 1979 Budget Act, and to delete one existing position for a net increase of one position.

Our analysis indicates that a staff reduction directly proportional to the 47 percent reduction in program expenditures would not be appropriate because the department provides technical assistance to the grantees for up to two years after the grants are made. In view of the decrease in the number of grant applications and awards, our analysis indicates that a staff reduction of 25 percent is justified. For that reason, we recommend a reduction of \$318,961 and 9 positions in this program.

STATEWIDE PARKS AND RECREATION PLANNING (Items 256-259)

The Department's Planning Division has been assigned the responsibility to establish priorities for development of the state park system and provide the planning framework for development of the (1) Statewide Recreational Needs Analysis, (2) Continuing Statewide Planning Process, (3) State Park System Plan, and (4) Multi-Year Capital Outlay Program.

The budget proposes expenditures for this program of \$1,005,733 (31.5 personnel-years), an increase of \$3,121 from the current year. No significant changes are proposed in this program in the budget year.

State Park System Plan

We recommend that the Department of Parks and Recreation be directed to correct certain deficiencies in the State Park System Plan and submit a revised plan to the Legislature by September 1, 1980.

The master plan for the state park system was completed in 1968. Subsequently, the Legislature directed the department to develop an ongoing planning program that could update the plan as conditions change. The department was required to submit an updated state park system plan to the Legislature on a biennial basis, with the first plan due on September 1, 1979.

The department has established a planning program, and a draft plan was submitted to the Legislature in November 1979. The department's response represents a constructive step towards development of comprehensive and effective planning processes that can contribute to the orderly acquisition, development and operation of the state park system. The department's planning processes however, are not adequate. Moreover, the plan has several major deficiencies, and it is incomplete.

In its discussion of broad planning issues, the department has demonstrated an awareness of the complexities and critical problems which face the state park system and the need for a systematic approach to setting priorities and resolving the problems. Nevertheless, further work is needed to make the plan a viable decision making tool.

Statewide Recreation Needs Analysis. The department prepared the initial version of the state park system plan without having current data on existing and future recreation demands or an inventory of existing state, local and federal recreation facilities. This was due to a series of problems with the Statewide Recreation Needs Analysis (mandated by the Legislature in 1976). Lacking this information, the department was unable to determine the extent and location of deficiencies in recreation facilities and programs, or to set valid project priorities. The needs analysis data to be developed during the current year should be incorporated in the plan.

Short-term and Long-term Action Plans. The plan addresses major areas of emphasis in future years, but is vague about what will be accomplished, when, and at what cost. Considerably more information is needed on short-term and long-term actions in order to assist the department, the administration and the Legislature in making the difficult decisions that need to be made.

Urban Parks Program. The department's plan gives emphasis to the

DEPARTMENT OF PARKS AND RECREATION—Continued

acquisition and development of additional urban park units and the establishment of special programs for the elderly, handicapped and economically disadvantaged. However, the roles and responsibilities of the state, local and federal agencies with regard to urban parks are not defined. Urban park projects are identified but are not adequately differentiated from traditional local park projects.

Local Assistance Grant Programs. The plan does not address the local assistance grant programs which have financed the acquisition, development and rehabilitation of many local parks. There appears to be a continuing, long-term demand for such projects. In addition, because of the passage of Proposition 13, local agencies are seeking state assistance to meet operation and maintenance costs for existing local parks. These demands need to be addressed by the department.

Operation and Maintenance Costs. The lands, facilities and programs of the state park system are expected to attract more than 63 million visitors in the 1980-81 fiscal year. The number of visitations increases to over 100 million if state park units operated by local agencies are included. Even so, thousands of people are turned away from overcrowded units each year. To meet the increasing demand for recreational services, the department indicates that it will reorganize its operations force to improve its efficiency, emphasize the use of volunteers, and develop cost saving techniques that can hold manpower increases to a minimum in future years. More specifics are needed, however, regarding (1) deployment and costs of existing staff and (2) how future staffing requirements will be met over the short-term (5 years) and the long-term (10 years). If expansion of the state park system is to continue as proposed in the plan, provision must also be made for staffing the new lands and facilities.

Capital Outlay Program and Future Funding. Selected capital outlay acquisition and development projects are discussed in general terms for both the short-term and the long-term. Sufficient information is not provided to determine whether these projects conform with the stated goals, needs and priorities of the plan. It is not evident why many of the projects are proposed, what the approximate costs will be, and what benefits will result from them. This information should be summarized in the plan with details to be provided in a multi-year capital outlay priority listing included as an addendum to the plan.

By 1981, the department's bond funds for capital outlay acquisition and development projects will be fully appropriated. The department's State Park System Plan recommends that \$40 million (1979 dollars) of additional funds be made available each year through 1985 in order to provide a constant level of effort for continued acquisitions (\$20 million) and development projects (\$20 million). To provide this funding, the department proposes two alternative sources: (1) A \$200 million bond act, or (2) an annual appropriation of \$40 million from the General Fund for five years.

The plan has not provided sufficient detail to support the need for a \$40 million annual program. In addition, no consideration is given to the effects of inflation on acquisition and construction costs and what will be needed by the fifth year in order to provide a constant level of program activity.

Revised Plan Needed. Major revisions to the State Park System Plan are needed to make it a viable decision making tool for use by the department, the administration and the Legislature. For this reason, we recommend that the Legislature adopt the following supplemental report language to the Budget Bill;

“The Department of Parks and Recreation shall correct deficiencies in the State Park System Plan as identified by the Legislative Analyst in the *Analysis of the 1980 Budget Bill* and submit a revised version of the plan to the Legislature by September 1, 1980.”

DEVELOPMENT OF THE STATE PARK SYSTEM (Items 256-259)

The Acquisition Division, Design and Construction Division, and Resources Preservation and Interpretation Division jointly share the responsibility for development of the state park system. The proposed expenditures for this program total \$9,336,521, a decrease of \$1,743,800, or 15.7 percent, from the current year. The budget proposes a net decrease of 46 personnel-years, as follows:

- Ten positions would be eliminated in acquisition planning and facilities design because of reduced workload associated with projects funded by the 1974 and 1976 Park Bond Acts and the cancellation of federally funded planning work for the Auburn-Folsom project,
- Ten positions would be added for day labor construction projects,
- Two positions would be added for a new “Solar Retrofitting Program” for existing state park facilities using monies from the proposed Energy and Resources Fund,
- Sixteen positions would be eliminated for day labor interpretive work on various capital outlay projects,
- Nine positions would be eliminated for interpretive work on the State Capitol Restoration project,
- Twenty-seven positions would be eliminated for interpretive planning and restoration of railroad equipment for the California State Railroad History Museum, and
- Four personnel-years eliminated during the current year pursuant to control Section 27.2 would be restored.

Solar Retrofitting Program

We recommend a reduction of \$64,130 (2 personnel-years) in reimbursements from the Energy and Resources Fund (Item 532) to Item 256 for the Department of Parks and Recreation’s solar retrofitting program.

The department is proposing \$64,130 for 2 positions for a solar retrofitting program which would be funded from the proposed Energy and Resources Fund. The new program would retrofit existing state park facilities with solar water heaters. Solar water heaters have been installed recently by the department at selected state park units such as Silverwood Lake, San Luis Reservoir and Anza Borrego.

Positive steps to conserve energy in state facilities are needed. Our analysis, however, indicates that this proposal is premature. The cost-effectiveness of the department’s existing solar units have not been determined by the department. Further, no details have been provided as to

DEPARTMENT OF PARKS AND RECREATION—Continued

the number, costs, or source of the new units to be installed. Nor has information been provided on savings to be achieved by them. Furthermore, the proposed funding source for this program is not statutorily authorized.

Reduction of Acquisition Backlog

Faced with a \$196 million backlog of uncompleted acquisition projects for the state park system, the Legislature added detailed supplemental language to the 1979 Budget Act directing the Department of Finance, the Department of Parks and Recreation and the Department of General Services to organize a special task force to expedite projects and reduce the backlog of state park acquisition projects.

The task force was formed in July 1979 and the results to date have been satisfactory. In the first six months, the task force has settled the acquisition of 158 parcels totaling approximately \$62 million. Included in this total is the \$32.6 million settlement of the Irvine Coast Ranch acquisition, which is the most expensive project undertaken by the department. The task force plans to complete over \$85 million of acquisition projects in the current year. This represents a 50 percent increase in project completions over the \$57 million level attained in 1978-79. The task force anticipates that it will continue to make good progress during the budget year in completing the remaining \$107 million backlog of projects shown in Table 3. However, the department recognizes that a large number of the remaining projects will be difficult to complete because they have serious problems or require condemnation.

Table 3
Department of Parks and Recreation Acquisition
Projects Not Completed
Appropriations and Balances as of January 1, 1980

<i>Project (Appropriations)</i>	<i>Amount Available</i>	<i>Balance</i>	<i>Acres Acquired To Date</i>	<i>Acres To Be Acquired</i>	<i>Parcels Settled</i>	<i>Parcels in Nego- tiation</i>	<i>Parcels in Condem- nation</i>
Ano Nuevo SP							
219/77, 402(B)	\$670,000	\$623,040*	—	—	—	—	—
Antelope Valley							
1521/74, (W)	975,000	9,485	1,692	1	20	—	1
Antelope Valley							
511/78, Item Sec. 1	300,000	16,047	147	—	1	—	—
Anza-Borrego Desert							
1484/74, 410.7B W	1,100,000	165,919	2,118	360	30	—	8
Anza-Borrego Desert							
350/76, 411.2C(C)	390,600	7,856 *	667	—	4	—	—
Anza-Borrego Desert							
350/76, 411.2C(O)	1,200,000	355,995 *	3,337	—	36	—	—
Backbone Trail							
259/79, 508(I)	5,567,000	5,567,000	—	1,545	—	—	—
Backbone Trail							
259/79, 463(E)	750,000	749,816	—	392	—	—	—
Backbone Trail							
259/79, 466.5(A)	433,712	429,957	—	312	—	—	—
Big Basin Redwoods							
1484/74, 410.7B CC	250,000	219,877	—	173	—	—	1
Big Basin Redwoods							
350/76, 411.2C(D)	1,485,000	116,875 *	913	—	36	2	—
Big Basin Redwoods							
219/77, 403(A)	137,500	108,000	240	186	6	2	—
Bodie SHP							
1484/74, 410.7B AA	75,000	60,560	—	131.7	—	—	2
Burton Creek SP							
1064/73	7,300,000	760,006	1,885	109	11	—	1
Candlestick Point SP							
129/73, 350(GG)	10,000,000	2,655,804	100	12	84	—	7
Carmel River SB							
1484/74, 410.7B II	2,312,000	79,457	—	35	—	—	1
Carnegie Cycle Park							
496/78, Sec. 2(A)	1,200,000	121,638 *	1,539	—	2	—	—
Carpinteria SB							
1109/77, 443.2B(A)	887,000	873,195 *	—	7	—	—	—
Castle Rock SP							
350/76, 411.2C(M)	762,923	522,629	400	408	2	—	2
Castle Rock SP							
320/76, 387(B)	126,100	104,100	40	199	4	—	6
Castle Rock SP							
219/77, 403(B)	57,750	2,750 *	50	—	1	—	—
Castle Rock SP							
359/78, 460(A)	275,000	21,173 *	650	—	1	—	—
Castle Rock SP							
259/79, 465(A)	350,000	350,000	—	145	—	—	—
China Camp SP							
320/76, 386(I)	2,500,000	— **	1,512	—	2	—	—

DEPARTMENT OF PARKS AND RECREATION—Continued

Table 3
Department of Parks and Recreation Acquisition
Projects Not Completed
Appropriations and Balances as of January 1, 1980—Continued

<i>Project (Appropriations)</i>	<i>Amount Available</i>	<i>Balance</i>	<i>Acres Acquired To Date</i>	<i>Acres To Be Acquired</i>	<i>Parcels Settled</i>	<i>Parcels in Nego- tiation</i>	<i>Parcels in Condem- nation</i>
Columbia SHP							
1484/74, 410.7B GG	255,000	98,221 *	20	—	3	1	—
Delta Channel Islands							
1484/74, 410.7B U	500,000	464,398 *	—	500	—	—	—
Delta Meadows Project							
1379/76, 403.1J (A)	970,000	823,832	—	662	—	—	1
Doheny SB							
1521/74, (R)	750,000	739,757	—	3	—	—	—
El Capitan SB							
1484/74, 410.7B K	2,500,000	2,430,083	—	313	—	8	—
El Capitan SB							
1109/77, 443.2B (C)	880,000	878,766	—	Delayed	—	—	—
El Pescador							
359/78, 512 (N)	1,025,000	7,742 *	4	—	3	—	—
El Presidio of Santa Barbara SHP							
359/78, 457 (A)	875,000	867,211	—	1	—	—	—
Elk and Greenwood							
1109/77, Sec. 3 (B)	400,000	144,949 **	57	—	1	—	—
Forest Nisine Marks							
350/76, 411.2C (F)	220,000	4,142	10	6	24	—	10
Forest Nisine Marks							
259/79, 462 (A)	2,325,000	2,303,148	—	469	—	—	—
Fort Ross SHP							
1109/77, 443.2B (P)	1,047,500	14,006 **	384	—	1	—	—
Garrapata Beach							
1109/77, 443.2B (D)	5,360,000	5,280,220	—	3,137	—	8	—
Garrapata Beach							
259/79, 508 (A)	1,440,000	1,425,331	—	34	—	13	—
Gaviota SP							
1109/77, 443.2B (E)	3,150,000	2,911,865	49	40	3	—	5
Haskell's Beach							
1109/77, Sec. 3 (D)	500,000	485,796	—	27	—	1	—
Haskell's Beach							
259/79, 508 (B)	1,800,000	1,795,179	—	45	—	2	—
Henry W. Coe SP							
259/79, 463 (F)	3,185,753	3,178,205	—	19,109	—	—	—
Hollister Hills SVP							
542/74, (A)	1,400,000	227,126 **	3,086	—	3	—	—
Humboldt Lagoons							
359/78, 512 (F)	1,000,000	963,717	—	1,698	—	4	—
Humboldt Redwoods							
176/75, 367 (A)	300,000	259,300	63	24	17	6	1
Humboldt Redwoods							
259/79, 465 (B)	415,000	401,000	—	988	—	—	—

Table 3
Department of Parks and Recreation Acquisition
Projects Not Completed
Appropriations and Balances as of January 1, 1980—Continued

<i>Project (Appropriations)</i>	<i>Amount Available</i>	<i>Balance</i>	<i>Acres Acquired To Date</i>	<i>Acres To Be Acquired</i>	<i>Parcels Settled</i>	<i>Parcels in Nego- tiation</i>	<i>Parcels in Condem- nation</i>
Hungry Valley							
219/77, 403.5(A)	8,500,000	3,795,494	9,569	78	29	1	—
Hungry Valley							
359/78, 461(C)	7,800,000	4,825,560	183	2,148	25	29	—
Irvine Coast							
259/79, 508(H)	7,000,000	5,165,474	3,207	—	1	—	—
Jack London SHP							
359/78, 457(B)	988,000	3,026 *	890	—	5	—	—
Jack London SHP							
320/76, 386(E)	397,000	2,572 *	43	—	2	—	—
La Purisima Mission							
219/77, 402(E)	80,000	13,162	1	—	1	—	—
Lakes Earl and Talawa							
1109/77, 443.2B(H)	6,000,000	2,128,398	7,463	380	7	136	—
Las Tunas SB							
1521/74, (FF)	250,000	163,184	1	—	5	1	—
Leo Carrillo SB							
350/76, 411.2C(N)	3,102,000	6,363 **	567	—	3	—	—
Leo Carrillo SB							
259/79, 508(C)	2,600,000	2,579,032	—	10	—	—	—
Lighthouse Field							
219/77, 443(G)	4,600,000	3,485,072	9	28	2	—	1
Little Sur River							
259/79, 508(D)	1,200,000	1,197,736	—	871	—	—	—
Los Lions Canyon-A							
1077/75	1,315,000	25,006 **	40	—	2	—	—
Madrona Marsh							
462/76, Sec. 2	2,195,000	414,258	—	53	—	—	—
Malibu Bluff							
1109/77, 443.2B(K)	6,875,000	36 *	93	—	1	—	—
Malibu Creek SP							
129/73, 379(C)	6,700,000	65,215 **	2,724	—	2	—	—
Malibu Creek SP							
259/79, 463(C)	1,100,000	202,385	199	61	3	—	—
Malibu Pier							
782/78, Sec. 1	2,500,000	2,478,649 *	—	—	—	—	—

