

STEPHEN P. TEALE DATA CENTER—Continued

er the cost of recharging fire suppression cylinders in the event of an emergency or accidental triggering of the fire suppression system. Use of this "contingency" fund has been minimal. For example, it has been used only once, (at a cost of \$5,000) to recharge a portion of the system which had been activated accidentally. On this basis, it can be eliminated from the amount budgeted for EDP operations expense.

c. *Personal Services.* The amount budgeted for personal services is the sum of salaries and wages and staff benefits, less estimated salary savings. The proposed budget reflects salary savings of \$209,000, or 2.53 percent of the amount budgeted for salaries and wages. This compares to estimated salary savings in the current year of \$411,000, or 5.34 percent.

Our review indicates that salary savings in the current year is unusually high, due to the establishment of the second computing facility which resulted in a significant increase in personnel. The budget anticipated that there would be delays in hiring the additional staff for the new facility, and consequently, salary savings for 1981-82 were established at a higher rate than otherwise.

The data center has advised us of its understanding that salary savings in 1982-83 would be determined by the Department of Finance based on the percentage amount budgeted prior to 1981-82. Our analysis of annual salary savings estimates for the years 1974-75 through 1980-81 reveals that the average for these years was 2.92 percent. We conclude that this percentage factor should also be applied to the 1982-83 budget. This would result in estimated salary savings of \$240,870, an amount which is \$31,870 *more* than the amount budgeted. Accordingly, salary savings can be increased by \$32,000, thereby making it possible to reduce funds budgeted for personal services by the same amount.

**Resources Agency
SEA GRANT PROGRAM**

Item 3110-001 from the General
Fund

Budget p. R 1

Requested 1982-83	\$475,000
Estimated 1981-82.....	245,000
Actual 1980-81	500,000
Requested increase \$230,000 (+93.8 percent)	
Total recommended reduction	230,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Sea Grant Program. Reduce Item 3110-001-001 by \$230,000 because the current year funding level of \$245,000 appears to be adequate.* 483

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 from state tidelands oil and gas revenues to the Resources Agency for distribution to sea grant recipients. These funds were intended to provide a portion of the one-third, nonfederal match required for sea grant projects. Ch 1255/78 extended this authorization through 1983-84.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$475,000 from the General Fund for direct state support of the sea grant program in 1982-83. This is an increase of \$230,000, or 93.8 percent, over the estimated current year expenditure. The budget request would provide the level of funding authorized by Ch 1255/78 (\$500,000), minus 5 percent (\$25,000). The Governor's Budget proposes 5 percent reductions for many General Fund programs.

Last year, the Governor's Budget proposed to fund the sea grant program at the statutory level of \$500,000. The Legislature reduced the amount to \$250,000. The actual amount available for expenditure in 1981-82, however, is \$245,000 because of the 2 percent across-the-board reduction (\$5,000) in state operations imposed by the Department of Finance.

Uncertain Federal Funds

Federal funds are not allocated to individual campuses until the year following the year in which the appropriation is made. Consequently, the \$475,000 in state funds proposed in the budget will be used to match federal funds appropriated in the federal budget for 1982.

The amount of sea grant funds that California will receive in federal fiscal year 1982 is uncertain at this time. The President proposed to eliminate the sea grant program in 1982, but the Congress has chosen to continue it at least through March 1982. The continuing resolution provides six months' funding for the program equal to \$17.5 million. This represents an annual rate of \$35 million, down from the \$41.8 million allocated nationally in federal fiscal year 1981.

In March, funding for the sea grant program will expire. It is not clear at this time whether the Congress will continue the program at the \$35 million funding level, or reduce the amount of federal funds to be matched in 1982-83. The national sea grant office indicates, however, that the Congress probably will not increase the program to the 1981 level (\$41.8 million).

Increase Not Justified

We recommend that the state sea grant program be funded at the current year's level of \$245,000, for a savings of \$230,000 in tidelands oil and gas revenues deposited in the General Fund.

According to the Department of Finance, the proposed \$230,000 increase for the sea grant program was not based on workload data or on an analysis of the amount needed to match available federal funds. The request, instead, merely seeks to return the program to the funding level authorized by Ch 1255/78. Our analysis indicates that this increase is not justified for the following reasons:

- **Adequate Match.** Federal regulations require sea grant recipients to contribute one-third of the funds spent on sea grant projects. Based on 1980-81 funding data provided by the Resources Agency, the state's contribution of \$500,000 amounted to less than 8 percent of the \$6.4 million spent

SEA GRANT PROGRAM—Continued

on the program. Other nonfederal funds, including state support from the University of California, the California State University and the State Water Resources Control Board, financed 34 percent of the program expenditures. These "other" funds by themselves provided more than the required one-third match.

• **Program Impact.** Neither the Resources Agency nor the national sea grant office could identify any significant negative program impact resulting from the \$255,000 reduction in state support made during the current year.

• **Uncertain Federal Funding Level.** As previously noted, the amount of federal sea grant funds available for allocation in 1982-83 is uncertain, but it is likely to be less than the amount provided in the current year. The state's \$245,000 contribution appears to be adequate to support the prospective levels of federal funding.

For these reasons, we recommend that the state's sea grant program be funded at the current year level of \$245,000, for a savings of \$230,000 in tidelands oil and gas revenues deposited in the General Fund.

Resources Agency**TAHOE REGIONAL PLANNING AGENCY**

Item 3110-101 from the General
Fund

Budget p. R 1

Requested 1982-83	\$165,000
Estimated 1981-82.....	300,000
Actual 1980-81	—
Requested decrease (excluding amount for salary increases) \$135,000 (-45 percent)	
Total recommended reduction	None
Recommendation pending	\$165,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Report on budget requirements and spending plans. Recommend that Tahoe Regional Planning Agency report to the Legislature on its funding requirements and spending plans for 1982-83 prior to hearings on its 1982-83 budget.

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We further recommend that the Legislature request the agency to explain how it will comply with the budgeting provisions of the compact in the future.

GENERAL PROGRAM STATEMENT

The Tahoe Regional Planning Agency (TRPA) was established by interstate compact approved by the California Legislature through Ch 1589/67, the Nevada Legislature, and the United States Congress. The purpose of this compact is to provide coordinated plans and enforceable regulations to preserve and enhance the environment and resources of the entire Lake Tahoe Basin.

Amendments to strengthen the compact were approved by the U.S.

Congress and signed by the President on December 9, 1980. California's approval of the amendments was provided through Ch 872/80. Among other things, the revised compact requires TRPA to adopt a new regional plan and implementing ordinances by June 1983.

ANALYSIS AND RECOMMENDATIONS

TRPA Budget Allocation Reduced

The budget proposes an appropriation of \$165,000 from the General Fund as the state's share of support for the Tahoe Regional Planning Agency (TRPA) during 1982-83. This is \$135,000, or 45 percent, less than the amount of state funding provided in the current year.

For 1981-82, TRPA received \$165,287 from the General Fund for support of ongoing agency operations, and \$134,713 from the Environmental License Plate Fund to partially fund an environmental threshold study of the Tahoe Basin that was required by the compact. The budget assumes that this study will be completed during the current year, accounting for the \$135,000 reduction proposed for 1982-83. The budget, however, does not request funds for the second stage of this planning effort—the completion of a revised regional plan and implementing ordinances by June 1983.

TRPA Has Not Complied With Article VIII of its Compact

We recommend that the Tahoe Regional Planning Agency report prior to budget hearings on (1) its work program for completing the revised regional plan for the Tahoe Basin by June 1983 and (2) the level of financial support required from the State of California to meet this deadline.

We further recommend that the Legislature request the agency to explain how it will comply with the budgeting provisions of the compact in the future.

Article VIII (a) of the revised compact requires TRPA by September 30 of each year to establish the amount of funds necessary to support its activities for the fiscal year commencing July 1 of the following calendar year. Article VIII also requires TRPA to submit an itemized agency budget to the state when requesting state funds.