DEPARTMENT OF PARKS AND RECREATION—Continued

Table 3
Department of Parks and Recreation Acquisition
Projects Not Completed
Appropriations and Balances as of January 1, 1980—Continued

<i>Project (Appropriations)</i>	<i>Amount Available</i>	<i>Balance</i>	<i>Acres Acquired To Date</i>	<i>Acres To Be Acquired</i>	<i>Parcels Settled</i>	<i>Parcels in Nego- tiation</i>	<i>Parcels in Condem- nation</i>
Manchester SB							
1109/77, 443.2B (F)	1,690,000	335,382	268	34	72	—	9
Manresa SB							
1109/77, 443.2B (I)	1,000,000	975,644	15	40	1	—	1
Marin County							
1020/75	600,000	310,000					
Marina Beach							
350/76, 411.2C (L)	2,000,000	295,397	130	33	7	—	1
Marshall Gold Discovery							
350/76, 411.2C (I)	427,800	109,098	4	2	4	—	4
Marshall Gold Discovery							
987/78, Sec. 1	175,000	133,258	5	6	1	—	—
McCrath SB							
259/79, 508 (E)	2,600,000	2,598,442	—	40	—	—	—
McNee Ranch							
1109/77, 443.2B (I)	1,217,500	1,181,446	—	1,056	—	—	2
Mendocino Headlands							
1521/74, (H)	550,000	165,796	196	108	4	—	3
Monterey SHP							
320/76, 386 (J)	264,000	72,678 **	1	—	1	—	—
Morro Bay SP							
1514/74, 410.3H A	1,000,000	219,136	553	33	2	1	—
Morro Bay SP							
1109/77, 443.2B (M)	3,000,000	2,909,698	64	621	2	—	3
Mount Diablo SP							
1017/79, 495.5A (A)	1,225,000	1,224,694	—	260	—	—	—
Mount Diablo SP							
1484/74, 410.7B S	3,550,000	680,123 *	3,499	—	7	—	—
Mount Diablo SP							
219/77, 443 (H)	2,812,500	12,376 *	1,322	426	1	—	—
North Coastal							
1139/73	1,000,000	451,541 *	—	—	—	—	—
Ocotillo Wells							
741/75, (A)	2,375,000	220,336	12,542	24	50	—	3
Old Sacramento SHP							
219/77, 402 (H)	72,000	67,653	—	4	—	—	1
Old Town San Diego							
129/73, 379 (G)	950,000	404,627 *	8	—	2	—	—
Old Town San Diego							
1484/74, 410.7B HH	350,000	337,092 *	72	1	2	1	—
Oxnard Beach							
359/78, 512 (M)	3,500,000	272,994 *	25	—	1	—	—
Pacifica							
853/75	1,000,000	534,294	3	10	8	3	3
Petrified Forest							
359/78, 460 (C)	685,000	685,000 *	—	—	—	—	—

Table 3
Department of Parks and Recreation Acquisition
Projects Not Completed
Appropriations and Balances as of January 1, 1980—Continued

<i>Project (Appropriations)</i>	<i>Amount Available</i>	<i>Balance</i>	<i>Acres Acquired To Date</i>	<i>Acres To Be Acquired</i>	<i>Parcels Settled</i>	<i>Parcels in Nego- tiation</i>	<i>Parcels in Condem- nation</i>
Pismo Dunes SVRA							
259/79, 466(A)	3,185,753	2,751,928	882	1,075	3	4	—
Point Dume SB							
359/78, 512(I)	6,250,000	1,276,322 *	33	—	3	—	—
Pygmy Forest							
1109/77, 443.2B(G)	900,000	196,349 *	41	10	3	1	—
Salt Point SP							
1521/74, (S)	1,100,000	48,990 *	225	—	2	—	—
Salt Point SP							
1440/76, Sec. 586.....	3,000,000	1,033,138 *	1,345	10	3	—	—
San Bruno Mountain							
350/76, 411.2C(F).....	5,210,600	107,522 *	333	—	1	—	—
San Luis Islands							
1484/74, 410.78 JJ	1,814,000	1,783,183	—	6,028	—	2	1
Santa Cruz Mountains							
1423/72	2,500,000	673,299	1,581	120	2	1	—
Santa Monica Mountains							
2/66, 423 (T)	8,000,000	231,383 **	2,364	—	—	—	—
Santa Monica Mountains							
1257/78, 512F(D)	14,750,000	14,750,000	—	Delayed	—	—	—
Santa Susana Mountains							
756/77, 443C(B)	1,000,000	951,693 *	—	—	—	—	—
Santa Susana Mountains							
359/78, 457(D)	1,964,000	1,254,853	265	98	2	3	—
Secombe Park							
359/78, 458.1(A)	1,000,000	950,533	—	8	—	12	—
Secombe Park							
1085/79, 495.5B(A)	1,200,000	1,200,000	—	8	—	12	—
South Monterey Bay Dunes							
1109/77, 443.2B(N)	6,000,000	2,155,141	25	48	37	5	—
South Yuba River							
946/77, Sec. 5(B) 1	145,625	2 *	476	—	6	—	—
South Yuba River							
946/77, Sec. 5(B) 2	116,500	22,210 *	—	186	—	2	—
Stanford Home							
129/73, 379(A)	951,000	56 **	1	—	1	—	—

DEPARTMENT OF PARKS AND RECREATION—Continued

Table 3
Department of Parks and Recreation Acquisition
Projects Not Completed
Appropriations and Balances as of January 1, 1980—Continued

<i>Project (Appropriations)</i>	<i>Amount Available</i>	<i>Balance</i>	<i>Acres Acquired To Date</i>	<i>Acres To Be Acquired</i>	<i>Parcels Settled</i>	<i>Parcels in Nego- tiation</i>	<i>Parcels in Condem- nation</i>
Santa Barbara/Ventura							
1019/75	940,000	449,450			Trail Development		
Sinkyone Wilderness							
1521/74, (F)	250,000	54,898	3,493	75	5	—	2
Sonoma Coast SB							
1109/77, 443.2B(Q)	1,793,600	53,513 **	1,814	—	4	—	—
Sonoma Coast SB							
129/73, 350(AA)	4,606,500	418,315	918	4	31	2	1
Ten Mile Dunes							
1109/77, 443.2B(J)	1,000,000	851,566	64	615	4	5	—
Tomaes Bay SP							
1521/74, (M)	2,000,000	733,684 *	458	—	14	—	—
Topanga SP							
757/65, 362(A)	6,550,000	730,676 **	31	—	1	—	—
Topanga SP							
1484/74, 410.7B P	3,900,000	3,723,516	—	1,645	—	—	1
Topanga SP							
219/77, 443(P)	3,000,000	3,000,000	—	1,645	—	—	1
Torrey Pines SR							
1109/77, 443.2B(O)	2,218,750	291,098	125	12	7	1	—
Twin Lakes SP							
259/79, 508(F)	360,000	345,317	—	8	—	—	—
Wilder Ranch SP							
129/73, 350(NN)	6,350,000	86,374	3,209	950	—	—	1
Trails							
1529/74, (A)	582,000	121,577	57	—	8	5	1
744/75, (A)	300,000	296,757	—	100	—	—	—
East Bay Corridor							
945/77, (A)	—	500,000	—	—	—	—	—
East Bay Corridor							
945/77, (A)	500,000	499,296	—	—	—	—	—
Lake Tahoe Corridor							
945/77, (B)	500,000	100,000	—	—	—	—	—
Monterey Peninsula Corridor							
945/77, (C)	200,000	200,000	—	—	—	—	—
Pacific Ocean Corridor							
945/77, (D)	1,000,000	749,800	—	—	—	—	—
Totals	\$257,686,666	\$106,591,451	80,956	48,346	692	262	84

* Proposed reversion

** Proposed reversion with pending relocation costs

Bond Fund Balances

We recommend that the Department of Parks and Recreation submit to the fiscal subcommittees at the time of budget hearings, a report on the adequacy of balances to complete the acquisition of bond-financed projects. The department should also recommend reversion of any low priority projects.

The 1974 Park Bond Act provided \$90 million for state park acquisitions. The 1976 Park Bond Act provided an additional \$123 million, including \$110 million for coastal acquisition projects and \$13 million for inland acquisition projects. It is probable that there will be a substantial increase in the costs of most projects, particularly those in condemnation. This will result in an unfunded deficit amounting to several million dollars in the 1974 Park Bond Fund.

Experience has shown that condemnation and inverse condemnation awards can exceed the state's appraisal or the available appropriation by 100 percent. Because a large number of bond act projects are pending condemnation and the sufficiency of bond fund balances has not been established, we recommend that the department report to the fiscal subcommittees on (1) the status of the uncompleted bond act acquisitions, (2) pending condemnations and inverse condemnations, and (3) the adequacy of the remaining balances to complete the projects and cover the state's contingent liabilities. If necessary in order to hold costs within the limits of the bond funds, the department should also make recommendations to the fiscal committees for the reversions of any low priority projects.

Irvine Coast Ranch Leases

We recommend that the Legislature review and decide important policy and fiscal issues associated with the long-term leases at Irvine Coast Ranch.

Background. Since 1974, the Legislature has assigned a high priority to the Irvine Coast Project because it offered one of the last opportunities to acquire a large area of natural coastal property in southern California for the state park system. The Legislature increased the funding for this project from \$7.5 million to \$38.1 million in order to provide for (1) the rising cost of coastal property in southern California and (2) the payment of relocation costs for tenants who have either permanent or second residences on the property.

On December 13, 1979, the State Public Works Board approved purchase documents in the amount of \$32.6 million from various funds for the acquisition of a portion of the ranch, comprising approximately 1,898 acres. The final boundaries of the project and the negotiated price appear to be both logical and reasonable. However, a major policy issue remains: Should the state extend long-term leases to private tenants who occupy beach property at Morro Cove and Crystal Cove.

Demands for Leases. Morro Cove has 294 privately owned mobile-homes which are under a written master lease with the Irvine Company. This lease expires in December 1983. Crystal Cove has 45 beach cottages which were leased by the Irvine Company to private tenants on a month-

DEPARTMENT OF PARKS AND RECREATION—Continued

to-month verbal basis. Most of the tenants at Morro Cove and Crystal Cove are demanding 20-year leases from the Department of Parks and Recreation, and the department has been considering offering such leases to tenants at both locations in lieu of relocation payments.

The situation at Morro Cove can be distinguished from that at Crystal Cove. The Morro Cove tenants possess equity in their mobilehomes and have lease rights for three more years. This appears to qualify them for relocation assistance. It is questionable, however, whether this entitlement justifies a long-term lease in lieu of relocation assistance. On the other hand, the tenants at Crystal Cove appear to possess no equity or lease rights which would qualify them for anything more than minimal relocation assistance.

Our analysis suggests that the propriety of the state entering into 20-year leases at Morro Cove and Crystal Cove is questionable. Such action would greatly restrict public access to the best beaches on the property and to Morro Canyon, an outstanding natural area. Given the commitment of \$32.6 million of public funds to this project, this prime ocean front property should be converted to public use as soon as possible.

Need for Decisions. In order to assist the Legislature to resolve the issues at Morro Cove and Crystal Cove, the Chairman of the Joint Legislative Budget Committee has recommended that the department, with the assistance of the Department of General Services, provide (1) full information on tenant equities, existing leases, estimated relocation and moving costs, the status of sewage disposal systems, roads, drainage and seawalls and other pertinent matters, (2) an analysis of alternatives available to the state for resolving the problems at Morro Cove and Crystal Cove including comparative costs, and (3) recommended courses of action to the fiscal subcommittees at the time of budget hearings.

Design, Construction and Restoration Backlog

We recommend that legislation be enacted permitting the Department of Parks and Recreation to manage its historic restoration projects rather than contracting with the Office of the State Architect for this work.

Table 4 shows that the department had a backlog of 84 uncompleted design and construction projects with a value of approximately \$36.6 million, as of January 1, 1980. The responsibility for this backlog is divided between the department (\$29.3 million) and the State Architect (\$7.3 million). The backlog is only \$4.4 million less than what it was in January 1979. Although most of the projects are in process, project completions appear to have fallen substantially below the \$12 million-to-\$16 million range which the department attained in previous years.

Table 4
Department of Parks and Recreation Facility Design and Construction Projects Not Completed
Appropriations and Expenditures as of January 1, 1980

<i>Project</i>	<i>Description and Funding</i>	<i>Appropriation Amount</i>	<i>Balance Department</i>	<i>Status</i>	<i>Scheduled Completion</i>	<i>Transfer to State Architect</i>	<i>Balance State Architect</i>
Angel Island SP	Restoration of immigration barracks, Ch. 353/76, Item 411.1A(A), 1974 Bond Fund	\$355,500	\$20,990	Under construction	12-31-80	\$330,500	—
	Sewage system construction, Ch. 156/72, Item 318.2B 14, Bagley Fund	275,000	23,331	Under construction	1-1-81	37,719	—
Antelope Valley.....	Visitor center planning, Ch. 978/78, Re- volving Account, General Fund	50,000	50,000	Delayed	6-1-81	—	—
Bale Crist Mill SHP	Crist Mill restoration, Ch. 219/77, Item 435(A), 1974 Bond Fund	425,769	23,862	Under construction	6-15-81	379,015	—
Bethany Reservoir	Tree planting and irrigation, Ch. 375/74, Item 405(A), 1970 Bond Fund	60,000	24,274	Delayed	—	—	—
Bothe-Napa Valley SP	Campground design and construction, Ch. 219/77, Item 435(B)	724,453	93,723	Out to bid	10-15-80	618,350	574,090
Candlestick Point	Design and construction of utilities, Ch. 259/79, Item 508(J), 1976 Park Bond	1,025,000	1,025,000	Working drawings underway	12-80	—	—
	Day use area, working drawings, Ch. 259/79, Item 463(B), Bagley Fund	225,000	—	Working drawings underway	7-1-80	225,000	219,600
Castaic Lake SRA	Design and construction of camping facil., Ch. 1314/76, Item 405.5A, 1970 Bond Fund	2,000,000	1,970,000	Working drawing underway	7-81	—	—
Clear Lake SP	Sewer buy in charge, Ch. 219/77, Item 400(H), Revolving Account, General Fund	20,000	20,000	Augmentation required	8-80	—	—
Colonel Allensworth	Restoration and development, Ch. 176/ 75, Item 387.4(E), 1974 Bond Fund	300,000	26,440	Under construction	6-80	172,559	—

DEPARTMENT OF PARKS AND RECREATION—Continued

Table 4
Department of Parks and Recreation Facility Design and Construction Projects Not Completed
Appropriations and Expenditures as of January 1, 1980—Continued

<i>Project</i>	<i>Description and Funding</i>	<i>Appropriation Amount</i>	<i>Balance Department</i>	<i>Status</i>	<i>Scheduled Completion</i>	<i>Transfer to State Architect</i>	<i>Balance State Architect</i>
	Restoration, Ch. 320/76, Item 411(V), 1974 Bond Fund	250,000	14,836	Under construction	5-81	176,226	—
	Restoration, Ch. 835/77, Item Sec. 1, Re- volving Account, General Fund	460,000	178,833	Under construction	5-81	261,014	—
Columbia SHP	Fallon Theater—working drawings and research, Ch. 219/77, Item 435(D), 1974 Bond Fund	129,000	—	Working drawings underway	8-80	123,863	81,807
	Fallon Theater—research and working drawings, Ch. 219/77, Item 435(R), 1974 Bond Fund	78,000	—	Working drawings underway	8-80	63,028	63,028
Emma Wood SB	Camping and day use construction, Ch. 219/77, Item 428(A), 1964 Bond Fund	135,250	—	Delayed	11-80	135,250	135,250
	Camping and day use construction, Ch. 219/77, Item 435(E), 1974 Bond Fund	644,977	55,092	Delayed	11-80	567,108	567,108
Empire Mine SHP	Working drawings and construction, Ch. 359/78, Item 512(A), 1976 Bond Fund	639,100	229,800	Under construction	12-80	409,300	45,456
Folsom Lake SRA	American River Parkway design and construction, Ch. 1258/78, Item 512E(A), 1976 Bond Fund	1,550,000	1,550,000	Working drawings underway	6-81	—	—
Fort Ross SHP	Kuskov House restoration, Ch. 219/77, Item 435(G), 1974 Bond Fund	587,100	21,063	Under construction	5-82	557,100	—
Hearst San Simeon SHP	Restoration, Ch. 219/77, Item 399(A), General Fund	399,000	10,671	Under construction	1-80	358,930	—
	Security fencing, Ch. 219/77, Item 399(B), General Fund	111,000	—	Under construction	7-80	111,000	—
	Restoration, Ch. 259/79, Item 461.5(A), General Fund	450,000	50,000	Under construction	11-80	400,000	—

Hollister Hills SVR	Erosion control, Ch. 359/78, Item 461 (A), Off Highway Fund	229,220	26,348	Under construction	1-80	—	—
Hollister Hills SVR	Design and construction, Ch. 359/78, Item 461 (B), Off Highway Fund	378,300	317,050	Working drawings underway	4-82	33,600	33,600
Huntington SB.....	Phase II, working drawings, Ch. 359/78, Item 512 (C), 1976, Bond Fund	317,550	317,550	Delayed	3-81	—	—
	Day use, working drawings, Ch. 219/77, Item 402 (D), Collier Fund	260,040	205,244	Delayed	3-81	53,600	53,600
Kings Beach SRA	Planning and development, Ch. 448/78, Bagley Fund	250,000	—	Planning underway	11-82	—	—
Lake Elsinore SRA	Plans, dredging, and water supply facilities, Ch. 1066/76, Item Sec. 1 (B), Revolving Account, General Fund	200,000	200,000	Water study by DWR underway	7-1-84	—	—
	Water study and pumping costs, Ch. 1066/76, Item Sec. 2B, Revolving Account, General Fund	520,000	235,000	Stopped	4-6-81	—	—
	Water study augmentation, Ch. 1066/76, Item Sec. 1 (A), Revolving Account, General Fund	300,000	300,000	Stopped	6-30-80	—	—
Lake Oroville SRA	Off highway vehicle development, Ch. 1379/76, Item Sec. 2A, Off Highway Fund	125,000	29,217	—	4-80	—	—
	Lime saddle day use construction, Ch. 219/77, Item 433 (A), 1970 Bond Fund	765,819	101,048	Stopped	—	—	—
Lario Trail	Lario Trail development, Ch. 359/78, Item 512 (O), 1976 Bond Fund	1,000,000	—	Under construction	5-80	—	—
Malibu Creek SP	Phase I, day use area construction, Ch. 359/78, Item 512 (D), 1976 Bond Act	1,189,600	1,189,600	Waiting, coastal permit	8-81	—	—
Malibu Lagoon SB	Lagoon restoration, working drawings, Ch. 259/79, Item 500 (C), 1974 Bond Fund	74,104	74,104	Delayed	8-80	—	—

DEPARTMENT OF PARKS AND RECREATION—Continued

Table 4
Department of Parks and Recreation Facility Design and Construction Projects Not Completed
Appropriations and Expenditures as of January 1, 1980—Continued

<i>Project</i>	<i>Description and Funding</i>	<i>Appropriation Amount</i>	<i>Balance Department</i>	<i>Status</i>	<i>Scheduled Completion</i>	<i>Transfer to State Architect</i>	<i>Balance State Architect</i>
McGrath SB	Sewage system construction, Ch. 219/77, Item 402(G), Collier Fund	347,200	138,500	Waiting, sewer agreement	7-80	208,700	192,616
Mendocino Headlands	Day use, construction and interpretive facilities, Ch. 320/76, Item 411(E), 1974 Bond Fund	381,675	7,193	Items to complete underway	9-1-80	367,275	4,392
Millerton Lake SRA	Service road construction, Ch. 646/75, Item, Bagley Fund	200,000	—	Construction underway	11-80	—	—
Monterey SHP	Cooper-Molera adobe restoration, Ch. 359/78, Item 503(D), 1974 Bond Fund	1,327,937	132,881	Under construction	3-82	1,195,056	1,195,056
Mount Tamalpais SP	Steep Ravine—Hostel development, Ch. 1440/76, Item 502(B), Bagley Fund	50,000	50,000	Delayed	8-80	—	—
New Brighton SB	Sewage collection system, Ch. 320/76, Item 411(H), 1974 Bond Fund	159,900	16,294	Under construction	5-1-80	143,606	12,000
Old Sacramento SHP	Fence construction and rail relocation, Ch. 320/76, Item 403(C), 1964 Bond Fund	75,000	16,255	Revert	—	—	—
	Big Four Building interior reconstruc- tion, Ch. 176/75, Item 387.4(J), 1974 Bond Fund	1,093,488	120,094	Exhibits underway	4-80	864,109	29,878
Old Sacramento SHP	Railroad museum working drawings and construction, Ch. 219/77, Item 435(J), 1974 Bond Fund	8,373,613	105,596	Under construction	8-80	7,285,937	—
	49er Scene, working drawings, Fund 30, Ch. 359/78, Item 503(E), 1974 Bond Fund	162,500	140,500	Working drawings underway	7-80	22,000	4,800

	Railroad museum—exhibits and rolling stock restoration, Ch. 259/79, Item 500(F), 1974 Bond Fund	581,000	581,000	Under construction	1-81	—	—
Old Town San Diego	Plaza restoration, Ch. 359/78, Item 503(F), 1974 Bond Fund	653,848	584,300	Working drawing underway	8-81	57,200	57,200
Otterbein SRA	Urban Park development, Ch. 219/77, Item 443(O), 1976 Bond Fund	2,500,000	—	Under construction	2-80	—	—
Plumas-Eureka SP	Stamp Mill restoration, Ch. 359/78, Item 503(I), 1974 Bond Fund	209,150	7,000	Under construction	10-80	197,150	—
Point Mugu SP	Camping and day use working drawings, Ch. 219/77, Item 435(P), 1974 Bond Fund	200,000	140,287	Stopped	11-80	54,150	51,134
	Camping and day use construction, Ch. 359/78, Item 503(J), 1974 Bond Fund	3,165,772	3,033,589	Stopped	11-81	—	—
Ritter Canyon SRA	Day use development, Ch. 375/74, Item 405(F), 1970 Bond Fund	3,874,205	3,491,437	Underway	10-82	204,000	13,049
Saddleback Butte SP	Facility improvements, Ch. 219/77, Item 402(K), Collier Fund	353,500	8,677	Complete	—	344,800	55,152
Salt Point SP	Campground and day use construction, Ch. 359/78, Item 498(B), 1964 Bond Fund	1,397,000	992,590	Working drawings underway	1-81	173,500	83,910
	Campground and day use construction, Ch. 359/78, Item 503(K), 1974 Bond Fund	1,266,200	1,233,200	Working drawings underway	1-81	—	—
Samuel P. Taylor SP	Cross Marin Trail—state portion, Ch. 320/76, Item 411(S), 1974 Bond Fund	235,000	226,500	Delayed	7-81	8,500	8,500
San Buenaventura SB	Pier area improvements, Ch. 259/79, Item 500(E), 1974 Bond Fund	595,000	73,740	Under construction	10-80	521,260	—
	Pier Area improvements, Ch. 901/75, Bagley Fund	528,000	17,960	Under construction	10-80	510,040	—
San Joaquin Valley	San Joaquin Valley Agricultural Museum, Ch. 947/77, Revolving Account, General Fund	3,000,000	3,000,000	Pending local agreements	5-84	—	—
San Juan Bautista	Plaza Hotel—restoration, Ch. 359/78, Item 503(L), 1974 Bond Fund	1,125,175	29,824	Under construction	5-81	1,050,175	—

DEPARTMENT OF PARKS AND RECREATION—Continued

Table 4
Department of Parks and Recreation Facility Design and Construction Projects Not Completed
Appropriations and Expenditures as of January 1, 1980—Continued

<i>Project</i>	<i>Description and Funding</i>	<i>Appropriation Amount</i>	<i>Balance Department</i>	<i>Status</i>	<i>Scheduled Completion</i>	<i>Transfer to State Architect</i>	<i>Balance State Architect</i>
San Onofre SB.....	Day use and camping construction, Ch. 219/77, Item 428(C), 1964 Bond Fund	940,450	1,210*	Stopped	—	936,250	936,250
	Water system buy-in charge, Ch. 359/78, Item 498(C), 1964 Bond Fund	100,000	100,000	Stopped	—	—	—
San Onofre SB.....	Sewage system design and hook-up fees, Ch. 176/75, Item 387.4(C), 1974 Bond Fund	838,300	787,300*	Stopped	—	50,500	50,500
	Sewage export system—working drawings, Ch. 320/76, Item 411(N), 1974 Bond Fund	454,764	58,900*	Stopped	—	395,864	395,864
	Day use, overnight, admin. facilities—bal. of funding, Ch. 219/77, Item 435(M), 1974 Bond Fund	2,646,620	324,247	Stopped	—	2,273,810	2,273,810
San Pasqual Battlefield	Visitor center working drawings, Ch. 977/78, Item Sec. 1, Revolving Account, General Fund	150,000	150,000	Delayed	—	—	—
Seacliff SB.....	Day use—design and construction, Ch. 219/77, Item 401(B), Bagley Fund	619,457	17,525	Under construction	7-80	601,932	—
Secombe Park	Urban park, general plan development, Ch. 1085/79, Item 495.58(B), 1964 Bond Fund	100,000	100,000	General plan underway	9-80	—	—
	Day use and campground construction, Ch. 375/74, Item 405(H), 1970 Bond Fund	448,832	—	Complete	—	415,600	1,757
Silverwood Lake SRA	Bicycle trails and trails, Ch. 176/75, Item 383(A), 1970 Bond Fund	450,000	10,000	Complete	—	—	—
	Campground and access road, working drawings, Ch. 219/77, Item 433(B), 1970 Bond Fund	1,121,390	146,297	Out to bid	2-81	57,900	12,990

Silverwood Lake SRA	Water system and sewage system, construction, Ch. 359/78, Item 501(A), 1970 Bond Fund	157,250	15,000	Out to bid	7-80	142,250	137,421
Simon Roddia Park, Watts Towers.....	Restoration, Ch. 212/76, Item 387.16(A), 1974 Bond Fund	207,000	15,200	Under construction insufficient funds	3-80	159,283	—
Sonoma SHP	Sonoma barracks restoration, Ch. 176/75, Item 387.4(L), 1974 Bond Fund	967,662	24,378	Under construction	7-80	572,500	10,332
South County Park.....	Day use acquisition and development, Ch. 1325/76, Item 403.1A, 1964 Bond Fund	766,886	766,886	Stopped	—	—	—
Topanga SP	Trails, construction and working drawings, Ch. 219/77, Item 435(Q), 1974 Bond Fund	750,000	711,494*	Stopped	—	36,900	36,900
Woodland Opera House	Restoration, Ch. 259/79, Item 500(D), 1974 Bond Fund	550,000	550,000	Working drawings underway	8-81	—	—
	Restoration, Ch. 392/79, 1974 Bond Fund	280,000	280,000	Working drawings underway	8-81	—	—
John Marsh Home	Restoration, Ch. 1339/78, Item Sec. 1, Collier Fund	1,500,000	1,500,000	Planning underway	6-82	—	—
Trails	Development, Ch. 1529/74, Item (B); Hostels Facilities Account, General Fund	100,000	99,307	Stopped	—	—	—
	Statewide Trails—Ventura and Santa Barbara counties, Ch. 320/76, Item 411 (R), 1974 Bond Fund	340,533	277,477	Delayed	4-81	—	—
	Old Sacramento/Folsom Trail—development, Ch. 320/76, Item Sec. 19.3, Hostels Facilities Account, General Fund	550,000	180,487	Delayed	6-81	—	—
Hostels.....	Hostel facilities—Montara, Pigeon Point and Santa Cruz, Ch. 1440/76, Bagley Fund	925,000	925,000	Stopped	—	—	—
Totals		\$63,323,089	\$29,253,651	—	—	\$23,863,409	\$7,337,050
Grand Total—Uncompleted design and construction projects							<u>\$36,590,701</u>

DEPARTMENT OF PARKS AND RECREATION—Continued

Problems and Delays. Examination of the backlog reveals that some projects, such as Candlestick State Park in San Francisco (\$1.2 million), are being expedited but many others (some of which have been funded for three to six years), are moving slowly or are stalled because of serious problems. These problems range from difficulties in securing coastal permits and agreements with local agencies, to difficulties in developing needed water supplies and means to dispose of sewage. Projects which have been moving slowly or are stalled are (2) Colonel Allensworth State Park—\$1 million, (2) Emma Wood State Beach—\$800,000, (3) Huntington State Beach—\$578,000, (5) Malibu Creek State Park—\$1.2 million, (6) Cooper Molera Adobe—\$1.3 million, (7) Point Mugu State Park—\$3.2 million, (8) Ritter Canyon State Recreation Area—\$3.9 million, (9) San Joaquin Museum—\$3 million, (10) Salt Point State Park—\$2.7 million and (11) San Onofre State Beach—\$5 million.

Increased Costs. Delays have increased the costs of most design and construction projects because of escalating construction costs. To pay the increased costs, large augmentations have had to be made by either the Legislature or the Public Works Board. In other cases, the higher costs have been accommodated by down-scoping or eliminating projects.

Joint Action Plan Needed. The delays are largely due to a lack of aggressive project management and poor coordination between the department, the State Architect and other agencies such as the Regional Coastal Commissions. Clearly, the department should improve its project management controls and the State Architect should expand the use of private architects and engineers to get the work done. The department and the State Architect should jointly give greater attention to anticipating the numerous design, environmental and permit problems which accompany complex projects.

Responsibility for Historic Restoration Projects. Existing law provides that all state park system major capital outlay construction and restoration projects shall be managed by the State Architect on behalf of the Department of Parks and Recreation. Since the passage of the 1974 Park Bond Act, the Department of Parks and Recreation has contracted with the State Architect for approximately \$9 million of historic restoration projects. A backlog of 12 projects, totaling about \$5 million, existing on January 1, 1980. Some of the projects, such as the Ford House at Mendocino, Sonoma Barracks, and Hearst Castle at San Simeon, have made reasonable progress, but other projects such as the Angel Island Immigration Barracks, the Bale Grist Mill, Colonel Allensworth State Park, Cooper Molera Adobe, Empire Mine, Fallon Hotel and Theatre, Fort Ross, Old Town San Diego Plaza Hotel, and Woodland Opera House, have been moving slowly or have been stalled for some time.

Coordination Problems. In recent years the State Architect has encountered extreme difficulties in keeping more than two or three projects going at one time because of problems in finding and retaining skilled and unskilled workers to do the painstaking restoration work. The State Architect has also been short of project supervisors. Coordination problems between the architects, historians, and interpretive specialists in the de-

partment and the project supervisors in the Office of the State Architect have also contributed to delays, loss of continuity, and increased costs.

Direct Management Needed. Legislation is needed to permit the department to directly manage its restoration projects rather than have to contract with the State Architect for this work. There appears to be no advantage gained by assigning this work to the State Architect. Direct management by the department should greatly improve coordination and control of the projects by the department's architects, historians and interpretive specialists.

Interpretive Development

We recommend a reduction of \$335,544 (10 personnel-years) in Item 256 for interpretive work.