TRPA has not complied with either provision. At the time this analysis was prepared, the TRPA governing board had not formally adopted a budget for 1982-83. Nor was any information available from agency staff concerning (1) the levels of expenditures anticipated during the budget year for different activities such as land-use planning or (2) other funding sources. In fact, TRPA staff have advised us that it does not expect the governing board to adopt a 1982-83 budget until April at the earliest.

The Resources Agency recognizes that \$165,000 probably will not be adequate to support TRPA in 1982-83 and that after TRPA's governing board has adopted a budget and adequate information on the budget is available, additional funds may be requested through a Department of Finance budget revision letter.

In order to comply with the mandates and adhere to the time schedule specified by the newly revised compact, TRPA probably will require additional funding. Accordingly, we recommend that the agency report to the Legislature at the time of budget hearings on (1) the level of funding needed from California in order to complete the regional plan by June 1983, (2) the work program approved by the board, and (3) how the funds requested for 1982-83 will be spent. We also recommend that the Legisla-

TAHOE REGIONAL PLANNING AGENCY—Continued

ture ask the agency to describe what steps it is taking to assure that it will comply with Article VIII of the revised compact in the future.

Resources Agency

CALIFORNIA TAHOE REGIONAL PLANNING AGENCY

Item 3150 from the General Fund

Budget p. R 4

Requested 1982-83	\$350,000
Estimated 1981-82.....	408,000
Actual 1980-81	416,000
Requested decrease (excluding amount for salary increases) \$58,000 (-14.2 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Deactivation Problems. Recommend enactment of legislation (a) authorizing continued representation by the Attorney General in legal actions involving the California Tahoe Regional Planning Agency (CTRPA), and (b) designating a successor to CTRPA for purposes of handling development permits after CTRPA is deactivated.

GENERAL PROGRAM STATEMENT

The California Tahoe Regional Planning Agency (CTRPA) was established pursuant to Ch 1589/67 to provide for land-use planning and environmental controls on the California side of the Lake Tahoe Basin. The agency was originally intended to supplement the activities of the bistrate Tahoe Regional Planning Agency (TRPA), which was established in 1967 by California, Nevada and the United States Congress to provide for land-use and environmental controls throughout the basin. During the 1970s, however, California withdrew its support from TRPA, and CTRPA supplanted TRPA on the California side of the basin.

During 1980 amendments strengthening the bistrate compact were approved by California, Nevada, and the United States government. The compact amendments provide that the CTRPA plans and ordinances in effect on July 1, 1980, shall guide land-use decisions by TRPA until TRPA adopts and implements its revised regional plan for the basin, or until TRPA revises the CTRPA ordinances. Adoption of the revised plan is expected to occur at the end of 1982-83. Existing state law requires deactivation of CTRPA as soon as the plan is essentially adopted, and prohibits the expenditure of any state funds to enforce CTRPA's ordinances.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$350,000 from the General Fund for support of the California Tahoe Regional Planning Agency in 1982-83. This is \$58,000, or 14.2 percent, less than estimated current year expenditures. The decrease results from the proposed elimination of three

staff positions and reductions in contract services for land-use planning activities, which will save \$75,000. This reduction reflects a shift in responsibility for long-range planning in the Tahoe Basin to TRPA, in anticipation of the scheduled deactivation of CTRPA. The \$75,000 reduction is partially offset by a \$17,000 increase in the amount budgeted for legal services. The increase is due to an increase in the rates charged by the Attorney General for legal services.

The \$350,000 requested in the budget will provide adequate support for CTRPA's operating costs during the remainder of its existence. Some minor costs may be incurred in terminating the agency during 1983-84. Some state costs will probably continue beyond the date on which the agency is terminated, for two reasons: (1) pending litigation involving CTRPA probably will not have been decided, and (2) TRPA may not administer all of the uncompleted development permits of CTRPA.

Deactivation Problems

The CTRPA was established by state law pursuant to language contained in the bistate compact. Technically, it is neither a state nor a local government agency. This presents unique problems in deactivating the agency because CTRPA is not subject to the normal procedures that apply whenever a state agency is terminated. The Legislature, in the *Supplemental Report of the 1981 Budget Act*, directed CTRPA and the Attorney General to report on these special deactivation problems.

In response to this directive, CTRPA and the Attorney General jointly submitted a report that contained the following conclusions:

Litigation. The State of California, CTRPA, certain governing board members as individuals, and certain staff members, are defendants in many of 26 separate legal actions. These actions include 16 lawsuits which seek to overturn CTRPA's controls on development projects. Several plaintiffs are also seeking damages totaling more than \$94 million.

The report indicates that if the existing prohibition on expenditure of state funds after CTRPA is deactivated remains, certain staff and governing board members might become personally liable for the costs of defending themselves in these suits. It is not clear, however, who would be liable for any judgments awarded in these cases. In an opinion dated March 18, 1980, the Legislative Counsel stated that CTRPA is not a state agency (Opinion No. 4214). Hence, the State of California might not be liable for any default judgments rendered against CTRPA. In any event, we believe the Attorney General should continue to defend the CTRPA in these suits. This would permit existing cases to be adjudicated on their merits and prevent the possibility of default judgments for any damages which might become the financial responsibility of the State of California. For the Attorney General to continue representing the state, however, a statute authorizing such action would have to be enacted during calendar year 1982. In addition, the Attorney General would require funding for this purpose in 1983-84.

Development Permits. The report indicates that there is a need to designate one or more entities as successors to CTRPA for purposes of enforcing (1) previously issued permits, (2) restrictions on land use imposed pursuant to transfer of development rights, (3) terms of litigation settlements, and (4) administration of security deposits held in trust to guarantee compliance with permit conditions. Failure to provide for a successor in these matters could have the practical consequence of allow-

CALIFORNIA TAHOE REGIONAL PLANNING AGENCY—Continued

ing private parties to avoid full compliance with the terms of their permit.

The CTRPA has indicated that permits issued after December 19, 1980, (the effective date of the revised Tahoe Regional Planning Compact), could be administered by TRPA. The revised compact specifically provides that the CTRPA plan and ordinances in effect as of July 1, 1980, shall guide land-use decisions by TRPA until it adopts its own regional plan or unless it specifically revises the CTRPA ordinances. This transfer presents minimal problems because permits issued by both agencies since December 19, 1980, generally contain the same conditions. TRPA staff have indicated a willingness to assume jurisdiction for these permits. No formal action to do so, however, has been taken by TRPA. Thus, it is possible that the Legislature may need to transfer the authority to administer some of these permits if TRPA does not assume jurisdiction over all of them.

Agency Recommendations. CTRPA indicates that it will attempt to resolve as many lawsuits as possible between now and June 1983, the expected date on which the agency will be deactivated. To protect its governing board and staff from becoming personally liable for legal expenses, CTRPA recommends that Section 67131 of the Government Code be amended to authorize continued representation by the Attorney General.

In addition, the CTRPA and the Attorney General have recommended that the State of California, through the Resources Agency, be designated by legislation as the successor to CTRPA. Apparently, this would authorize the Resources Agency to request the Attorney General to initiate any necessary legal actions to enforce permits issued by CTRPA prior to December 19, 1980, and open-space easements granted in exchange for development right transfers.

Legislation Needed to Protect the State's Interest

We recommend enactment of legislation:

(1) *Authorizing continued representation by the Attorney General in legal actions involving the California Tahoe Regional Planning Agency (CTRPA) to protect staff and governing board members from personal liability for legal expenses, and to prevent default judgments in lawsuits against the State of California; and*

(2) *Designating a successor to CTRPA for purposes of handling any permit and legal matters remaining after deactivation.*

Our analysis confirms the need to designate a successor to CTRPA. It is not clear, however, that the Resources Agency is the appropriate agency to succeed CTRPA. The Resources Agency is neither organized nor budgeted to carry out the functions discussed earlier. Consequently, it would have to delegate this responsibility to another entity and budget funds for this purpose.

Because of the pending deactivation of CTRPA at the end of 1982-83, legislation to facilitate deactivation should be enacted in calendar year 1982. Any residual funding matters can be handled in the 1983 Budget Act when the amounts of money needed to protect the state's interest will be known.