The department's budget request includes \$3,072,468 (93.3 personnel-years for interpretation of natural, historical and recreational resources in the state park system. This is a reduction of \$1,485,057 (48.3 personnel-years) from the estimated current year expenditure. The reduction is made possible by the completion of several state and federally funded interpretive projects in the current and budget years. We recommend that an additional reduction of \$335,544 (10 personnel-years) be made in the day-labor force which constructs interpretive exhibits because several historic restoration projects have been delayed, as discussed above, and will not be ready for construction during the budget year.

MANAGEMENT AND ADMINISTRATION (Items 256-261)

Departmental administration is the responsibility of the director, his staff and the Administrative Services Division. The budget includes \$7,144,609 for this program, an increase of \$233,488, or 3.2 percent, over the current year. This increase is for 9 positions in capital outlay program control and other functions such as management analysis, accounting, personnel and business services. All costs of management and administrative services are distributed to the department's programs.

Administration Staffing

We recommend a reduction of \$233,488 (9 personnel-years) in Item 256 for department management and administration because of insufficient justification for such increased expenditures.

The department proposes an increase of \$233,488 and 9 new positions in the management and administration program. We recommend denial of this request because the department has provided no information which can be used to evaluate the need for the new positions. If the department needs additional positions in this area, it should provide details showing increases in workload or new program requirements.

Professional and Consulting Services

We recommend deletion of \$1,215,508 in Item 256 for professional and consulting services because of insufficient justification.

Included in the department's budget is \$1,215,508 for professional and consulting services contracts. We recommend denial of this request because the department has provided no details to justify this expenditure.

DEPARTMENT OF PARKS AND RECREATION—Continued

The department appears to be requesting an amount which is slightly higher than its current year expenditures. This is not sufficient justification. If the department needs funds in the budget year for this category of expenditure, it should provide details as to what professional and consulting services are required and estimated costs.

**Department of Parks and Recreation
CALIFORNIA EXPOSITION AND STATE FAIR**

Items 262-263 from the General
Fund

Budget p. R 157

Requested 1980-81	\$8,124,381
Estimated 1979-80.....	7,913,287
Actual 1978-79	6,909,007
Requested increase (excluding amount for salary increases) \$211,094 (+2.7 percent)	
Total recommended reduction	Pending

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
262	Support	General	\$3,476,673
263	Appropriation of Revenues	General	4,647,708
	Total		\$8,124,381

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Revenue Shortages. Recommend that Cal-Expo provide a detailed, revised analysis of anticipated revenues and expenditures at budget hearings because of prospective revenue shortages. 593

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 Cal-Expo, as it is popularly known.

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 the Budget Act of 1978, a task force has been appointed to formulate a long-range plan for Cal-Expo. The Master Plan will be presented to the Legislature in April 1980.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations in Items 262 and 263 totaling \$8,124,381 from the General Fund for support of Cal-Expo in 1980-81, which is an increase of \$211,094, or 2.7 percent, over estimated current-year expenditures. The budget also reflects a continuous appropriation of \$265,000 from the Fair and Exposition Fund for support of Cal-Expo.

Item 262 appropriates an amount equal to the difference between operating or earned revenues at Cal-Expo and total budgeted costs. For 1980-81, the budget proposes \$3,476,673 from the General Fund, which is an increase of \$431,755, or 14.1 percent, over the current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The increase consists of: (a) \$320,755 for price increases and restoration of position reductions made on a one-time basis pursuant to Control Section 27.2 of the 1979 Budget Act, and (b) \$111,000 to offset the anticipated revenue loss from termination of the harness race contract (discussed in a later section).

Item 263 appropriates actual operating revenues. The Budget Act of 1979 appropriated \$4,305,508 in anticipated operating revenues. This amount was subsequently increased by an allocation of \$253,420 for employee compensation and \$23,440 for unemployment insurance, resulting in a revised appropriation of \$4,582,368. The 1980-81 budget proposes operating revenue in the amount of \$4,647,708 which is \$65,240, or 1.4 percent, above the revised current-year revenue estimate. The amount of revenue in the budget year does not increase significantly because of the anticipated revenue loss resulting from termination of the harness race contract.

Harness Race Contract

We withhold recommendation on the proposed budget for Cal-Expo and recommend that Cal-Expo provide a revised, detailed analysis of revenues and expenditures at the time of budget hearings.

The estimated and projected operating revenues available for support of Cal-Expo are currently in a state of flux, primarily as a result of uncertainty regarding the status of the harness race contract.

One concessionaire (Lloyd Arnold) has been operating the Golden Bear Raceway program (harness race meet) and food concessions at Cal-Expo's race track for the past several years. The racing schedule typically runs from May to June and from July to August. This racing contract expired on December 31, 1979. A new contract that will cover both the harness meet and food concessions is being negotiated.

Current-Year Revenues. Lloyd Arnold currently owes Cal-Expo \$357,000 on past harness meets and food concession operations, consisting of \$172,000 in 1978-79 and \$185,000 in 1979-80. If this debt is not paid,

CALIFORNIA EXPOSITION AND STATE FAIR—Continued

Cal-Expo's 1979-80 revenues will be \$185,000 less than the \$4,767,368 shown in the budget. In addition, Cal-Expo anticipates an additional revenue loss of \$132,000 if the racing contract is not extended. Cal-Expo proposes to offset this loss from the following two revenue sources: (a) \$60,000 from alternate special events in the grandstand area and (b) \$72,000 from an Emergency Fund allocation. The proposed Emergency Fund allocation would, in effect, increase General Fund support for Cal-Expo by \$72,000. Because the grandstand events have not yet been determined, the \$60,000 may not be realized. In addition, the Department of Finance has not yet allocated the \$72,000. Table 1 summarizes the effect of projected revenue losses and adjustments to total operating revenues estimated to be available in the current year.

Table 1
Estimated Current-Year
Operating Revenues for Cal-Expo

	<i>Adjustment</i>	<i>Total</i>
Baseline Revenue Estimate		\$4,582,368
Adjustments:		
1. Loss resulting from July-August 1979 meet	\$ -185,000	
2. Loss resulting from May-June 1980 meet	-132,000	
3. Anticipated revenues from grandstand events	+60,000	
Total Adjustments.....		-257,000 ^a
Estimated 1979-80 Operating Revenues.....		\$4,325,368

^a Cal-Expo proposes an Emergency Fund allocation of \$72,000 to the current year Item 237 to offset a portion of the revenue loss.

Budget-Year Revenues. Because the new harness race contract has not been negotiated, the impact of the contract on the budget is unknown. It is possible that a contract will not be signed and that Cal-Expo will lose spring racing revenues. If a contract is signed, revenues received by Cal-Expo may be less than under the previous contract.

The budget is based on the assumption that a new contract will not be signed. As a result, the amount of operating revenues proposed in the budget year reflects a revenue loss of \$243,000 resulting from failure to hold the July-August 1980 and May-June 1981 meets. The budget proposes to offset this anticipated revenue loss from the following sources: (a) a General Fund augmentation of \$111,000 to Item 262, and (b) increase in revenues of \$132,000 resulting from unspecified events. Table 2 identifies the projected revenue losses and adjustments to total operating revenues proposed to be available in the budget year. We believe that the replacement of revenues from one event with projected revenues from a second, unknown event is not good budgeting procedure.

Table 2
Proposed Budget-Year
Operating Revenues for Cal-Expo

	<i>Adjustment</i>	<i>Total</i>
Baseline Revenue Estimate		\$4,758,708
Adjustments:		
1. Loss resulting from July-August 1980 and May-June 1981 meets..	\$ -243,000	
2. New revenues from unspecified events.....	<u>+ 132,000</u>	
Total Adjustments.....		<u>- 111,000 ^a</u>
Proposed 1980-81 Operating Revenues		\$4,647,708

^a Item 262 proposes a General Fund increase to offset this revenue reduction.

Summary. Because of prospective revenue shortages resulting from the harness meet, Cal-Expo's current-year budget may be underfunded by as much as \$317,000, including \$185,000 from the July-August 1979 meet and \$132,000 from the May-June 1980 meet. In addition, the budget may be underfunded by as much as \$243,000 in 1980-81 as a result of discontinuation of the 1980-81 racing season.

General Fund budget augmentations of \$72,000 in the current year and \$110,000 in the budget year indicate that Cal-Expo's management does not limit operating costs to the amount of revenues estimated to be received. The loss of revenues in the current and budget years has not resulted in any expenditure reductions. Instead, Cal-Expo assumes that revenue increases will be available from unidentified sources and also proposes an increase in its already-large General Fund subsidy.

Because of the uncertainty regarding the status of the harness meet contract and the level of projected operating revenues, we withhold recommendation on the proposed budget for Cal-Expo. If the spring harness meet does not occur, we will recommend a reduction in operating expenditures at the time of the budget hearings. Revisions to the budget can be better evaluated after the terms of the contract are known. Thus, we also recommend that Cal-Expo provide a revised, detailed analysis of revenues and expenditures at the time of the budget hearings.

State Fair Advertising

In the current year, the Department of Finance authorized an allocation of \$52,366 from the Emergency Fund for expenditures already incurred by Cal-Expo to increase advertising for the 1979 State Fair. The Emergency Fund allocation is an increase in General Fund support for Cal-Expo. The department should have identified the need for additional advertising and included the funds in its 1979-80 budget.

The budget proposes to transfer \$59,500 allocated in the previous year for the costs of two interim events, the Holiday Fair and Jazz Festival, to support a new advertising contract for the 1980 State Fair. Cal-Expo bases the transfer of funds on two assumptions. The first is that the new advertising contract will generate additional State Fair revenues by attracting more people to the fair. The second assumption is that additional revenues from the State Fair will offset any revenue losses resulting from withdrawal of state sponsorship for the two interim events. In 1979-80, revenues

CALIFORNIA EXPOSITION AND STATE FAIR—Continued

from these events totaled approximately \$43,000. If the advertising program is not successful in increasing attendance at the State Fair and a new sponsor is not found for the Holiday Fair and the Jazz Festival, the proposed funding switch will result in a loss of \$43,000. The department should also be prepared to justify the proposed increases for advertising expenditures at the time of the budget hearings.

Master Plan Task Force

Pursuant to the provisions of Chapter 219, Statutes of 1977, Cal Expo's budget has appropriated a total of \$240,000 for the 1978-79 and 1979-80 fiscal years to prepare a program and facilities master plan for the future of the California Exposition and State Fair. The funds have been used primarily to retain a consulting firm for preparation of the plan. Because work on the plan will be completed by the end of the current year, no expenditures are proposed in the budget year. The Master Plan is scheduled for presentation to the Legislature in April 1980.

Budget and Accounting Task Force

In the 1979 *Analysis*, we identified several budget errors and technical problems in the proposed 1979 Governor's Budget. We recommended that improved budget controls be developed jointly by Cal-Expo, the Department of Finance, the Auditor General, and the Legislative Analyst. During the current year, the task force held one meeting and resolved several technical problems. The task force did not meet again because Cal-Expo was unable to prepare working papers on a timely basis. We anticipate that the remaining work will be completed before preparation of the 1981-82 budget.

Resources Agency**SANTA MONICA MOUNTAINS CONSERVANCY**

Item 264 from the General
Fund, and Item 265 from the
Santa Monica Mountains Con-
servancy Fund

Budget p. R 160

Requested 1980-81	\$281,730
Estimated 1979-80.....	100,000
Requested increase (excluding amount for salary increases) \$181,730 (+181.7 percent)	
Total recommended reduction	None

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
264	Support	General	\$281,730
265	Reappropriation of Support Funds	Santa Monica Mountains Conservancy	(281,730)
Total			\$281,730

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Simplified Appropriation. Recommend direct appropriation of \$281,730 from the General Fund and deletion of Item 265. 599

GENERAL PROGRAM STATEMENT

Chapter 1087, Statutes of 1979, established the Santa Monica Mountains Conservancy, effective January 1, 1980, with responsibility for implementing the land acquisition program prepared by its predecessor, the Santa Monica Mountains Comprehensive Planning Commission.

The conservancy is authorized to purchase lands and provide grants to state and local agencies to further the purposes of the federal Santa Monica National Recreation Area and the Santa Monica Mountains Comprehensive Plan. Specifically, the conservancy is authorized to: (1) acquire and consolidate subdivided land, (2) create buffer zones surrounding federal and state park sites, and (3) restore natural resource areas in a manner similar to the State Coastal Conservancy.

The conservancy consists of a six-member board of state agency representatives and a twelve-member advisory committee representing local agencies in the Santa Monica Mountains. Public members are also appointed to both bodies.

Unless extended by the Legislature, the Santa Monica Mountains Conservancy will terminate on January 1, 1984.

ANALYSIS AND RECOMMENDATIONS

Chapter 1087, Statutes of 1979, established the Santa Monica Mountains Conservancy and appropriated \$100,000 from the General Fund to the Conservancy for support of its activities during the period of January 1 to June 30, 1980.

The Conservancy is a program agency. It is the successor to the Santa Monica Mountains Comprehensive Planning Commission which had only planning responsibility. The history of the funding transition from one agency to the other is shown in Table 1.

The Santa Monica Mountains Conservancy has allocated the \$100,000 in the current year for personal services and operating expenses associated with start-up costs. The budget proposes an appropriation of \$281,730 from the General Fund to the Santa Monica Conservancy Fund in 1980-81. The funds are then proposed to be appropriated out of that fund for support of the Conservancy. Of this amount, \$188,230 would be used to fund seven positions, and \$93,500 would be used for operating expenses. The total amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

For the duration of the current year and the budget year, the Conservancy will be formulating its fee and less-than-fee acquisition program. It will also be working with the National Park Service to detail the Conservancy's acquisition program within the federal National Recreation Area. These activities are appropriate ones for the Conservancy to undertake in its first year.

SANTA MONICA MOUNTAINS CONSERVANCY—Continued

Table 1
Santa Monica Mountains
Comprehensive Planning Commission and Conservancy
History of Funding

<i>Funding Source and Purpose</i>	<i>Authority</i>	<i>Actual 1978-79</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>
General Fund for support of Santa Monica Mountains Comprehensive Planning Commission	Chapter 230, Statutes of 1978	\$150,000	—	—
Environmental License Plate Fund for support of Santa Monica Comprehensive Planning Commission	Item 197.5 Budget Act of 1979	—	\$84,000 (Sept.-Jan.)	—
General Fund to Santa Monica Mountains Conservancy Fund for support of Santa Monica Mountains Conservancy	Chapter 1087, Statutes of 1979	—	\$100,000 (Jan.-June)	—
General Fund to Santa Monica Mountains Conservancy Fund for support of Santa Monica Mountains Conservancy	Items 264 and 265, Budget Bill of 1980	—	—	\$281,730
Totals		\$150,000	\$184,000	\$281,730

The State Department of Parks and Recreation has begun preacquisition work on several high priority state park system acquisitions which were identified in the Santa Monica Mountains Comprehensive Plan, and which have been funded by the Legislature. Before acquisition by the Department of Parks and Recreation, the Conservancy must submit a grant request to the federal government for reimbursement of state acquisition costs, as provided by the National Parks and Recreation Act of 1978 and by Chapter 1085, Statutes of 1979.

Beginning January 1, 1981, the conservancy will present an annual report to the Legislature and Governor detailing those projects undertaken and proposed for funding. Specific project plans are required by the enabling legislation before a request for a state appropriation to carry out the plan can be submitted to the Legislature.

Joint Jurisdiction

Until certification of a local coastal program (LCP) pursuant to the California Coastal Act of 1976, the State Coastal Conservancy has primary jurisdiction in the coastal zone portion of the Santa Monica Mountains. However, projects can be undertaken by the Santa Monica Mountains Conservancy within the coastal zone if agreed to by the Coastal Conservancy, or if the project boundaries are in both the coastal zone and the Santa Monica Mountains. After LCP certification, the Coastal Conservancy's jurisdiction is restricted to the land area between the first public road and the ocean. Due to the current status of LCPs in the mountains area, the Mountain's Conservancy will probably not attain primary jurisdiction until the 1981-82 budget year, or later.

Both agencies are authorized to award grants for consolidating subdivided lands. Currently, the Coastal Conservancy is undertaking two such

projects in the coastal zone portion of the Santa Monica Mountains in cooperation with local governments. There is the potential for inconsistent application of lot consolidation standards to occur because of this joint jurisdiction.

Simplification of Appropriations

We recommend a direct appropriation of \$281,730 from the General Fund for support of the Santa Monica Mountains Conservancy and deletion of Item 265.

The Budget Bill contains an appropriation by Item 264 to provide \$281,730 for support of the Santa Monica Mountains Conservancy to be deposited in the Santa Monica Mountains Conservancy Fund. Because this special fund is not continuously appropriated for support purposes, another item (Budget Item 265) is necessary to appropriate the \$281,730 from the Santa Monica Mountains Conservancy Fund in order that the money can be expended by the Conservancy.

This process is unnecessarily complex. It also permits any unexpended balance of the appropriation to remain in the special fund rather than revert to the General Fund from which it came. Chapter 1087 requires only that federal funds pass through the special fund; it is silent on state support funds.

We recommend a direct appropriation of \$281,730 from the General Fund for support of the Conservancy because it is a simpler and preferable budgetary procedure. If this is done, the further appropriation made by Item 265 can be deleted because it would be unnecessary.

Resources Agency

**SAN FRANCISCO BAY CONSERVATION
AND DEVELOPMENT COMMISSION**

Items 266-267 from the General
Fund

Budget p. R 162

Requested 1980-81	\$743,683
Estimated 1979-80.....	689,677
Actual 1978-79	654,658
Requested increase (excluding amount for salary increases) \$54,006 (+7.8 percent)	
Total recommended reduction	\$35,134

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
266	Support	General	\$720,683
267	Legislative Mandates	General	23,000
	Total		\$743,683

**SAN FRANCISCO BAY CONSERVATION
AND DEVELOPMENT COMMISSION—Continued**

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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- | | |
|--|-----|
| 1. <i>General Fund Overbudgeted. Reduce Item 266 by \$35,134.</i> | 601 |
| Recommend reduction because expenditures are overbudgeted. | |
| 2. <i>Legislative Mandates. Recommend deletion of control language in Item 267 because it is no longer needed.</i> | 601 |

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 and updating the San Francisco Bay Plan.

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 supervise preparation of a local protection program (LPP) by Solano County and five other participating local agencies, and regulate major land use projects within 89,000 acres of the Suisun Marsh.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$743,683 from the General Fund for commission activities in 1980-81, which is an increase of \$54,006, or 7.8 percent, above the estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. Total program expenditures, including reimbursements, are projected at \$1,112,200, which is \$14,965, or 1.3 percent, less than estimated current year expenditures. Of this amount, \$720,683 is for support of the commission, \$23,000 is for legislative mandates, and \$368,517 is received as reimbursements from the U.S. Office of Coastal Zone Management through the Coastal Commission.

In the current year, BCDC administratively established one professional position to analyze energy-related permits, plans, and environmental documents in response to new energy-related planning requirements enacted by the state and federal governments. The position is partially funded by a federal Coastal Energy Impact Program (CEIP) grant. Because of this federal grant, the personal services reduction of 1.1 personnel-years in the 1979-80 Governor's Budget was not realized. The commission proposes to continue the position in the budget year on a permanent basis. Expenditure increases for this position are offset by a

decrease in program costs due to completion in the current year of work mandated by the Suisun Marsh Preservation Act of 1977.

General Fund Overbudgeted

We recommend a reduction of \$35,134 because of overbudgeted expenditures.

The \$58,517 reimbursement budgeted for the CEIP position is incorrectly shown as an operating expense under facilities operations. Consequently, the personal services costs of the grant are included in the budget twice—once in personal services and again in operating expenses. We calculate that the General Fund is overbudgeted by approximately \$35,134, based on the federal match of 80 percent of the personal services costs. Therefore, we recommend a reduction in General Fund support of \$35,134. Our office will continue to work with the Department of Finance and BCDC to determine the precise amount. If a revised figure is appropriate, we will present it at the time of budget hearings.

Legislative Mandates

We recommend deletion of control language in Item 267 because there will be no federal funds to be controlled in the budget year.

The budget requests \$23,000 from the General Fund to reimburse the Suisun Resource Conservation District for state mandated costs incurred pursuant to the Suisun Marsh Act. These funds would be disbursed by the State Controller. This amount is \$13,200 higher than the current year appropriation of \$9,800. It would fund additional work deemed necessary to adequately complete the district's component of the Local Protection Program (LPP), as required by the act.

All of the planning work eligible for federal funding will terminate at the end of the current year. Therefore, BCDC proposes to fund the district's remaining planning work from state funds. Consequently, the following control language will no longer be necessary:

“ . . . provided further, that none of the funds appropriated by this item may be approved for disbursement to any local entity unless the San Francisco Bay Conservation and Development Commission has first determined that federal funds from the Coastal Zone Management Act are not available.”

Resources Agency
DEPARTMENT OF WATER RESOURCES

Item 268 from the General
 Fund, and Items 269-270 from
 special funds

Budget p. R 165

Requested 1980-81	\$27,246,400
Estimated 1979-80	21,634,900
Actual 1978-79	20,368,424
Requested increase (excluding amount for salary increases) \$5,611,500 (+25.9 percent)	
Total recommended reduction	3,684,500
Total recommended Transfer to Item 48	\$1,000,000

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
268	Support	General	\$24,002,200
269	Environmental Projects	California Environmental License Plate	259,700
270	Department of Water Resources	Energy and Resources	2,984,500
	Total		\$27,246,400

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. *Thermalito Hydroelectric Project. Reduce Item 268 by \$500,000.* Recommend elimination of General Fund support for studies associated with a new Thermalito hydroelectric project. 605
2. *Photovoltaic Demonstration Project. Reduce Item 268 by \$250,000.* Recommend deletion of General Fund support for photovoltaic demonstration project. If funds are approved by the Legislature, recommend Budget Bill language making expenditure contingent on assurance from the participants that project will be fully funded. 606
3. *Legal Services.* Recommend \$1,000,000 in General Fund support for legal services be transferred from Item 268 (Department of Water Resources) to Item 48 (Department of Justice). 607
4. *Reverse Osmosis Desalination Pilot Plant. Reduce Item 270 by \$777,500.* Recommend elimination of support for proposed reverse osmosis project. 608
5. *Agricultural Water Conservation. Reduce Item 270 by \$2,150,000.* Recommend elimination of support for an expanded agricultural water conservation program. 610
6. *Water Conservation Devices. Reduce Item 270 by \$57,000.* Recommend that proposed program to distribute water saving devices to fixed income families be conducted within existing resources. 611

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 dams, and safe drinking water projects, and (4) furnishing technical services to other agencies.

The department headquarters is in Sacramento. District offices are in Red Bluff, Fresno, Sacramento and Los Angeles. The operations and maintenance of the State Water Project is carried out through the department's field offices.

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 levees within the Sacramento and San Joaquin River valleys.

ANALYSIS AND RECOMMENDATIONS

The budget proposes three appropriations of \$27,246,400 from various funds for support of the Department of Water Resources in 1980-81, which is \$5,611,500, or 25.9 percent, above estimated current year expenditures. This amount will increase by the amount of any salary or benefit increases which may be approved for the budget year. The budget proposes total expenditures for the department of \$354,533,500 in 1980-81, an increase of \$5,815,830, or 1.7 percent, over the current year. This amount includes support, capital outlay, and local assistance. Of this total, \$36,812,430, or 10.4 percent, is appropriated in the Budget Bill. Of the remainder, all but \$6 million in federal funds and reimbursements is continuously appropriated by various bond acts.

Significant Budget Changes

Table 1 summarizes total expenditures for 1980-81, and shows significant changes by fund. The total includes \$31,279,400 proposed from the General Fund, a decrease of \$1,688,574, or 5.1 percent, from the estimated current year expenditures. The 1980-81 General Fund budget request contains both increases and decreases. The increases total \$4.4 million and included:

- (a) \$437,000 to restore funds that were eliminated on a one-time basis during the current year pursuant to Control Section 27.2, of the 1979 Budget Act,
- (b) \$364,126 for miscellaneous workload and price adjustments,
- (c) \$1 million for legal services, which the budget proposes to transfer from the Attorney General,
- (d) \$500,000 for an engineering study prior to construction of a hydro-electric plant at Thermalito afterbay,
- (e) \$250,000 for a study of photovoltaic cell concentrators, and
- (f) \$1,856,500 for increased flood control subventions.

DEPARTMENT OF WATER RESOURCES—Continued

Table 1
Department of Water Resources
Proposed Budget Adjustments—1980-81

	<i>General Fund</i>	<i>Safe Drinking Water Bond Fund</i>	<i>State Water Project Funds*</i>	<i>State, Urban, and Coastal Park Funds</i>	<i>California Environmental License Plate Fund</i>	<i>Renewable Resources Investment Fund</i>	<i>Energy and Resources Fund</i>	<i>Federal Funds</i>	<i>Reimburse- ments</i>	<i>Total</i>
A. 1979-80 Base Budget (Revised)	\$32,967,974	\$36,659,300	\$272,421,900	\$350,116	\$217,700	\$427,000	—	\$1,242,300	\$4,431,380	\$348,717,670
B. Workload Adjustments										
Control Section										
1. Reinstatement of 27.2 cuts	437,400	—	—	—	—	—	—	—	—	437,400
2. One-Time Emergency Flood Control ap- propriation (Ch. 254, 1979)	-4,310,000	—	—	—	—	—	—	—	—	-4,310,000
3. Various one-time capital outlay expendi- tures	-1,636,600	—	—	-350,116	—	—	—	—	—	-1,986,716
4. For Delta Levees (Ch. 1302, 1976)	-150,000	—	—	—	—	—	—	—	—	-150,000
5. Water conservation devices (Ch. 1104, 1979)	—	—	—	—	—	1,430,900	—	—	—	1,430,900
6. Miscellaneous Adjustments (including price increase)	364,126	93,700	-347,000	—	42,000	—	—	218,400	109,520	480,746
C. New Programs										
1. Transfer of Legal Services (Item 268)	1,000,000	—	—	—	—	—	—	—	—	1,000,000
2. Thermalito hydroelectric study (Item 268)	500,000	—	—	—	—	—	—	—	—	500,000
3. Photovoltaic study (Item 265)	250,000	—	—	—	—	—	—	—	—	250,000
4. Increase Flood Control subventions (Item 271)	1,856,500	—	—	—	—	—	—	—	—	1,856,500
5. Reverse Osmosis Desalter (Item 270)	—	—	—	—	—	—	4,100,000	—	—	4,100,000
6. Water Conservation Devices (Item 670)	—	—	—	—	—	—	57,000	—	—	57,000
7. Agricultural Water Conservation (Item 270)	—	—	—	—	—	—	2,150,000	—	—	2,150,000
Total 1980-81 Budget Changes	-1,688,574	93,700	-347,000	-350,116	42,000	1,430,900	6,307,000	218,400	109,520	5,815,830
Total 1980-81 Proposed Budget	\$31,279,400	\$36,753,000	\$272,074,900	—	\$259,700	\$1,857,900	\$6,307,000	\$1,460,700	\$4,540,900	\$354,533,500

* Includes California Water Fund, California Water Resources Development Bond Fund, Central Valley Water Project Construction Fund and Central Valley Project Revenue Fund.

The proposed General Fund increases are more than offset by decreases totaling \$6,096,600. These decreases result from one-time appropriations during the current year, which are not continued in the budget year. These appropriations include:

- (a) \$4,310,000 for emergency flood control relief, primarily to the Los Angeles County Flood Control Districts,
- (b) \$1,636,600 for various 1979-80 capital outlay expenditures, primarily at the Sutter Bypass, and
- (c) \$150,000 for support of Delta levee studies in 1979-80.

As Table 1 shows, the primary changes in other funding sources include:

- (a) a reduction of \$350,116 from the State, Urban, and Coastal Park Fund for bikeway expenditures along the California Aquaduct,
- (b) an increase of \$1,430,900 from the Renewable Resources Investment Fund for distribution of water conservation devices, as provided by Chapter 1104, Statutes of 1979 (SB 201),
- (c) the addition of \$4,100,000 from the proposed Energy and Resources Fund for the development and construction of a reverse osmosis desalting plant,
- (d) \$2,150,000 for research and implementation of various agricultural water conservation programs from the proposed Energy and Resources Fund,
- (e) \$57,000 from the same source for installation of water conservation devices for low income families.

Thermalito Hydroelectric Project

We recommend that Item 268 be reduced by \$500,000 to eliminate General Fund support for studies of a Thermalito hydroelectric project.

The Thermalito Afterbay Dam is a low earthfill structure that reregulates flows from the Hyatt and Thermalito power plants at Oroville. The flows involved are part of the diversions from the Feather River that are made by the State Water Project. A preliminary study sponsored by the U.S. Department of Energy concluded that a 13 megawatt hydroelectric power plant could be installed at the Thermalito afterbay to generate 43 million kilowatt hours of energy from the flows being returned to the Feather River.

The budget proposes a \$500,000 General Fund expenditure to initiate preliminary engineering, geologic and related studies prior to construction of the hydroelectric project. Actual construction costs are estimated at approximately \$24 million. If undertaken, the construction costs would be funded as part of the State Water Project.

The Thermalito project is only one of several which the department has proposed to meet the long-range needs of the State Water Project for energy. Other developments are a geothermal power plant (55 megawatts) and an agreement with the Nevada Power Company for development of a fourth unit at its Reid-Gardner power plant north of Las Vegas (250 megawatts). Both of these major projects, which are estimated to cost \$106 million at current prices, supply power for the State Water Project and are to be funded from Water Project funds, rather than the General Fund.

DEPARTMENT OF WATER RESOURCES—Continued

We are not aware of any unique circumstances which would justify a General Fund expenditure to plan the Thermalito project. As with the two power projects mentioned above, the energy produced at Thermalito will be used by the State Water Project. Therefore, all costs can and should be financed by the State Water Project. We recommend that the \$500,000 from the General Fund for the Thermalito project be eliminated from the Governor's Budget and that the department allocate State Water Project funds to prepare the study.

The department is applying for a \$7.5 million grant from the U.S. Department of Energy to purchase and install a STRAFLO turbine to be used in the Thermalito project. Although the grant would not be used for the engineering studies proposed in the Governor's Budget, it would significantly reduce the total cost to the State Water Project.

Photovoltaic Demonstration Project

We recommend deletion of \$250,000 proposed from the General Fund for a photovoltaic demonstration project. If funds are approved by the Legislature, we recommend Budget Bill control language making the General Fund expenditure contingent upon assurances from the other participants in the project that it will be fully funded.

The budget is proposing an expenditure of \$250,000 from the General Fund to support the department's participation in the research and development of gallium arsenide photovoltaic cells. The project will generate electric power from solar energy collected by photovoltaic cells. The energy will be distributed through PG&E's transmission network to its customers in San Ramon. The tentative plans call for the prime contractor, Varian Associates, Inc., to participate with DWR, Pacific Gas and Electric (PG&E) and the U.S. Department of Energy in a demonstration project that will utilize concentrators to reduce the cost and improve the performance of the cells. The project will require and take four years to complete capital expenditures of approximately \$4 million.

Our analysis of the proposal does not substantiate the need for state funding, for the following reasons:

- *No apparent need for state participation:* Because photovoltaic technology holds considerable potential as a future energy alternative, many research and development projects on photovoltaics are being funded by private industry and the federal government. We are not aware of the need for state participation in another project.
- *DWR participation not justified by benefits to State Water Project.* The department does not conduct research and development studies which have no immediate application to the State Water Project. This proposal is for the research and development of a very small (50 kilowatt) project with no immediate applicability to the State Water Project (SWP). The department indicates that it would be at least eight years before such a proposal could be utilized as a power source for the SWP.
- *Funding for the projects is uncertain.* The total cost of the project

is estimated to be \$4 million. Funding for the project is projected to come from Varian, PG&E, the State Water Project and the U.S. Department of Energy (DOE), but we are not aware of any financial commitment made by the other agencies. The California Office of Appropriate Technology (OAT), which helped develop the proposal, has indicated that the major source of funds will come from DOE but only if there is financial participation by the state.