CALIFORNIA ALTERNATIVE ENERGY SOURCE FINANCING AUTHORITY

Item 3310 from the Alternative
Energy Source Fund

Budget p. R 18

Requested 1982-83	\$126,000
Estimated 1981-82	0
Requested increase (excluding amount for salary increases) \$126,000	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The California Alternative Energy Source Financing Authority was created by Ch 908/80, for the purpose of issuing up to \$200 million of tax exempt revenue bonds to finance alternative energy projects undertaken by private businesses. Interest paid on the bonds is exempt from state and federal income taxes, provided that the projects comply with various federal restrictions. Alternative energy sources include geothermal, solar, biomass, wind, cogeneration, and small hydroelectric projects, as well as other energy sources or energy conservation actions which will reduce the use of fossil and nuclear fuels.

The authority consists of five state officers. The State Treasurer is chairman; the other members are the Director of Finance, the Chairman of the Energy Commission, the President of the Public Utilities Commission and the State Controller. The authority began operation in 1981 and has three staff positions. It has not yet issued any bonds.

The authority plans to petition the State Board of Control, pursuant to Government Code Section 17201, to establish the Alternative Energy Source Fund into which proceeds from bond sales may be deposited along with revenues from fees charged those businesses on whose behalf the bonds are issued.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Chapter 908 appropriated \$200,000 from the Energy Resources Conservation and Development Special Account in the General Fund (derived from the surcharge on electricity sales) for the initial start-up expenses of the authority. Of this amount, \$26,000 was spent in 1980-81 and another \$144,000 will be spent during the current year.

During 1982-83, the authority plans to spend a total of \$156,000, an 8.3 percent increase over current year spending. This amount consists of \$126,000 from the Alternative Energy Source Fund in Item 3310-001-731 and \$30,000 from the Special Account (the remainder of the original \$200,000 appropriation in Chapter 908). Our analysis indicates that the authority staffing and appropriation request is reasonable.

The authority began accepting applications from businesses seeking financing for alternative energy projects, in January 1982. It plans to issue its first bonds during the spring of 1982. The authority estimates that it will sell a total of \$65 million in bonds by the end of 1982-83, and that these sales will generate approximately \$350,000 of fee revenue for the authority. The Governor's Budget, using an earlier and lower fee schedule, estimates that only \$290,000 in fee revenue will be received during 1982-83.

**CALIFORNIA ALTERNATIVE ENERGY
SOURCE FINANCING AUTHORITY—Continued**

Based on the authority's current revenue estimates, \$224,000 will be carried over into 1983-84.

**Resources Agency
CALIFORNIA CONSERVATION CORPS**

Item 3340 from the General Fund	Budget p. R 21
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Requested 1982-83	\$36,021,000
Estimated 1981-82.....	28,161,000
Actual 1980-81	25,794,000
Requested increase (excluding amount for salary increases) \$7,860,000 (+27.9 percent)	
Total recommended reduction	\$6,685,000
Recommendation pending	\$1,539,000
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1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3340-001-001—Support		General	\$34,973,000
3340-001-019—Solar Training		State Energy Resources Conservation and Development	1,048,000
		Special Account, General	
	Total		<hr/> \$36,021,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. **Replacement of Federal Funds. Reduce Item 3340-001-001 by \$5,092,000 and reimbursements to that item by \$348,000.** Recommend elimination of General Fund support to replace the loss of federal funds proposed for expansion of the CCC. 493
2. **Transfer of Fire Center Support. Reduce Item 3340-001-001 by \$590,000.** Recommend that effective January 1, 1983, CCC terminate its joint operation of five fire centers with the California Department of Forestry and transfer 300 corpsmembers to alternative base centers. The resulting space could be used by the Department of Corrections for up to 400 inmates, resulting in a capital outlay savings of from \$4 million to \$14 million. 494
3. **Workers' Compensation Costs.** Defer recommendation on \$1,539,000 for workers' compensation costs, pending clarification of the amount needed. 497
4. **EDP Overbudgeted. Reduce Item 3340-001-001 by \$143,000.** Recommend elimination of funds budgeted for electronic data processing for which there is no workload justification. 498
5. **Overbudgeting of Nonresidential Centers. Reduce Item 3340-001-001 by \$860,000.** Eliminate funds for new nonresi- 498

dential centers overbudgeted due to a technical error.

GENERAL PROGRAM STATEMENT

The California Conservation Corps (CCC) was established by Ch 342/76 and reauthorized by Ch 50/80 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.

Membership in the CCC is open to California residents aged 18 through 23. A corpsmember's salary is based on the federal minimum wage, which is \$3.35 per hour (\$581 per month) in 1982. Each corpsmember is charged \$145 per month for meals and lodging. This amount will increase to \$155 per month, effective January 1983.

The Corps' headquarters is in Sacramento. It operates 24 base centers as well as a corpsmember training academy at Fricot City in Calaveras County. The budget for the current year provides funding for 1,600 corpsmembers (60 at each base center and 160 at the academy) plus 446 personnel-years.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations primarily from the General Fund totaling \$36,021,000 for support of the California Conservation Corps

Table 1
California Conservation Corps
Proposed Budget Adjustments
(in thousands)

	<i>General Fund</i>	<i>Special Funds^a</i>	<i>Federal Funds</i>	<i>Reimburse- ments^c</i>	<i>Total</i>
1981-82 Base Budget (Revised)	\$27,133	\$1,028	\$2,820 ^b	\$4,202	\$35,183
1. Workload and Administrative Adjustments					
a. Restoration of 1981-82 2 percent reduction in state operations and 25 percent reduction in travel	643	—	—	—	643
b. Full year cost of nonresidential centers (technical error)	860	—	—	—	860
c. One-time 1981-82 equipment purchases	-389	—	—	—	-389
d. Loss of federal funds	—	—	-2,820	—	-2,820
e. Miscellaneous adjustments	1,077	20	—	67	1,164
2. Significant Program Changes					
a. Replacement of federal funds	5,649	—	—	348	5,997
(1) Replace federal workers compensation	(557)	—	—	—	(557)
(2) Reopen one base center	(1,375)	—	—	(116)	(1,491)
(3) Open two nonresidential centers	(2,097)	—	—	—	(2,097)
(4) Expand six existing centers	(1,620)	—	—	(232)	(1,852)
Total Changes, 1982-83	<u>7,840</u>	<u>\$20</u>	<u>-\$2,820</u>	<u>\$415</u>	<u>\$5,455</u>
Total Proposed 1982-83 Budget	<u>\$34,973</u>	<u>\$1,048</u>	<u>—</u>	<u>\$4,617</u>	<u>\$40,638</u>

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

^b Includes \$1,012,000 in federal funds shown as reimbursements in the budget.

^c Does not include \$1,012,000 in federal funds shown as reimbursements in the Governor's Budget.

CALIFORNIA CONSERVATION CORPS—Continued

(CCC) in 1982–83. This is an increase of \$7,860,000 or 27.9 percent, above estimated current-year expenditures. This will increase by the amount of any salary or benefit increases which may be approved for the budget year.

The Governor exempted the CCC from the 5 percent reduction in state operations required of most state agencies. Such a reduction would have amounted to \$1.5 million, and would have reduced the size of the increase proposed for the budget year to 21.6 percent.

Total program expenditures, including expenditures from reimbursements, are projected at \$40,638,000 in 1982–83, an increase of \$5,455,000, or 15.5 percent, above estimated total expenditures in the current year. Table 1 summarizes the major components of the increase proposed for the budget year.

Proposed adjustments to the current year budget include the following:

Increases:

- \$643,000 to restore one-time budget reductions in the current year (\$554,000 for the 2 percent reduction in state operations required by the Governor's executive order and \$89,000 for the reduction in travel expenses made by the 1981 Budget Act).
- \$860,000 for two new nonresidential centers. These centers were to have been phased in during the current year, but were deferred due to the loss of federal funds.
- \$1,164,000 for miscellaneous adjustments, including merit salary adjustments and price increases.
- \$5.6 million to replace federal funds which will no longer be available.

Decreases:

- \$389,000 for equipment purchases made on a one-time basis in 1981–82 that will not be necessary in 1982–83.
- \$2,820,000 due to the phase-out of federal funds.

Loss of Federal Funds

The CCC program level in the 1981 Budget Act assumed that the state would receive \$6.9 million in direct federal grants from the federal Young Adult Conservation Corps (YACC). Subsequent to enactment of the Budget Act, the federal government terminated the YACC program. As a result, the corps will receive only \$2.8 million in 1981–82. In addition to losing federal YACC grants which pay corpsmembers' direct costs, the state will lose an additional \$557,000 used to pay workers' compensation costs for those corpsmembers who were previously funded by the federal government.

The effect of federal funding cutbacks on programs and corpsmember strength is shown in Table 2 and discussed below.

1980–81. In 1980–81 (the last year in which it received full federal funding), the CCC had a strength of 1,600 corpsmembers in the basic program. These corpsmembers were distributed among the CCC's activities as follows: 1,380 corpsmembers at 23 base centers, 160 at the training academy and 60 on stream clearance projects. In addition, a new resource protection trainee (RPT) program was begun which added 240 additional corpsmembers. Because the resource protection trainees worked at California Department of Forestry (CDF) facilities under the direction of CDF staff, we have not included them in the CCC basic program totals.

Table 2
California Conservation Corps
Corpsmember Strength,
1980-81 through 1982-83
(Number of Corpsmembers)

	1980-81 Actual	1981-82 Budget Act	1981-82 Revised	1982-83 Proposed Budget	Change from 1981-82 Revised
Base Centers.....	1,380	1,380	1,320	1,380	60
Training Academy	160	160	160	160	—
Stream Clearance	60	60	60	60	—
Solar Training.....	—	60	60	60	—
New Nonresidential Centers	—	120	—	120	120
Expand Existing Centers.....	—	120	—	120	120
Total Basic Programs	1,600	1,900	1,600	1,900	300
Resources Protection Trainees	240	240	—	—	—
Total Number of Corpsmembers	1,840	2,140	1,600	1,900	300

1981-82 Budget Act. The 1981 Budget Act assumed that the 1980-81 federal funding level (\$6.9 million) would continue through 1981-82, and authorized an additional 300 new corpsmembers for the basic program, for a total of 1,900 corpsmembers. This expansion was to be accomplished by adding two nonresidential centers (120 corpsmembers), expanding six existing base centers from 60 to 80 corpsmembers (120 corpsmembers) and adding 60 corpsmembers in a solar training program. In addition, the RPT program was continued at a level of 240 corpsmembers, for a total of 2,140 corpsmembers.

1981-82 Revised Level. The combination of federal funding cutbacks and state funding reductions (25 percent reduction in travel and 2 percent reduction in state operations), had the following affect on the CCC's program in the current year: (1) CCC reduced base center population by 60 corpsmembers (specifically CCC terminated its contract with CDF at two existing fire centers and opened one new center in Stockton, for a net loss of 60 corpsmembers) and (2) CCC did not add two new nonresidential centers (120 corpsmembers) or expand six existing base centers from 60 to 80 (120 corpsmembers) as anticipated in the budget. The net effect of these revisions is to continue the basic CCC program at the same level as in 1980-81, with no actual reduction in basic corpsmember strength. However, the resources protection trainee program (RPT) administered by the CDF was terminated. Thus, in total there was a reduction in corpsmember strength of 540 from the number authorized in the 1981 Budget Act.

1982-83 Budget. The budget proposes a \$5.6 million appropriation from the General Fund in 1982-83 to replace the federal funds lost by the CCC. This General Fund augmentation would allow the corps to add 300 corpsmembers, for a total corpsmember strength of 1,900. The details of the proposal are discussed in the following section.

Restoration of Lost Federal Funds

We recommend that Item 3340-001-001 be reduced by \$5,092,000 and that reimbursements to that item be reduced by \$348,000, to eliminate the General Fund augmentation requested to replace lost federal funds.

CALIFORNIA CONSERVATION CORPS—Continued

The budget proposes an appropriation of \$5.6 million from the General Fund to replace the federal funds lost by the CCC during the current year. Approximately \$0.5 million of the \$5.6 million would replace federal funds previously used to pay workers' compensation costs. (See our recommendation on workers' compensation, discussed later in the analysis of the CCC's budget.) The remaining \$5.1 million is requested to increase corpsmember strength by 300 over the revised level for 1981-82.

As Table 2 indicates, the additional funds would be used as follows: (a) \$2.1 million would be used to open two new nonresidential centers (120 corpsmembers); (b) \$1.6 million would be used to expand six existing centers from 60 to 80 corpsmembers (120 corpsmembers) and (c) \$1.4 million would be used to reopen a residential center at a new location (60 corpsmembers). All of these centers were authorized in the 1981 Budget Act, but they were deferred when federal funds were reduced. The CCC has not requested funds for the restoration of the resources protection trainee program which was terminated in the current year when federal funds were reduced.

The CCC program is not based on objective workload data or any specific determination of corpsmember strength. We therefore have no analytical basis to recommend approval of a proposal which would *increase* the CCC budget by 18.1 percent at a time when the purchasing power provided in the Governor's Budget for all other state agencies is 3.5 percent *lower* than the current year. As explained below, elimination of the funds for expansion would have no serious impact on the CCC while making \$5.1 million available to support other high priority programs.

- ***Corpsmember Strength Would Be Maintained at the Current Level.*** Elimination of the proposed \$5.1 million augmentation from the General Fund would not reduce existing corpsmember strength—no base centers would be closed and no corpsmember or staff positions would be eliminated. Corpsmember strength in the basic CCC program would continue at the same level (1,600 corpsmembers) as in 1980-81 and 1981-82.
- ***The CCC Would Have Adequate Resources for Emergency Response.*** The CCC's immediate response capability for a variety of public emergencies, including floods, fires, and Medfly Control, represents one of the primary public benefits resulting from the corps' activities. Although this is CCC's most visible role, the corps' 1980 annual report indicates that only 14 percent of the corps' total hours involved emergency response; the remainder was spent on various public service projects and base center maintenance work. Consequently, there appear to be adequate resources within the existing corpsmember strength to respond to emergencies.
- ***General Fund.*** The reduction would make an additional \$5.1 million available to the General Fund which could be used to prevent reductions in service levels under other state programs having a high priority to the Legislature.

Transfer of Fire Centers to Department of Corrections

We recommend that no later than January 1, 1983, CCC terminate its joint operation with the Department of Forestry at five fire centers and transfer 300 corpsmembers to existing base centers (not to conservation camps), which would result in a six-month General Fund savings of

\$590,000 to Item 3340-001-001.

CCC has operated eight fire centers jointly with the California Department of Forestry (CDF) since 1978-79. The primary mission of the fire centers is to provide hand crew labor to augment CDF fire crews. This mission is similar to that of the 22 inmate conservation camps which are operated jointly by the Departments of Forestry and Corrections. In fact, seven of the eight CCC/CDF fire centers were originally designed, constructed and operated as inmate conservation camps.

CCC has compared the average cost of operating fire centers with the cost of operating base centers. It found that fire centers with a complement of 60 corpsmembers cost approximately \$200,000 per year more to operate than base centers. Consequently, CCC terminated (effective January 1982) its contract with CDF at two fire centers and opened one new base center (Stockton). Fire support for CDF was not reduced because the Department of Corrections is moving 180 inmates into these two centers to replace the 120 corpsmembers transferred elsewhere. The budget proposes to continue the six remaining CCC/CDF fire centers in the budget year.