For these reasons, we recommend deletion of the proposed \$250,000 General Fund appropriation for DWR's participation in the photovoltaic project.

If the Legislature should approve the funds, we recommend that the following Budget Bill language be adopted to protect the state funding in the project: "Provided, that the \$250,000 for a photovoltaic demonstration project shall not be expended until the Department of Finance determines that funds are available from nonstate participants to support the project."

Transfer of Legal Services

We recommend that \$1,000,000 in General Fund support for legal services be transferred from the Department of Water Resources (Item 268) to the Department of Justice (Item 48).

The budget requests \$1 million from the General Fund for the Department of Water Resources "to provide legal services to the various environmental and resources-related state departments, boards and commissions." In the past, most of the legal services for these agencies have been provided by the Department of Justice. The budget also proposes to reduce the support for the Department of Justice by \$1 million.

The Department of Water Resources has a legal staff of 25.4 positions and current year expenditures of \$981,800. The department has not requested additional assistance for its ongoing legal workload. Nevertheless, the budget proposes to fund legal services in the department rather than in the Department of Justice because some departments are not able to obtain the legal services necessary to enforce laws protecting the environment on a timely basis.

It is not clear that the Department of Water Resources will be able to use the funds for litigation without the written permission of the Attorney General. For this reason, we have requested an opinion from Legislative Counsel regarding the ability of the department to utilize the \$1,000,000 to contract for legal services. As of the time this analysis was prepared, the opinion had not been received.

We also requested information from the Department of Finance that would substantiate the amount of the proposed transfer. The department's response indicated that the amount proposed was not based on caseload or attorney-hours.

The proposed transfer is a significant departure from the usual method of providing legal services to state agencies, for two reasons.

First, it departs from the practice of providing legal services on a centralized basis through the Department of Justice, where economies of scale can be achieved. Second, it gives the Department of Water Re-

DEPARTMENT OF WATER RESOURCES—Continued

sources (but not other General Fund agencies) the authority to decide what legal work to pursue without consultation or coordination with the Attorney General. This could result in the state taking different positions on similar issues of law.

Because the proposal represents a departure from the traditional way of providing legal services to state agencies, and would establish a precedent for other state agencies, we recommend that it not be approved. To the extent the Legislature believes that individual departments and agencies should have the authority and responsibility for pursuing legal action independent of the Department of Justice, legislation should be enacted clearly specifying these authorities and responsibilities, and how they relate to the Attorney General's duties. Such legislation could be financed by a transfer of funds from the Department of Justice.

Furthermore, because we have no adequate information to support the amount proposed for transfer from the Department of Justice to the Department of Water Resources, we recommend a transfer of \$1,000,000 from the Department of Water Resources (Item 268) to the Department of Justice's budget (Item 48) to maintain the Attorney Generals' Civil Law program at its existing level.

Energy and Resources Fund

The 1980-81 Governor's Budget (Item 270) proposes an expenditure of \$2,984,500 from the Energy and Resources Fund for three new projects. The appropriation would be allocated as follows:

(a) Reverse osmosis and desalination plant.....	\$777,500
(b) Agricultural water conservation	2,100,000
(c) Installation of water conservation devices	57,000
Total	\$2,984,500

The Energy and Resources Fund has not been established by the Legislature. The budget indicates that the fund would derive its revenues from tidelands oil revenues.

The three programs proposed to be financed from the fund and our recommendations are discussed below.

Reverse Osmosis Desalination Pilot Plant

We recommend that \$777,500 in Item 270 for support of a reverse osmosis desalter project be eliminated.

The department has been investigating the possible applications of desalting (reclaiming) saline and brackish waters for a number of years. One focus of these investigations has been agricultural waste waters in the San Joaquin Valley which are too salty to be used for irrigation and therefore create a serious disposal problem. Since 1971, the department, in cooperation with the University of California, has been developing reverse osmosis technology as one alternative to reclaiming this wastewater. In September 1979, the department completed operation of a small-scale, 25,000 gallon per day reverse osmosis pilot plant at a test site in the San Joaquin Valley.

The budget proposes to appropriate \$777,500 from the Energy and Resources Fund for siting, construction and development of a larger, one

million gallon per day, pilot reverse osmosis desalination plant. An additional \$3,322,500 is proposed from the same fund for construction costs (Item 538). Total proposed expenditure for 1980-81 is \$4,100,000. According to the department, the larger plant would provide design, operating and cost data to evaluate the feasibility of an on-line production plant.

The supply of water and the disposal of brackish agricultural wastewater are acknowledged problems in the San Joaquin Valley. The University of California and the Department of Water Resources have been developing reverse osmosis technology for many years. Because this technology provides a partial solution to the problems in the valley, we have supported its development. We cannot, however, recommend support of this specific proposal for the following reasons:

- *No evaluation.* The department indicates that the larger plant will provide design, operating and cost data to evaluate the feasibility of an on-line production plant. No information, however, is available to demonstrate the feasibility of the larger \$4.1 million proposal. The department indicates that a full evaluation of the recently completed 25,000 gallon per-day pilot plant will not be available until the fall of 1980.
- *Inadequate Cost Detail.* The proposal lacks sufficient detail to justify either the support or capital outlay request. For example, the \$777,500 proposed for support includes \$636,270 for "general expenses." No information is available to indicate how these funds would be used. Similarly, there is no detail behind the \$3.1 million construction cost estimate.
- *Alternate Funding Possibilities.* At the time this analysis was written, the department had not adequately investigated alternate funding possibilities. For example, the Clean Water and Water Conservation Bond Law of 1978 authorizes the use of up to \$50 million from the \$375 million in bond proceeds for pollution control, water reclamation or water conservation projects. Although the State Water Resources Control Board has not issued guidelines for expenditure of the \$50 million, draft guidelines include agriculture runoff control facilities and agriculture drainage facilities as eligible categories. Nor does the department's proposal make any provisions for using funds from the State Water Project. The initial pilot, completed in September 1979, received approximately 75 percent of its funding from State Water Project revenues.
- *Brine Disposal.* Although the reverse osmosis process produces valuable desalinated water, the concentrated brine from the plant must be disposed of. As such plants get larger, the brine disposal problems increase. The source of the brackish drainage water and the disposition of the product water should be determined before the project is funded.
- *Funding Source not Authorized.* The \$4.1 million expenditure would be financed from the proposed Energy and Resources Fund. This fund has not been established, and separate legislation will be required to do so. Proposed expenditures from the fund should not be included in the Budget Bill until the fund is established by authorizing legislation.

DEPARTMENT OF WATER RESOURCES—Continued

For these reasons, we are unable to support the project at this time, and recommend elimination of the \$777,500 proposed in Item 270.

Agricultural Water Conservation

We recommend that Item 270 be reduced by \$2,150,000 to eliminate support for an expanded agricultural water conservation project.

During the current year, the Department of Water Resources is receiving \$449,300 from the General Fund for various agricultural water conservation projects. The budget proposes to increase this amount to \$507,900 in 1980-81. Most of the \$58,600 increase is requested to reinstate funds eliminated on a one-time basis during the current year pursuant to Control Section of the 1979 Budget Act. The money will be used to expand the ongoing research in agricultural water conservation.

The budget also proposes \$2,150,000 from the Energy and Resources Fund for additional agricultural water conservation projects. Most of the funds would be expended by contract. Only one position is proposed for project management and contract administration. The proposed categories are summarized below:

a. Project management and coordination	\$65,100
b. Demonstrate improved surface irrigation scheduling methods.....	196,200
c. Develop and test irrigation scheduling methods.....	74,000
d. Develop and demonstrate farm automation, sensors and water management devices	98,100
e. Establish an irrigated management service program.....	956,600
f. Various research projects in agricultural water conservation	760,000
Total	<u>\$2,150,000</u>

We recommend that the \$507,900 requested for the existing agricultural water conservation program be approved. We cannot, however, recommend support of the \$2,150,000 augmentation for the following reasons:

- *Questionable utility.* Many of the projects are of questionable utility to agricultural water users. For example, the largest proposal (\$956,600) involves the development of a centralized data bank to provide growers with irrigation and crop information. The appropriation would be used to purchase computer hardware and develop computer programs for use by County Agricultural Extension Offices. The individual growers would have to purchase small terminals and telephone hook-ups for entry into the system. No provision is made to educate the "consumers" (individual growers) in the use of the terminal. The practicality and utility of such a sophisticated process is not apparent. Furthermore, the ongoing costs of the data network is not addressed in this proposal.
- *Alternate funding possibilities.* At the time this analysis was prepared, the department had not adequately investigated alternate funding possibilities. For example, the Clean Water and Water Conservation Bond Law of 1978 authorizes the use of up to \$50 million from the \$375 million in bond proceeds for pollution control, water reclamation or water conservation projects. Although the State Water

Resources Control Board has not issued guidelines for the expenditure of the \$50 million, its draft guidelines include agricultural water conservation projects such as sprinkler/drip irrigation systems as an eligible category for funding.

- *Funding source not authorized.* The \$2.1 million expenditure would be financed from the proposed Energy and Resources Fund. This fund has not been established, and separate legislation will be required to do so. Proposed expenditures from the fund should not be included in the Budget Bill until the fund is established by authorizing legislation.

Our analysis indicates that there is insufficient justification for the \$2,150,000 augmentation. Consequently, we recommend that Item 270 be reduced by that amount.

Water Conservation Devices

We recommend that Item 270 be reduced by \$57,000, and that the costs of the proposed program to distribute water saving devices to fixed income families be absorbed within existing resources.

The budget proposes the expenditure of \$57,000 from the Energy and Resources Fund to provide water conservation shower and toilet devices to 20,000 fixed income (elderly or welfare) families. The devices would be distributed and installed through the California Office of Economic Opportunity (OEO). This project would be carried out in conjunction with the weatherization program currently being implemented by OEO.

The water saving devices are already available. They were acquired as part of a pilot project in San Diego (Chapter 28, Statutes of 1977) which was designed to determine the most effective way of distributing water saving devices and the probable water savings that would result. The \$57,000 would reimburse OEO for the cost of the additional labor.

Our analysis indicates that the proposal has merit. The devices have already been purchased and should be distributed. OEO has an ongoing program which could be used in place of a new installation program. However, we do not recommend support of the augmentation for the following reasons:

- *Alternative funding available.* Chapter 1104, Statutes of 1979 (SB 201) appropriated \$2,211,300 to DWR for the costs of acquiring and distributing household water conservation devices. The department is expending approximately \$427,000 for this project in the current year and proposes to expend \$1,857,900 in 1980-81. Because the objectives of the two programs are similar, a reasonable alternative would be to merge the two programs and fund the OEO program from within the \$1,857,900 already available in the budget year.
- *Funding source not authorized.* The \$57,000 expenditure would be financed from the proposed Energy and Resources Fund. This fund has not been established, and separate legislation will be required to do so. Proposed expenditures from that fund should not be included in the Budget Bill until the fund is established by authorizing legislation.

For these reasons, we recommend that \$57,000 be deleted from Item 270, and that the program be funded from within existing resources.

Resources Agency
DEPARTMENT OF WATER RESOURCES
(Subventions for Flood Control)

Item 271 from the General

Fund

Budget p. R 174

Requested 1980-81	\$5,000,000
Estimated 1979-80	3,143,500
Actual 1978-79	2,500,000
Requested increase \$1,856,500 (+59.1 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 of 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 budget proposes an appropriation of \$5,000,000 from the General Fund for flood control subventions in 1980-81 which is an increase of \$1,856,500 or 59.1 percent over estimated current year expenditures. The requested amount represents the Department of Water Resources estimate of (a) claims that will be presented and processed by the department in the budget year (approximately \$4 million), and (b) unpaid claims expected to be carried over from the current year (approximately \$1 million).

Our analysis indicates that the request is justified to fully reimburse local agencies for their costs in the current and budget years.

Resources Agency
STATE WATER RESOURCES CONTROL BOARD

Item 272 from the General
Fund

Budget p. R 197

Requested 1980-81	\$12,806,863
Estimated 1979-80.....	10,451,728
Actual 1978-79	9,482,109
Requested increase (excluding amount for salary increases) \$2,355,135 (+ 22.5 percent)	
Total recommended reduction	\$1,165,712

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

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| 1. Reimbursements. Recommend Budget Bill language requiring that appropriation be reduced by the amount of reimbursements for fee increases and statutory adjudication received in excess of the budgeted reimbursements. | 619 |
| 2. Reorganization. Recommend that State Water Resources Control Board report to the fiscal subcommittees on the proposed reorganization. | 620 |
| 3. <i>Toxics. Reduce Item 272 by \$250,000.</i> Recommend that 7 positions for Disposal Site Closure program be supported with existing resources. | 621 |
| 4. <i>Lake Tahoe 208 Implementation. Reduce Item 272 by \$376,402 and the amount payable from Item 272(c) by \$150,000.</i> Recommend elimination of support for administrative costs to implement the Lake Tahoe 208 plan. | 622 |
| 5. <i>Bay-Delta Studies. Reduce Item 272 by \$482,568 and the amount payable from Item 272(c) by \$120,000.</i> Recommend deletion of funds for Bay-Delta studies because the board has not established a schedule of hearing dates for specific decisions on related water rights and water quality issues. | 624 |
| 6. Basin Planning. Recommend that the 4.5 positions provided for the update of basin plans be limited to one year. | 626 |
| 7. <i>Technical Adjustments. Reduce Item 272 by \$56,742.</i> Recommend reduction for miscellaneous technical adjustments to the budget. | 627 |

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. Nine regional water quality control boards carry out water pollution control programs in accordance with the policies of the state board.

The state board carries out its water pollution control responsibilities by

STATE WATER RESOURCES CONTROL BOARD—Continued

establishing requirements for wastewater discharges and by administering state and federal grants to local governments for the construction of wastewater treatment facilities. Water rights responsibilities involve issuing permits and licenses to applicants who desire to appropriate water from streams, rivers and lakes.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$12,806,863 from the General Fund for support of the Water Resources Control Board in 1980-81, which is an increase of \$2,355,135, or 22.5 percent, above estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year. The board proposes total expenditures of \$121,825,262 for 1980-81, a decrease of \$3,502,950, or 2.8 percent from estimated expenditures in the current year.

Sources of Funding

The board's funding by source for 1980-81 is shown in Table 1. The General Fund is the only one of the five funding sources that is subject to appropriation in the Budget Bill.

Table 1
State Water Resources Control Board
Sources of Funding for 1980-81

<i>Fund</i>	<i>Amount</i>
General Fund (Item 272)	\$12,806,863
State Clean Water Bond Fund	95,469,199
State Water Quality Control Fund	1,689,430
Reimbursements	1,029,054
Federal funds	10,830,716
Total	\$121,825,262

The board will receive \$95,469,199 from the State Clean Water Bond Fund in 1980-81, but this amount does not appear in the Budget Bill because the bond funds are continuously appropriated by 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 \$5,469,199 from the Bond Fund is for research, water quality control planning and data management.

The State Water Quality Control Fund provides low-cost loans to assist in the construction of facilities for the collection, treatment or export of wastewater in cases of extreme hardship. The budget has allocated \$1,689,430 plus \$500,000 of loan repayments for this purpose.

Reimbursements of \$1,029,054 come primarily from fees paid by applicants for permits to appropriate water and from waste discharge permittees.

The board expects to receive \$10,830,716 in federal funds in 1980-81. This amount includes \$4,506,438 for water quality planning and regulation programs and \$6,324,278 for administration of clean water grants.