Our review indicates that continued funding for the six remaining CCC/CDF fire centers would not be an effective use of funds, either for the two departments or for the state as a whole. Reallocating corpsmembers from the fire centers to other centers would reduce the CCC's costs, permit an increase in CDF's fire suppression capability, and allow the California Department of Corrections to house additional inmates for whom there currently is not adequate space. For this reason, we recommend that: (1) 300 corpsmembers from five of the six fire centers be transferred to two new nonresidential centers and to nine expanded base centers. (Because one center is also part of the Department of Fish and Game's stream clearance project, we have not recommended that corpsmembers be transferred from this center. We believe, however, that the CCC should investigate alternative locations for those corpsmembers in the budget year.) (2) The 300 corpsmembers be replaced at the fire centers by at least 400 inmates from the Department of Corrections.

The transfer of corpsmembers assumes that the CCC's request for a \$5.1 million augmentation from the General Fund is denied. If the Legislature approves the \$5.1 million augmentation, the recommended transfer could still be accomplished, but CCC would have to locate and open base centers at new or expanded sites to accommodate the 300 corpsmembers.

If our recommendation is approved, the specific benefits would be as follows:

- ***Department of Corrections.*** The state currently faces an urgent need for new inmate facilities. The Department of Corrections (CDC) estimates a shortage of 4,000 spaces for inmates during 1981-82. As a result there is a major effort underway to locate and/or construct new inmate facilities. As part of this effort, the Legislature submitted to the voters for their approval a \$495 million general obligation bond issue for new construction. This measure will appear on the June 1982 ballot.

Our recommendation would provide at least 400 spaces for inmates, thereby reducing overcrowding at existing correctional institutions and reducing the number of new units that need to be constructed. The CDC has indicated a willingness to move into the vacated facilities as soon as possible.

CALIFORNIA CONSERVATION CORPS—Continued

The fiscal effect of our recommendation on CDC is as follows:

(a) Capital outlay impact. We estimate a savings to the General Fund (in terms of avoided future cost) ranging from \$4 million to \$14 million. The savings varies, depending on whether the 400 inmates would have been housed at an existing shared facility (\$10,000 per space) or at a completely new site (\$35,000 per space). The savings estimate is conservative in that it is based on current prices and makes no allowance for the cost of property. The savings could be even higher if CDC chooses to increase the number of inmates per fire center above the current level (80).

(b) Operating costs. There would be no long-term addition in operating cost because the same costs would be incurred whether the inmates are at new prisons, newly constructed conservation camps or the existing CCC/CDF facilities. It is possible, however, that staffing augmentation might be required by Corrections for the budget year.

- **Department of Forestry (CDF).** Housing CDC inmates, rather than CCC corpsmembers, at the fire camps would increase the CDF's fire-fighting capability at these camps by one-third. This is because CDC would house at least 80 inmates in the facilities, while CCC houses only 60 corpsmembers. The only additional cost to CDF for this augmentation to its fire-suppression capability might be a one-time increase in equipment costs.
- **California Conservation Corps (CCC).** The transfer of up to 300 corpsmembers from the fire camps to other base centers would result in an annual General Fund savings of up to \$1.2 million, with no adverse impact on the program.

(a) Fiscal impact. The \$1.2 million savings is the difference between the budgeted General Fund cost of \$5.7 million to support 300 corpsmembers in five fire centers in 1982-83 and the cost of supporting an equal number of corpsmembers by expanding nine existing centers from 60 to 80 corpsmembers (\$2.4 million) and opening two new nonresidential centers (\$2.1 million). The savings estimate is conservative. The \$4.5 million cost of supporting these 300 corpsmembers at other centers assumes that a full one-time complement of new equipment would be needed at the new and expanded centers (approximately \$400,000). This might not be necessary, however, depending on how the existing equipment at the fire centers is distributed between CDF, CDC and CCC.

(b) Program impact. The transfer of corpsmembers from the fire centers would not reduce corpsmember strength and would have no apparent program impact. The CCC has indicated that it has a significant backlog of public conservation work projects. The proposed transfer would make 300 corpsmembers available to help reduce that backlog, while maintaining adequate support for emergency projects. Corpsmembers would continue to receive fire training at the base centers and participate in fire suppression work as needed. Finally, the change would consolidate almost all corpsmembers under direct CCC supervision, and eliminate the occasional administrative confusion which occurs with joint CCC/CDF center operations.

In order to eliminate any program disruption during the fire season, the transfer should be phased in during the first half of 1982-83 but should be completed no later than January 1, 1983. This recommendation would

result in a minimum savings to the General Fund of \$590,000 in 1982-83 (one-half year savings), by reducing CCC's operating costs, and would reduce long-term capital outlay requirements by \$4 million to \$14 million.

Workers' Compensation Costs Questionable

We withhold recommendation on \$1,539,000 requested for workers' compensation costs, pending receipt of more precise information on the amount needed.

The budget proposes approximately \$1.5 million from the General Fund to cover estimated workers' compensation costs for the 1,900 budgeted corpsmembers. This amount is equal to \$810 per corpsmember, and represents 4.2 percent of the corps' General Fund budget.

Because of the age, inexperience and duties of the corpsmembers, relatively high workers' compensation costs should be expected. State law requires that all justifiable claims be budgeted and paid. Our analysis, however, indicates a number of problems with the CCC's budget request. These include:

- **Adequate historical data on workers' compensation costs is lacking.** Agencies participating in the state Workers' Compensation and Safety Program typically budget on the basis of historical experience, adjusted for inflation, workload, etc. Prior to 1980, however, CCC did not maintain accurate data on workers' compensation costs. The information which does exist, moreover, is not useful because it covers a period during which CCC's workers' compensation costs were split between the federal and state governments. CCC is attempting to improve its data base, but information for 1980-81 will not be available until after the preparation of this analysis.
- **Method of Calculation.** Because CCC lacked an accurate historical data base to use in estimating workers' compensation costs, it based its projections for the current and budget years on a modified version of the rate schedules for separate policies (fireman classification) contained in the *California Workers' Compensation Insurance Manual*. This method has the following problems: (a) it bears no relation to actual experience, (b) according to the State Division of Insurance, the separate policies are typically more costly than participation in the state program, (c) since the introduction of the budget, the manual's rate for the fireman classification has been reduced 5.9 percent, and (d) CCC assumed an arbitrary inflation rate of 25 percent. On the other hand, CCC did not apply an "experience factor" reflecting its own high accident rate in projecting workers' compensation costs. This would have resulted in even higher rates.
- **Impact of Safety Program.** Recognizing its high accident rate, CCC initiated a safety and accident prevention program late in 1979-80. This program should reduce accidents and result in reduced workers' compensation costs. The impact of this program cannot be assessed until the 1980-81 data is available, which will be in February 1982.
- **Potential Alternatives.** CCC indicates that it is pursuing other alternatives to reduce the cost of workers' compensation, including a combination of the present state program and a separate policy. At the time this analysis was written, the potential costs of such a program were not known.
- **General Fund Overcharged.** The CCC workers' compensation budget for 1982-83 assumes a cost of \$810 per corpsmember for the 1,900 budgeted corpsmembers. Included in the 1,900, however, are

CALIFORNIA CONSERVATION CORPS—Continued

120 corpsmembers budgeted from special funds for special projects (stream clearance and solar training). The CCC indicates that these special funds are being charged only \$56,000 for workers' compensation costs (\$467 per corpsmember) rather than \$97,200 (\$810 per corpsmember). As a result, the General Fund is overcharged by \$41,200.

Because of these problems, we are unable to properly relate CCC's budget request to actual workers' compensation needs. Consequently, we defer recommendation on the \$1,539,000 budget request, pending information from CCC on (a) the impact of the safety program, (b) the number of injuries, costs paid and costs incurred for 1980-81, (c) a projection of these costs, adjusted for workload and inflation, for 1981-82 and 1982-83 and (d) the potential impact of alternative funding.

EDP Overbudgeted

We recommend that Item 3340-001-001 be reduced by \$143,000 to eliminate overbudgeting for electronic data processing.

The 1981 Budget Act included \$192,057 to study the feasibility and begin implementation of automated personnel, fiscal and project management systems. The feasibility study was submitted to the Department of Finance on October 22, 1981. The report identified three alternatives. The final recommendation requested \$357,100 in 1982-83 for development and implementation costs, and identified long-term savings of \$13.8 million resulting from the project.

Along with Department of Finance staff, we questioned the assumptions and data included in the study. Consequently, CCC recalculated the costs and savings. As a result, budget year costs increased to \$462,246. Long-term savings dropped to \$624,986.

The Department of Finance had not approved CCC's feasibility study at the time the 1982-83 budget was submitted to the Legislature. The budget, however, includes \$143,000 for EDP implementation. This amount is not based on any workload data, and merely equals the amount remaining in the current year after payment for the feasibility study. As a result, there is no demonstrated need for these funds and we recommend that Item 3340-001-001 be reduced by \$143,000. If the State Office of Information Technology in the Department of Finance recommends implementation of the feasibility study we will review the justification material and submit a supplemental analysis to the Legislature.

Overbudgeting for Nonresidential Centers

We recommend that Item 3340-001-001 be reduced by \$860,000 to eliminate funds double-budgeted for new nonresidential centers.

The 1981 Budget Act authorized the expenditure of \$1.1 million for two additional nonresidential centers. This did not reflect the full-year cost of operating the centers because they were to be phased in. One was scheduled to open October 1, 1981, and the other was scheduled to open April 1, 1982. Therefore, the Legislature recognized that the 1982-83 budget would have to be increased by approximately \$860,000 in order to provide for full-year support. Because of the loss of federal funds, however, neither center is to be opened during the current year.

The proposed budget provides partial restoration of the federal funds, including full-year operating costs for the two new nonresidential centers.

In addition, the budget erroneously includes the \$860,000 in the 1981-82 base budget. This technical error resulted in double-budgeting for the nonresidential centers. Consequently, we recommend that Item 3340-001-001 be reduced by \$860,000 to eliminate the unneeded funds.

CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY

Item 3340-301 from the General Fund, Special Account for Capital Outlay

Budget p. R 27

Requested 1982-83	\$393,000
Recommended approval	85,000
Recommended reduction	24,000
Recommendation pending	284,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Transfer to General Fund. Recommend that savings resulting from our recommendations on Item 3340-301-036—\$24,000—be transferred from the Special Account for Capital Outlay to the General Fund to increase the Legislature’s flexibility in meeting high-priority needs statewide. 499
2. Greenwood Solar Center. Withhold recommendation on Item 3340-301-036 (b), pending clarification of overall development plan. 499
3. *Minor Projects. Reduce Item 3340-301-036(a) by \$24,000.* 500
Recommend deletion of funds for three projects because these projects should be funded from the support budget.

ANALYSIS AND RECOMMENDATIONS

Transfer to General Fund

We recommend that the savings resulting from our recommendations on Item 3340-301-036—\$24,000—be transferred from the Special Account for Capital Outlay to the General Fund in order to increase the Legislature’s flexibility in meeting high-priority needs statewide.

We recommend reductions amounting to \$24,000 in the California Conservation Corps capital outlay proposal. Approval of these reductions, which are discussed individually below, would leave an unappropriated balance of tidelands oil revenues in the Special Account for Capital Outlay, where they would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature’s options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendations be transferred to the General Fund.

Greenwood Solar Center

We withhold recommendation on Item 3340-301-036(b), construction and general site development, Greenwood Solar Center, pending clarification of the overall development plan by the Corps.

CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY—Continued

The budget proposes \$284,000 under Item 3340-301-036(b) for construction and general site development work at the Conservation Corps' Greenwood Solar Center in El Dorado County. The project, which is identified as phase III of the Greenwood site development, includes two buildings to provide space for the construction of solar panels. In addition, funds are proposed to improve the main access road and utility systems, and to provide security fencing.

History of Center. The 1980 Budget Act included \$73,000 for capital improvements to house the Energy Conservation Program at the Greenwood Center. These funds were used to build a kitchen and mess hall, and to provide sanitation, water, and electrical services. The department's 1981-82 minor capital outlay budget included \$98,000 to fund further development at the Greenwood Solar Center.

Inconsistencies in Development Plans. The Corps' 1981-82 minor capital outlay program, as submitted and approved by the Legislature, included funds for the following:

1. Classroom/shop building,
2. Water and electricity development,
3. Walkways and drainage,
4. Lighting and heating, and
5. Road improvements.

The proposal for 1982-83 includes funds for two buildings for the production of solar panels, plus road improvements, and improvements to water, sewage, and electrical systems. Completion of the road and utility systems was to have been accomplished with the funds provided in the 1981 Budget Act. The need for additional funds for these purposes is unclear. Furthermore, it is our understanding that the Corps plans to construct (1) a "staff and recreation" building and (2) barracks for the camp members.

While there is a need to develop the Greenwood Center, it is not clear what has been accomplished with previously appropriated funds, nor is it clear what will be accomplished with the funds requested this year or what the future development costs of these projects will be. This piecemeal approach to planning and funding fails to provide the Legislature with an overall view of the total costs or program aspects of the center's development.

Consequently, we withhold recommendation on the Corps' request for funding to support further development at the Greenwood Solar Center until the Corps clarifies its development plan.

Minor Capital Outlay Projects

We recommend that Item 3340-301-036(a), minor capital outlay, be reduced by \$24,000 to delete projects which should be funded from the Corps' support budget.

The budget requests \$109,000 in Item 3340-301-036(a) for nine minor capital outlay projects for the California Conservation Corps. The projects, which are summarized in Table 1, would correct fire and health code deficiencies, and make needed renovations at seven of the Corps' centers.

Repair and Maintenance Projects. Three of the projects in the Corps' minor capital outlay program—renovate dishwashing area, Mt. San Jacinto; replace grease trap, San Gabriel; and replace cabin floor, San Luis Obispo—would replace existing items which are functioning poorly or in

Table 1
California Conservation Corps
Minor Capital Outlay Projects

<i>Center</i>	<i>Project</i>	<i>Budget Bill Amount</i>
Calaveras	Upgrade security lighting	\$7,000
Camarillo	Fire alarm system	27,000
Mt. San Jacinto	Renovate dishwashing area	3,000
San Gabriel	Emergency generators	11,000
	Renovate kitchen	8,000
	Replace grease trap	2,000
San Luis Obispo	Replace cabin floors	19,000
San Pedro	Partition replacement—fire safety	27,000
Santa Clara	Install toilet partitions	5,000
Total		<u>\$109,000</u>

bad condition. Replacement of existing items which have deteriorated through normal wear and tear is maintenance work, and should be funded, in priority with other maintenance items, from the Corps' support budget. Consequently, we recommend deletion of these three projects, for a reduction of \$24,000.

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

Item 3360 from various funds

Budget p. R 28

Requested 1982-83	\$54,357,000
Estimated 1981-82	40,886,000
Actual 1980-81	44,495,000
Requested increase (excluding amount for salary increases) \$13,471,000 (+32.9 percent)	
Total recommended reduction	\$8,969,000
Recommendation pending	\$5,000,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3360-001-019—Support		Energy Resources Conserv- tion and Development Spe- cial Account, General	\$28,590,000
3360-001-044—Support		Motor Vehicle Account, State Transportation	1,578,000
3360-001-189—Various Special Projects		Energy Account, Energy and Resources	15,289,000
3360-001-890—Support		Federal Trust	(5,000)
3360-101-044—Grants for Fuel Efficient Traffic Sig- nals		Motor Vehicle Account, State Transportation	2,400,000
3360-101-189—Streetlight Conversion Loans and San Bernardino District Heating System		Energy Account, Energy and Resources	6,500,000
Total			<u>\$54,357,000</u>