Table 2
State Water Resources Control Board
Proposed Budget Adjustments
Fiscal Year 1980-81

	<i>General Fund</i>	<i>State Clean Water Bond Fund</i>	<i>Renewable Resources Investment Fund</i>	<i>State Water Quality Control Fund</i>	<i>Federal funds</i>	<i>Reim- bursements</i>	<i>Total</i>
1979-80 Base Budget (Revised)	\$10,451,728	\$94,800,436	\$4,500,000	\$1,700,000	\$12,899,529	\$976,519	\$125,328,212
A. Workload Adjustments							
1. Reduction in federal 208 Planning	—	—	—	—	-403,970	—	-403,970
2. Reduction in federal facility development assistance	—	—	—	—	-1,132,569	—	-1,132,569
3. Reduction in federal water quality grants	—	—	—	—	-532,274	—	-532,274
4. Reduction for one-time 1979-80 waste- water reclamation appropriation (Ch. 1104, 1979)	—	—	-4,500,000	—	—	—	-4,500,000
5. Revenue Increase from miscellaneous fees	—	—	—	—	—	52,535	52,535
6. Miscellaneous adjustments (including price increase)	509,994	223,076	—	-10,570	—	—	722,500
B. New Programs							
1. Implementation of Lake Tahoe 208 Plan	376,402	150,000	—	—	—	—	526,402
2. Increase monitoring and enforcement of toxic pollutants	986,171	—	—	—	—	—	986,171
3. Increase water management in Bay-Delta watershed	482,568	120,000	—	—	—	—	602,568
4. Increase basin planning effort	—	175,687	—	—	—	—	175,687
Total, 1980-81 Budget Increase	\$2,355,135	\$668,763	\$-4,500,000	\$-10,570	\$-2,068,813	\$52,535	\$-3,502,950
Total, 1980-81 Proposed Budget	\$12,806,863	\$95,469,199	—	\$1,689,430	\$10,830,716	\$1,029,054	\$121,825,262

STATE WATER RESOURCES CONTROL BOARD—Continued**Significant Budget Changes**

Table 2 summarizes the proposed changes to the board's total budget, by funding source. Four significant new programs will require increased expenditures of \$2,290,828 (\$1,845,141 from the General Fund and \$445,687 from the State Clean Water Bond Fund) in 1980–81. These new programs include: (a) \$526,402 for implementation of the Lake Tahoe 208 plan, (b) \$986,171 for increased monitoring and enforcement of toxic pollutants, (c) \$602,568 for water management in the Bay-Delta watershed, and (d) \$175,687 for an increase in basin planning efforts.

The increases are more than offset by proposed reductions of \$6,568,613. A major part of the reduction reflects the fact that one-time expenditures in the current year will not continue in the budget year. Chapter 1104, Statutes of 1979, appropriated \$4.5 million from the Renewable Resources Investment Fund for wastewater reclamation in the current year. The appropriation was made to the board "for grants to cities, counties and districts for the design, construction and improvement of treatment plants and distribution facilities for the reclamation of municipal wastewater." This accounts for \$4.5 million of the \$6.6 million in reductions.

Federal funds are scheduled to decrease by \$2,086,813, or 16.0 percent, in the budget year. This results from decreases in the following three areas:

- *Federal 208 Planning.* Section 208 of the Federal Water Pollution Control Act provides for the preparation of water quality management plans. The Environmental Protection Agency (EPA) has granted \$16.7 million to California for 208 planning since the program began. Much of the 208 planning effort has been finished. The remainder will be completed by June 1981. The Governor's Budget indicates that planning grants are scheduled to decrease from \$1,660,360 in the current year to \$1,256,390 in the budget year.
- *Federal Wastewater Facility Development.* Funding for the administrative costs of grants for wastewater treatment facilities is provided by EPA. The amount is equal to approximately 2 percent of California's allocation for federal clean water construction grants. Because the total federal appropriation for construction grants is declining, the funding for administrative costs is also decreasing. The budget estimates \$6,324,278 will be available in 1980–81, a decrease of \$1,132,569, or 15.2 percent, from the current year. The board is taking a number of steps to minimize the effects of this decrease, including (a) reducing program costs by returning certain delegated tasks to EPA and (b) attempting to increase revenues by supporting federal legislation which would base the administrative grant on 2 percent of the amount authorized, rather than allocated for construction grants.
- *Water Quality Planning Grants.* General grants are made by EPA to the state board which may be used for a variety of purposes, including planning, monitoring and surveillance. The grants are allocated by formula based on the ratio of California's water pollution sources to the national total. The budget indicates that California will receive

\$3,250,048 in 1980-81, a decrease of \$532,275, or 14.1 percent, from the estimated current year expenditure.

Combining the increases and reductions results in a net decrease in total expenditures of \$3,502,950 from the estimated current year expenditure. The total number of authorized positions in the Governor's Budget is proposed at 747.9, a decrease of 3.9 from the current year. The reduction in federal funds will result in the elimination of 49.4 positions, while 45.5 new positions will be added for new state funded programs.

Wastewater Reclamation

The desirability of wastewater reclamation has been recognized for many years. In recent years, the Legislature has approved the implementation of a number of water reclamation and conservation programs.

The Clean Water and Water Conservation Bond Law of 1978 authorizes grants up to a total of \$50 million for pollution control, water reclamation or water conservation projects. Although the bond act was approved by the electorate in June 1978, none of the authorized \$50 million has been expended for reclamation projects. In fact, the board only recently considered proposed guidelines setting forth eligibility criteria. Final consideration of the guidelines by the board is not scheduled until June 1980.

In addition, Chapter 1104, Statutes of 1979 (SB 201), appropriated \$4.5 million from the Renewable Resources Investment Fund to the State Water Resources Control Board for grants to cities, counties or districts for the design and construction of wastewater reclamation plants and related distribution facilities. The legislation specifies that projects funded under this program should be feasible and cost-effective, and that a reasonable price should be charged for the reclaimed water. The legislation did not state whether the \$4.5 million should be used for one project or several. In reviewing the proposals for funding, the board determined that because of the high costs of such projects, the funds should be limited to one proposal.

The board is presently negotiating with the City of Cerritos (Los Angeles County) for a project that would require the entire \$4.5 million. The proposed project consists of approximately $8\frac{3}{4}$ miles of transmission pipeline designed to convey approximately 1,800 acre feet per year of reclaimed water from the Los Coyotes Water Renovation Plant to irrigate sites within the cities of Cerritos and Artesia. The sites to be irrigated include local parks, schools, greenbelts, nurseries and highway medians. The reclaimed water will replace local groundwater and imported fresh water. The board estimates that the use of reclaimed water will conserve approximately 1,800 acre feet of water annually. This is approximately 13 percent of the estimated water demand for the projects' service area.

The present schedule calls for board approval of the project in March 1980, with approval by the City of Cerritos in April 1980. Design is to begin in May 1980 and the project is scheduled to be in operation by March 1982.

Aquaculture Project Delay

The 1978 Budget Act appropriated \$375,000 from the Clean Water Bond Fund for the development (three-year costs of \$260,000) and support (first-year costs of \$115,000) of an experimental aquaculture wastewater

STATE WATER RESOURCES CONTROL BOARD—Continued

facility at the University of California at Davis (UCD). The objective of the project is to improve the use of aquatic plants and animals as low-cost, low technology alternatives to conventional systems of wastewater treatment. Aquaculture may be particularly appropriate for small communities which cannot afford or do not need high cost, conventional systems. The lower costs are especially significant as energy costs increase and federal grants for conventional treatment systems decrease.

Two years ago, the board emphasized the need for an appropriation in 1978-79 so that implementation could begin immediately. One of the major goals for the first year was the detailed design and construction of the experimental facilities (buildings and field ponds). Nineteen months later this goal has still not been met.

Although the program received legislative approval in July 1978, the contract between the board and UCD was not signed until May 11, 1979, ten months later. Staff has now been hired and considerable work has been accomplished in the evaluation of existing literature on aquaculture. However, construction has not begun on the main building intended to house the experimental operations. Staff from both UCD and the board have assured us that the building will be constructed by June 1980 (one year behind schedule).

Fee Increases

Our Analysis of the 1979 Budget Bill recommended that the board take appropriate action to increase certain fees to adequately cover program costs. During budget hearings, the board agreed to carry out a review of its fees and related reimbursements. The following summarizes the board's progress:

- *Certification Fees for Wastewater Treatment Plant Operators.* Program costs for certification have been reduced by \$84,000 (2.5 positions). Effective November 1979, fees were increased to cover current program costs. These changes are reflected in the 1980 Budget Bill.
- *Training Fees for Wastewater Treatment Plant Operators.* Training fees have been increased from \$10 to \$20 per student. The board plans to evaluate the effect of the fee increase on course enrollment in August 1980. The revenue from the proposed fee increase is included in the 1980 Budget Bill.
- *Waste Discharge Permit Fees.* The board has drafted legislation to increase the maximum filing fee from \$1,000 to \$10,000.
- *Water Rights Application and Permit Fees.* The Water Rights Division has drafted legislation to double the existing fee for an application or permit. The board has not approved the draft.
- *Groundwater Extraction Notice.* The board has increased the filing fee from \$10 to \$20. The proposed increase was not included in the Budget Bill. In this analysis, we are recommending a technical adjustment of \$19,500 for this fee increase.
- *Stockpond Fees.* The board is proposing to increase filing fees from \$10 to \$30. The fiscal effect is minimal as the board expects to receive only 20 to 30 claims annually.

Uncertain Reimbursements

We recommend the addition of Budget Bill language requiring the Department of Finance to reduce Item 272 by the amount of any reimbursements for fee increases and statutory adjudications received in excess of the budget reimbursements.

The board is budgeted to receive \$1,029,054 in reimbursements. Approximately half of this amount comes from the fees and permits discussed above. As noted, several of the fees have been increased recently. Moreover, waste discharge fees and water right application and permit fees will be significantly increased if proposed legislation is adopted. Legislation enacted in the current year will become effective January 1, 1981. Any increase in 1980-81 reimbursements from this legislation would result in unbudgeted General Fund savings.

There is also the likelihood that additional unbudgeted reimbursements will be received as a result of proposed changes in the statutory adjudication of water rights. The board has the statutory responsibility to act as an agent of the courts in settling disputes on water rights. The costs are reimbursed by all parties to the dispute. Previously, the costs of adjudication did not include the cost of office and field investigations conducted by the board prior to the court order which initiated the legal proceedings or adjudication. During the current year the board has revised its procedures to make these preadjudication costs reimbursable by the litigants. The additional reimbursements could be significant (up to \$100,000) and are not reflected in the Governor's Budget.

Any reimbursements received in excess of the amount budgeted should result in savings to the General Fund. Because it is likely that the board will receive a significant amount of unbudgeted reimbursements in 1980-81, we recommend that the following Budget Bill language be adopted:

"Provided that the Department of Finance shall reduce Item 272 by the amount of reimbursements for fee increases and statutory adjudications received which are in excess of the budgeted reimbursements."

Reorganization

We recommend that the board report to the legislative fiscal committees prior to hearings on the 1980 Budget Bill on the proposed reorganization. The report should specify (a) the staffing requirements of the new special programs unit (by project), and (b) the source of positions to meet those requirements.

Prior to the current year, the board was organized on the basis of day to day operations to conduct its water quality and water rights work. The organization consisted of an executive director, one deputy executive director and five divisions, each headed by a division chief. The five divisions included the Division of Water Quality, Division of Water Rights, Division of Audits and Administration, Legal Division and Division of Planning and Research. Within this organization each division chief reported directly to the deputy executive director, who in turn reported to the executive director.

The board is presently undertaking a reorganization which has significant policy and budget implications. Although, a formal reorganization

STATE WATER RESOURCES CONTROL BOARD—Continued

plan has not been developed, informal briefings by board staff indicate that the reorganization will result in the following changes: (a) elimination of the division of planning and research, (b) elimination of the deputy executive director position, (c) establishment of three deputy director positions and (d) establishment of a special programs unit.

The most significant element of the reorganization is the establishment of the special programs unit. This unit, under the direction of a deputy director, will focus on the identification and resolution of high priority problems. Board staff indicate that initial projects will include toxics, water quality assessment, the Bay-Delta management program, instream water use, reclamation and conservation of water, non-point source control, implementation of the Lake Tahoe 208 plan and policy evaluation and review. Once a project is identified and a solution adopted by the board, responsibility for implementation will be transferred to the appropriate division.

The proposed reorganization has important budgetary considerations. Board staff indicate that the special programs unit is to be a dynamic unit with positions transferred from other divisions as needed. Initially, staff will be provided from the existing 53.2 positions made available by the elimination of the Division of Planning and Research, and the 45.5 positions proposed for four new programs in the 1980-81 Governor's Budget.

The board could not provide us with a detailed plan matching specific staffing needs of each proposed project with the above positions. Without this information it is not possible to assess the board's need for additional positions or its ability to implement new programs and carry out its responsibilities under existing law. Consequently, we recommend that the board report to the fiscal subcommittees at the budget hearings on the proposed reorganization. The report should specify (a) the staffing requirements of the new special programs unit (by project), and (b) the source of positions (1980-81 budget augmentation, Division of Planning and Research, etc.) to meet those requirements.

Increased Toxics Enforcement

The budget proposes to appropriate \$986,171 from the General Fund for an additional 22.5 positions to increase the board's monitoring and enforcement activities aimed at toxic pollutants. The program is a major segment of a \$6.3 million statewide toxics control effort proposed in the Governor's Budget. The additional funds will be allocated as follows:

- a. *Monitoring.* The budget provides \$264,512, consisting of 2 additional positions and \$200,000 for laboratory services, to increase monitoring for toxic substances in ground and surface waters.
- b. *Enforcement and site closure.* An additional \$624,440 is proposed for 17 positions that would be used to detect illegal waste discharges and administer the closure and maintenance of hazardous waste disposal sites. The board indicates that 14 of 17 proposed positions will be allocated to the regional boards.
- c. *Develop statewide policies and standards.* The board's proposal also includes \$97,219 for 3.5 positions to develop statewide policies and

standards for control of toxics in ground and surface waters, for pre-treatment and source control of toxics and pesticides, and for self-monitoring program.

Based on our review of the board's proposal, we recommend approval of 15.5 of the 22.5 positions.

Closure of Disposal Sites

We recommend that the 7 positions proposed for the closure of disposal sites be supported with existing resources, for a General Fund savings of \$250,000.

Chapter 784, Statutes of 1978 (SB 1130), detailed the responsibilities of both the State Water Resources Control Board and the owners or operators of liquid or hazardous waste disposal sites for the closure and subsequent maintenance of hazardous waste sites. The act also established a Site Closure and Maintenance Revolving Fund to finance a continuing, state-wide program of site closure and maintenance when other methods fail. The fund is to be supported by assessments on all disposal site owners or operators. The amount in the fund is not to exceed \$500,000 and the assessments may not total more than \$250,000 per year.

When SB 1130 was being considered by the Legislature, the State Water Resources Control Board indicated that it could implement the bill at no increased cost. The Governor's Budget is now proposing \$250,000 from the General Fund for 7 positions to administer the program. The board has explained this apparent change in position on the basis of 1979-80 reductions imposed on the board as a result of Control Section 27.2 of the 1979 Budget Act and the Governor's "low priority" cuts.

Our analysis of the board's proposal indicates that the augmentation is not justified for the following reasons:

- Included in the board's reorganization plan is the elimination of the Planning and Research Division and the establishment of a Special Projects Unit. The new unit is to focus on certain high priority projects, and toxics is one of the highest. The board has not determined how many of the 53.2 positions currently assigned to the Planning and Research Division will be allocated to the Special Projects Unit. However, if toxics control remains a high priority, it should be allocated at least 7 of the existing 53.2 positions.
- Chapter 784 established the Site Closure and Maintenance Revolving Account, and provided that proceeds to the account could be used for "state and regional board costs increased in administering the provisions of this chapter." At least a portion of the ongoing administrative costs of the board could be funded from the Site Closure and Maintenance Revolving Account rather than the General Fund.
- There are currently several proposals before Congress to establish a "superfund" to support the costs of site closure and maintenance. The proposed programs are similar to the California Site Closure program but the support level would be significantly higher.

For these reasons, we recommend that the 7 positions proposed for the site closure program be supported from existing resources, for a General Fund savings of \$250,000.

STATE WATER RESOURCES CONTROL BOARD—Continued**Lake Tahoe 208 Implementation Program**

We recommend that the General Fund appropriation in Item 272 be reduced by \$376,402 and the amount payable from Item 272(e) be reduced by \$150,000 to eliminate support for the administrative costs associated with the implementation of the Lake Tahoe 208 plan.