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

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- | | |
|---|-----|
| 1. Identification of Staffing Requirements. Recommend that the Energy Commission report to the Legislature prior to the budget hearings on its specific staffing requirements for each of the proposed projects funded from the Energy and Resources Fund and for the fuel efficient traffic signal program funded from the Motor Vehicle Account. | 511 |
| 2. <i>Availability of Federal Funds. Reduce Item 3360-001-019 by \$1,505,000 in state funds and increase Item 3360-001-890 by an equal amount of federal funds.</i> Recommend funding switch in order to replace state funds with federal funds which have become available since the budget was prepared. | 511 |
| 3. Power Plant Certification Workload. Recommend that the commission report prior to budget hearings on any budget revision needed to handle any increase in power plant siting workload that may occur. | 511 |
| 4. Salton Sea Solar Pond Project. Recommend that Budget Bill language be adopted in order to (1) prohibit the encumbrance of state funds until expected funding from public utility and federal government sources is assured, (2) require that the feasibility of the project be established before state funds are committed, and (3) require repayment of state funds if the plant generates commercially salable power. | 512 |
| 5. <i>Santa Catalina Island Photovoltaic Project. Reduce Item 3360-001-189 by \$450,000.</i> Recommend reduction to eliminate state funding from the Energy Account of the Energy and Resources Fund for a photovoltaic project on Santa Catalina Island because the state is already participating in a larger, high-risk photovoltaic demonstration project, and this request is premature. | 514 |
| 6. <i>Modular Solar Boiler Project. Reduce Item 3360-001-189 by \$400,000.</i> Recommend reduction from the Energy Account of the Energy and Resources Fund because the commission has not justified the need for state funding. | 515 |
| 7. <i>San Bernardino Geothermal Space Heating System. Reduce Item 3360-101-189 by \$2,750,000.</i> Recommend reduction to eliminate funding from the Energy Account of the Energy and Resources Fund for a geothermal space heating system in the City of San Bernardino because the proposed project would be supported disproportionately by the state in view of the benefits from the system that would be realized by federal and county agencies and San Bernardino Valley College. | 516 |
| 8. <i>Lignite Cogeneration System. Reduce Item 3360-001-189 by \$2,500,000.</i> Recommend reduction from the Energy Account of the Energy and Resources Fund because the project appears to be economically feasible without state assistance, and a state subsidy would be inappropriate | 517 |

- given prospective returns to the private firm.
9. **Refinery and Oil Production Studies.** *Reduce Item 3360-001-044 by \$494,000.* Recommend reduction from the Motor Vehicle Account of the State Transportation Fund to eliminate 3.5 personnel-years and \$350,000 of contract funds because the proposed work is not a commission responsibility. 520
 10. **Utility Financial Model.** *Reduce Item 3360-001-019 by \$150,000.* Recommend reduction to eliminate contract funds from the Energy Resources Conservation and Development Special Account for computer models and studies of utility financing because (1) such models now exist at the Public Utilities Commission and (2) the Energy Commission has no responsibility for utility financing. 521
 11. **Transportation Forecasting.** *Reduce Item 3360-001-019 by \$155,000.* Recommend reduction to eliminate contract funds from the Energy Resources Conservation and Development Special Account for studies of household travel behavior and vehicle technology because (1) these studies have little relevance to the commission's basic responsibilities and (2) Caltrans is already doing much of this work. 522
 12. **Unused Loan Funds.** Recommend that the commission report prior to the budget hearings how it intends to use unspent money in the Agriculture and Forestry Residue Utilization Account which was originally intended for alcohol production loans. 523
 13. **Alcohol-Fueled Vehicle Fleets.** Withhold recommendation on \$5,000,000 requested from the Energy and Resources Fund to purchase and operate up to 1,000 methanol-fueled vehicles for state and local government fleets and to establish refueling stations because the commission has not yet presented an itemized budget for this project or provided adequate information on project implementation. 524
 14. **Agricultural Alcohol Engines.** *Reduce Item 3360-001-019 by \$100,000.* Recommend reduction to eliminate contract funds from the Energy Resources Conservation and Development Special Account for the conversion and demonstration of agricultural engines using alcohol fuels because this work is the responsibility of the Department of Food and Agriculture, the University of California, and other state institutions of higher education. 525
 15. **Photovoltaic Demonstrations and Studies.** *Reduce Item 3360-001-019 by \$465,000.* Recommend reduction to eliminate contract funds from the Energy Resources Conservation and Development Special Account for photovoltaic demonstrations at remote sites and for photovoltaic feasibility studies because (1) photovoltaic applications at remote sites have already been commercially demonstrated and (2) feasibility studies for large-scale photovoltaic applications are premature. 525
 16. **Fuel Allocation Revenue Account.** *Transfer \$390,000 in the Fuel Allocation Revenue Account to the Energy Resources Conservation and Development Special Ac-* 526

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

- count.* Recommend transfer because this money is no longer needed for fuel allocation purposes.
- 17. *Agricultural Solar Design Competition. Revert \$99,000 appropriated by Ch 905/80 to the Energy and Resources Fund.* Recommend reversion because the design competition has been held and these funds are no longer needed. 527
 - 18. Contract Reports. Recommend the adoption of supplemental report language adopted by the Legislature in previous years which requires the Energy Commission to submit quarterly contract reports to the Legislature. 527
 - 19. Recommend savings resulting from our recommendations on Item 3360-001-189—\$6,100,000—be transferred from the Energy Account in the Energy and Resources Fund to the General Fund. 528

GENERAL PROGRAM STATEMENT

The Energy Resources Conservation and Development Commission is a five-member, full-time commission that 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, located in Sacramento, has 528 authorized personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes five appropriations totaling \$54,357,000 from various state funds for support of commission activities in 1982-83. This is an increase of \$13,471,000, or 32.9 percent, over estimated current-year expenditures from state funds. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year.

As shown in Table 1, the budget proposes total expenditures of \$54,518,000, including expenditures from federal funds and reimbursements.

Table 1
Energy Commission Sources of Funds
1982-83
(in thousands)

1. Energy Resources Conservation and Development Special Account, General Fund (Item 3360-001-019)	\$28,590
2. Motor Vehicle Account, State Transportation Fund	
a. Commission support (Item 3360-001-044)	1,578
b. Grants for Fuel Efficient Traffic Signals (Item 3360-101-044)	2,400
3. Energy Account, Energy and Resources Fund	
a. Special commission programs and projects (Item 3360-001-189)	15,289
b. Grants for Energy Efficient Traffic Signals and Loans for Energy Efficient Streetlights (Item 3360-101-189)	6,500
4. Reimbursements	156
5. Federal Trust Fund (Item 3360-001-890)	5
Total Expenditures	<u>\$54,518</u>

This is \$7,502,000, or 16 percent, greater than the \$47,016,000 that the

commission expects to spend during the current year. The proposed \$7,502,000 increase in total expenditures is smaller than the \$13,471,000 increase in state-funded expenditures primarily because the budget requests an augmentation of \$5,884,000 from state funds in order to offset an estimated decrease in federal funds totaling \$5,884,000.

Stable Support Expenditures

The budget proposes little change in the level of support expenditures for the commission in 1982-83. The proposed level—\$30,329,000—is \$395,000, or 1.3 percent, more than estimated support expenditures in the current year. Virtually all of the federal funds the commission has lost have been replaced by a similar amount of state support from the Energy Resources Conservation and Development Special Account. Table 2 compares the commission's support expenditures and funding sources in the current and budget years.

Table 2
Energy Commission
Support Expenditures and Funding Sources
1981-82 and 1982-83
(in thousands)

<i>Support Expenditures</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Change</i>
Personal Services	\$17,416	\$17,470	\$54
Operating Expenses and Equipment	12,518 ^a	12,859 ^b	341
Total Expenditures	\$29,934	\$30,329	\$395
 <i>Funding Sources</i>			
Energy Resources Conservation and Development Special Account	\$21,507	\$28,590	\$7,083
Energy Resources Conservation and Development Reserve Account	1,006 ^c	— ^d	-1,006
Motor Vehicle Account	1,066	1,578	512
Transportation Rate Fund	225	—	-225
Reimbursements	241	156	-85
Federal Trust Fund	5,889	5	-5,884
Total Funds	\$29,934	\$30,329	\$395

^a Excludes \$2,000,000 for the SMUD photovoltaic project and \$250,000 for the Salton Sea Solar Pond Project. The budget should show these projects as special items of expense.