The budget provides \$526,402 for the 1980-81 administrative costs associated with the proposed implementation of new programs designed to protect water quality in the Lake Tahoe basin. The proposal includes \$376,402 from the General Fund and \$150,000 from the Clean Water Bond Fund. The funds would be used to establish 9 positions which, along with 3.5 existing positions, would write regulations, conduct enforcement activities, conduct studies of water quality programs associated with the Lake Tahoe basin, and provide program management.

The proposed water quality protection programs were developed pursuant to Section 208 of the Federal Water Pollution Control Act Amendments of 1972. The section provides for the preparation of areawide water quality management plans. The "208" plans must identify existing and potential water quality problems and the control measures needed to prevent and/or correct the problem.

In 1974, California and Nevada jointly designated the Tahoe Regional Planning Agency (TRPA) as the agency responsible for preparing the 208 plan for the Lake Tahoe basin. In January 1978 TRPA adopted a final plan and submitted it to California and Nevada for approval. Nevada gave conditional approval but the California State Water Resources Control Board rejected the plan "for failure to include the control actions and enforcement commitments needed to protect the Lake Tahoe basin." In November 1978 the board assumed responsibility for preparing the 208 plan, a draft of which has recently been completed by board staff. This 278 page report forms the basis for the \$526,402 requested in the budget. We are unable to recommend approval of the request at this time for the following reasons:

(a) *Further Regulation.* The program proposes to involve yet another agency in the regulation of environmental quality in the Tahoe Basin. Other regulatory efforts underway or proposed include:

- The Tahoe Regional Planning Agency which was established by a bistate compact with Nevada to regulate development in the Tahoe Basin.
- An administration proposal to ask Congress to establish a national recreation area to protect Lake Tahoe.
- The California Tahoe Regional Planning Agency which regulates the California side of the lake.

Now the Water Resources Control Board proposes to enter the regulatory arena with a water quality, erosion control and land-use control program based on its 208 plan. More control agencies are already operating at Lake Tahoe than anywhere else in California.

(b) *Plan modification likely.* The board's 208 plan is presently in draft form. It must go through a series of procedural steps before it can be

adopted for implementation. A series of public hearings are scheduled for March 1980. Upon completion of the hearings, the board will hold workshops in May and consider adoption of the plan in June 1980. The plan will then be submitted to the Environmental Protection Agency (EPA) for its approval. The final report may be substantially modified during this process, thereby altering funding requirements.

(c) *Policy implications.* The draft report recommends a number of control measures to protect the water quality at Lake Tahoe. The most important of these are stringent restrictions on future development of 12,000 lots, and erosion and runoff control on existing projects. Many of these recommendations involve severe land-use restrictions. In the past, the board has had little experience in controlling land use. The report indicates that the board will seek to implement the proposals through existing local and regional agencies, and by issuing waste discharge requirements for runoff and nonpoint source of degraded water. The extent to which various existing agencies will participate and the actual responsibilities of the board need to be specified and clarified before funding for the plan is provided.

(d) *Uncertain total cost and funding.* Full implementation of the control measures in the draft report will require a major commitment of public funds. Although an estimate of total cost is not available, the report indicates that "the cost of completing the erosion and urban runoff control projects will be approximately \$95 million in 1979 dollars." This is a basin-wide (California and Nevada) estimate with implementation to be phased-in over several years. Funding for these projects has not been identified, although a number of sources are suggested including the Clean Water Bond Fund, various federal funds and the establishment of visitors fees to Lake Tahoe. Prior to implementation, the full cost of the program should be estimated and the funding sources identified.

(e) *Uncertain determination of administrative responsibilities.* The \$526,402 requested in the budget is based on the assumption that most of the program will be implemented directly by the board. However, as the draft report indicates, "the administrative costs to the state and regional boards will be reduced to the extent that other agencies assume implementation responsibilities." Given the size of the budgets for TRPA and CTRPA, it is doubtful that the 208 plan could be implemented with only the 9 new positions requested by the board.

(f) *Lack of legislative approval.* The board's proposal to begin implementation of the 208 plan at Lake Tahoe has not been expressly authorized by the Legislature. The planning has been done with federal funds and pursuant to provisions in federal law. The plans, however, have not been presented to the Legislature for review and concurrence.

In summary, the Governor's Budget is requesting support for a plan which raises serious policy issues, requires substantial clarification, and which may be substantially modified prior to implementation. Because this proposal has significant policy implications that go beyond the costs of administration, we cannot recommend approval. Consequently, we recommend deletion of the \$526,402 (\$376,402 General Fund and \$150,000 Clean Water Bond Fund) for the administrative costs associated with the Lake Tahoe 208 implementation plan.

STATE WATER RESOURCES CONTROL BOARD—Continued**Bay-Delta Studies**

We recommend deletion of \$602,568 (\$482,568 from Item 272 and \$120,000 from the Clean Water Bond Fund) for the Bay-Delta studies because the board has not established a schedule of hearing dates for specific decisions on the water rights and water quality issues involving the Delta and San Francisco Bay.

The San Francisco Bay-Delta is a central feature in the state's water resources. Included within its watershed are the Sacramento and San Joaquin River systems, the Sacramento-San Joaquin Delta, Suisun Marsh and San Francisco Bay. The state's two major water conveyance systems, the State Water Project and the Central Valley Project transport water through the Delta. The outflow of fresh water from the Delta is a major factor in the ecology of San Francisco Bay. Consequently, over the years, the Bay-Delta has been the subject of many studies by a variety of state, federal and local agencies on water rights, water quality, flood control, water transport, fisheries, navigation and other matters.

The Budget is proposing \$602,568 (\$482,568 from the General Fund and \$120,000 from the Clean Water Bond Fund) for 9.5 positions to develop and implement "a permanent water management policy which protects the Delta and assures sufficient availability of water for exportation of water to water deficient areas of the state." The budget proposal consists of three separate studies which are summarized below.

Determination of Water Availability. The board is requesting four positions for a two-year study to determine the availability under varying flow conditions of water throughout the Bay-Delta watershed which is now appropriated. The study would be based on existing flow studies of the Department of Water Resources and the Bureau of Reclamation. The two agencies have developed computer programs to meet their specific needs. The objective of the board is to develop data for future hearings on contested water rights.

South Delta Study. Southern delta farmers acting through the South Delta Water Agency, have been negotiating with representatives of the State Water Project (SWP) and the federal Central Valley Project (CVP) to ensure adequate water supplies to protect southern delta agriculture. Decision 1485 of the State Water Resources Control Board requires the three agencies to resolve the responsibility for southern delta water quality problems by March 1980. If an agreement is not reached by the three agencies, the board intends to determine the responsibility. The budget proposes an additional 2.5 positions to provide the board with the staff to complete the technical data necessary to determine responsibility.

Bay-Delta Management Unit. The budget proposes an additional three positions for a Bay-Delta management unit. According to the board, this unit would "be responsible for the resolution of issues concerning water allocations of the State Water Project and Central Valley Project, implementation of Decision 1485 and development of a comprehensive water evaluation program to address water quality programs in the Bay

and Delta." The board's proposal indicates that the unit will increase to 4 positions in 1981-82 and 6 positions in 1982-83 as the water availability and south delta efforts phase-out and staff is transferred to this work. The proposed new positions would be in addition to 6.8 existing board positions which conduct Bay-Delta studies. An important objective is to coordinate all studies involving San Francisco Bay.

The board has statutory responsibilities for the determination of water rights and water quality issues as they affect the Bay-Delta. Over the next 10 years the board will be faced with a number of Bay-Delta issues including:

1. Securing compliance with its Delta plan and Decision 1485 to ensure that existing water quality programs in the Bay and Delta are achieving their intended purposes.
2. Revision of water quality standards to accommodate the effect of water development facilities proposed by the Department of Water Resources, the U.S. Corps of Engineers, the U.S. Water and Power Resources Agency or local water development agencies.
3. Evaluation of proposed projects to physically alter the Delta environment including the deepening of existing ship channels, various levee maintenance proposals and the needs of a fossil fuel power plant for cooling water.

Our analysis of this proposal has identified two issues that warrant legislative consideration:

1. Taken together, the board's three studies give the impression that the board intends to manage the water resources of the Delta and San Francisco Bay. This would alter significantly the board's role. The board is a quasi-judicial regulatory agency which has authority to decide specific issues involving uses of water and water quality. The board also has planning authority to buttress its decision-making. However, neither the board nor any other state agency has been assigned the statutory authority to manage the waters of the Delta and San Francisco Bay.

2. The board has not prepared a schedule of the dates when the board will initiate hearings or defined the individual water rights and water quality issues that it will address. This is important because the board primarily exercises its statutory authority through established quasi-judicial procedures. The identification of hearing dates and issues to be resolved should provide the framework around which the board can organize and staff the Bay-Delta work. In addition, a schedule of hearings is needed to permit parties at interest in the hearings to start preparation of their testimony.

The planning activities of the board and its studies and investigations only supplement the hearing processes of the board. Legally the major support for the board's quasi-judicial decisions must be drawn from the record of the board's hearings on each issue before it. Consequently, the Bay-Delta work is only a partial recognition of the overall workload before the board on the complex Delta and San Francisco Bay problems. All workload should be integrated and fitted into the scheduled hearings.

Until the board approaches the Bay-Delta issues and the decisions it must make within a framework of scheduled hearings on defined issues,

STATE WATER RESOURCES CONTROL BOARD—Continued

the proposed Bay-Delta work does not have sufficient delineation for us to evaluate the adequacy of the budget proposal or recommend its approval. In addition, the board should not attempt to coordinate all San Francisco Bay studies and investigations until specifically authorized to do so by the Legislature.

Basin Planning

We recommend that the 4.5 positions provided for the update of basin plans be limited to one year.

The budget proposes to expend \$175,687 from the Clean Water Bond Fund for 4.5 positions to revise and update Regional Water Quality Basin Plans. The board issues waste discharge permits and enforces specific water quality standards based on these plans. The planning is similar to the Bay-Delta Planning work and studies discussed above except that it is limited to water quality.

The original basin plans were prepared between 1970 and 1975 at a total cost of approximately \$12 million, pursuant to Section 303e of the Federal Water Quality Control Act. The basin plans focused on point source pollution (specific industrial discharges and sewage effluent outfalls). The planning emphasis changed after 1975 when approximately \$16.7 million of federal funds became available under Section 208 for planning control over nonpoint source pollution (urban runoff and agricultural wastewater).

The board states that because of the work done on 208 planning since 1975, the basin plans have not been modified annually and are in need of revision. In particular, 65 toxic pollutants need to be incorporated into the plan.

Our review of the request indicates that more than 4.5 positions may be at stake. The board indicates that the 4.5 positions will be allocated to four of the nine regional boards as follows:

<i>Region</i>	<i>Staff Years</i>
Los Angeles Region	1.5
Lahontan (Lake Tahoe) Region	1.0
Colorado River Basin Region	1.0
San Diego Region.....	1.0
Total.....	4.5

The positions were allocated to the four regions which will no longer receive federal 208 planning funds. The board indicates that it will request an additional 8.5 positions in 1981-82 for the remaining five regions. The board intends to use all of these as permanent, ongoing positions. Thus, approval of the budget year request might be interpreted as an implied commitment to approve additional new positions in the following year.

Our analysis also indicates plan revisions need to be coordinated with the proposed toxic monitoring and enforcement program, discussed earlier. One of the primary justifications for the 4.5 new positions is that there is a need to modify existing standards to reflect new information on toxic pollutants. However, 3.5 of the 22.5 positions requested in the budget for a toxic monitoring and enforcement program are justified as necessary to

develop uniform statewide policies and standards. These policies and standards should be established first and then included in the basin plans.

Our analysis does not indicate a need for permanent positions. Because the basin plans have not been revised since 1975 there will be substantial effort required in the first year. However, once the plans are brought up-to-date, the annual revisions could be handled by the approximately 277 existing positions authorized for the nine regional boards. As a result, we recommend that the 4.5 positions be limited to one year. If after one year's experience, the board believes the positions should be continued in the existing regions or transferred to others, they should be rejustified in the 1981-82 budget.

Technical Adjustments

We recommend a reduction of \$56,742 in Item 272 for technical adjustments to the budget including: (a) \$22,807 for unjustified equipment, (b) \$14,435 for unbudgeted salary savings, and (c) \$19,500 for increased reimbursements from groundwater extraction notices. We further recommend a reduction in Item 272 of \$275,000 in operating expenses, to be offset by an equal reduction in reimbursements.

We have identified four areas in which the board's budget is overstated and requires adjustment. These changes are primarily technical with no effect on the program. Taken together, these adjustments result in a reduction of \$56,742 to Item 272.

(a) *Equipment.* According to Section 6125 of the State Administrative Manual (SAM), the equipment budget must provide "a detailed listing and justification of items of equipment requested for the budget year." The board's equipment budget for 1980-81 totals \$189,825. Most of the items requested were separately identified and justified. However, included in the request was \$22,807 for unidentified equipment. We requested a separate, detailed justification for expenditure of these funds but none was available. Accordingly, we recommend a reduction of \$22,807.

(b) *Salary Savings.* In determining a department's net appropriation for salaries and wages, the Department of Finance makes an adjustment for salary savings. This adjustment is based on experience and recognizes that salary savings occur due to vacancies in positions, delays in filling authorized positions and employee turnover. The salary savings factor for new positions is determined to be 5 percent of total salaries and wages.

The board's proposal for increased toxics monitoring and enforcement includes 22.5 positions with \$419,094 in total salaries and wages. No salary savings has been reflected in the budget for these new positions. Our analysis of the toxics proposal recommended that 7.0 of the proposed 22.5 positions be eliminated. Accordingly, we recommend that salary savings be increased by \$14,435 to provide for the standard 5 percent salary savings. If the Legislature approves all of the 22.5 positions, the 5 percent salary savings would be \$20,955.

(c) *Groundwater extraction notices.* The board recently increased the filing fee for groundwater extraction notices from \$10 to \$20. The board indicates that this will generate approximately \$19,500 in additional reimbursements. However, the fee schedule was implemented too late to

STATE WATER RESOURCES CONTROL BOARD—Continued

be included in the Governor's Budget. Consequently, we recommend an increase in reimbursements of \$19,500 and a reduction in Item 272 of an equal amount.

(d) *Operating expenses and equipment.* Included in the detail of operating expenses is \$342,400 for the preparation and review of environmental impact reports (EIRs). This is a function which the board provides for certain local agencies and is fully reimbursed by those agencies. Based on past experience and the board's own revised estimate, this item appears to be overstated by approximately \$275,000. Accordingly, we recommend that the proposed costs (and reimbursements) for EIR review be reduced to the board's latest estimate of \$67,400. This will have no effect on the General Fund appropriation.

Health and Welfare Agency**STATE COUNCIL ON DEVELOPMENTAL DISABILITIES AND
AREA BOARDS ON DEVELOPMENTAL DISABILITIES**

Items 273–274 from federal
funds

Budget p. HW 1–2

Requested 1980–81	\$3,270,116
Estimated 1979–80	3,292,179
Actual 1978–79	N/A
Requested decrease (excluding amount for salary increases) \$–22,063 (–0.7 percent)	
Total recommended reduction	None

1980–81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
273	State Council on Developmental Disabilities Support	Federal	\$3,270,116
	Transfer to Community Program Development Fund		(817,529)
	Transfer to Area Boards on Developmental Disabilities		(981,034)
			(1,471,553)
274	Area Boards on Developmental Disabilities		—

GENERAL PROGRAM STATEMENT

The State Council on Developmental Disabilities operates pursuant to the provisions of the Lanterman Developmental Disabilities Services Act (Chapter 1365, Statutes of 1976) and related federal law. The council is responsible for planning, coordinating, and monitoring services for developmentally disabled persons, allocating federal funds, and reviewing executive branch plans and budgets.

The council has 14 members including: (a) nine voting members appointed by the Governor, (b) three voting ex-officio members—the Secretary of Health and Welfare, the Superintendent of Public Instruction, and