^b Excludes \$189,000 from the Energy Account of ERF for statewide administrative overhead. These funds are used to reimburse the General Fund for the cost of state administrative services provided for Energy Commission special projects budgeted from the ERF in 1982-83.

^c Includes \$813,000 for salary increases for employees paid from the Special Account. Excludes \$160,000 for Passive Solar Design Competition.

^d The Reserve Account will provide money for salary increases (to the extent authorized) for Special Account employees in 1982-83.

Electricity Surcharge

The Energy Resources Conservation and Development Special Account (the Special Account) receives its revenues from a surcharge on the sale of electricity. The Warren-Alquist Act, which established the Energy Commission, states that funds in the Special Account may be used for any purpose authorized by the act. The surcharge is now set at the legal maximum rate—\$.0002 (two-tenths of a mill) per kilowatt-hour. The

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

Board of Equalization sets the rate each year and collects the surcharge from the utilities.

The law requires the board to set a rate each January that will produce enough revenue to fund the expenditures from the Special Account that are proposed in the Governor's Budget. The board must adjust the rate again in August, if necessary, to reflect the final appropriations in the Budget Act. Any unappropriated surplus remaining in the Special Account at the end of each fiscal year is transferred to the Energy Resources Conservation and Development Reserve Account (the Reserve Account). Once the Reserve Account balance reaches \$3 million, any surplus in the Special Account 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 for Energy Commission employees, and for unexpected workload increases for power plant siting.

During the current year, the budget estimates that eight agencies will spend \$30,732,000 from the Special Account. Most of these funds will be spent by the Energy Commission (\$21,507,000) and the Public Utilities Commission (PUC) (\$7,365,000).

The budget estimates that revenue to the Special Account from the electricity surcharge will be \$30,700,000 in 1982-83 if the maximum rate is continued. For 1982-83, the budget proposes spending a total \$30,439,000 by six agencies. Table 3 shows estimated current-year and proposed 1982-83 expenditures from the Special Account.

Table 3
Estimated and Proposed Expenditures from the
Energy Resources Conservation and Development
Special Account in 1981-82 and 1982-83
 (in thousands)

<i>Organization</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>
Energy Commission—support	\$21,507	\$28,590
Energy Commission—capital outlay	—	92
Board of Equalization—surcharge collection costs and county gasoline consumption data	312	274
Solar Cal Council—support	94	261
Public Utilities Commission	7,365	—
California Conservation Corps—solar and energy conservation pro- grams	1,028	1,048
Air Resources Board—cogeneration and alternative fuels program	144	144
Office of Planning and Research—special studies	138	—
Alternative Energy Source Financing Authority	144	30
Totals	\$30,732	\$30,439

PUC Use of Special Account Eliminated

During consideration of the 1981-82 budget, the Legislature reduced the Energy Commission's appropriation from the Special Account by almost \$2.9 million. The Legislature appropriated these funds, along with all other uncommitted funds in the Special Account, to the PUC in order to free up \$3.4 million in General Fund support for use elsewhere in the budget.

Table 4
Energy Commission
1982-83 Proposed Budget Changes
(In thousands)

	<i>Special and Reserve Accounts</i>	<i>Motor Vehicle Account and Transportation Rate Fund</i>	<i>Energy and Resources Fund</i>	<i>Other Funds</i>	<i>Federal Trust Fund</i>	<i>Total</i>
1981-82 Budget (Revised)	\$22,673	\$1,291	\$2,349	\$14,814	\$5,889	\$47,016
Program changes						
1. Replacement of Lost Federal Funding	5,884	—	—	—	-5,884	—
2. Financial Assistance and Special Projects						
a. Energy Conservation loans to schools, hospitals, public-care institutions, and local govern- ments	—	—	4,600	2,472 ^a	—	2,128
b. Loans for energy-efficient streetlights	—	—	3,750	-148 ^a	—	3,602
c. Grants for energy-efficient traf- fic signals	—	2,400	—	—	—	2,400
d. Financial assistance for projects to convert agricultural and fore- stry wastes to energy	—	—	—	-6,737 ^b	—	-6,737
e. Alcohol fuels financial assist- ance and vehicle fleet programs	—	—	5,000	-550 ^b	—	4,450
f. Clean coal studies and demon- strations	—	—	—	-4,000 ^c	—	-4,000
g. Lignite-fired fluidized bed com- bustor	—	—	2,500	—	—	2,500
h. SMUD photovoltaic demonstra- tion project	—	—	-2,000	—	—	-2,000
i. Salton Sea solar pond	—	—	1,750	—	—	1,750
j. Advanced solar technology demonstrations	—	—	1,000	—	—	1,000
k. Passive solar design competi- tion	-160	—	—	—	—	-160
l. Agricultural solar design com- petition	—	—	-99	—	—	-99
m. Lean burn stratified charge en- gine	—	—	—	-275 ^d	—	-275
n. San Bernardino geothermal projects	—	—	2,750	-391 ^e	—	2,359
Subtotals	-\$160	\$2,400	\$19,251	-\$14,573	—	\$6,918
3. Baseline and Miscellaneous Changes	193	287	189 ^f	-85 ^g	—	584
Total 1982-83 Budget Changes	\$5,917	\$2,687	\$19,440	-\$14,658	-\$5,884	\$7,502
Totals, 1982-83 Proposed Budget	\$28,590	\$3,978	\$21,789	\$156	\$5	\$54,518

^a State Energy Conservation and Assistance Account.

^b Agricultural and Forestry Residue Utilization Account.

^c Clean Coal Account.

^d California Environmental License Plate Fund.

^e Geothermal Resources Development Account.

^f Statewide administrative overhead for Energy and Resources Fund projects.

^g Reimbursements.

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The budget proposes that all Special Account support for the PUC be eliminated. The administration proposes that the commission instead be supported from fees to be paid by regulated utilities. The elimination of approximately \$7.4 million in Special Account support for the PUC in 1982-83 is what makes it possible for the budget to propose an increase of \$7,083,000 from the Special Account for the Energy Commission in the budget year. It also enables the commission to maintain the current year level of support expenditures, despite an expected decrease of \$5,884,000 in federal funds in 1982-83.

Significant Budget Changes

Table 4 summarizes the commission's proposed budget changes for 1982-83, by funding source. Each of the major changes is discussed below.

Replacement of Federal Funds. As noted earlier, the budget requests \$5,884,000 from the Special Account in 1982-83 to replace an equal amount of federal funds that will not be available after the current year.

Financial Assistance and Special Projects. A large portion of the commission's total expenditures for 1981-82 and 1982-83 is for special projects and financial assistance programs. These programs primarily offer loans or other financial assistance to local governments and private parties for energy conservation or alternative energy projects.

The budget requests a total of \$24 million for these special programs in 1982-83, as follows:

- \$4,600,000 is proposed from the Energy and Resources Fund for low-interest energy conservation loans to public and nonprofit schools, hospitals and public care institutions and to units of local government. This would continue an existing loan program established by Ch 1124/79, which appropriated \$20 million from the General Fund for these loans. During 1981-82, the commission expects to commit the \$6,737,000 remaining from the original \$20 million appropriation. The funds requested for 1982-83 would enable the commission to continue making new loans. Beginning in 1983-84, repayments on the original loans will provide a source of revenue to continue this program.

- \$3,750,000 is proposed from the Energy and Resources Fund for loans to local governments to increase the energy efficiency of street lights. This money will allow the commission to continue the existing street lighting loan program, which was established by Ch 902/80 and funded by an \$8 million appropriation from the Energy and Resources Fund. The commission expects to commit the \$550,000 remaining from the original appropriation during 1981-82. The new appropriation will allow the commission to continue making new loans in 1982-83. Beginning in 1983-84, loan repayments on the original loans will provide a source of revenue to continue this program.

- \$2,400,000 is proposed from the Motor Vehicle Account, State Transportation Fund, for grants to local governments for energy efficient traffic signals. This is a new program under which the commission intends to award grants to local governments to help them improve the timing and operation of their traffic signals in order to reduce vehicle fuel use.

- \$5 million is proposed from the Energy and Resources Fund for alcohol fuel vehicle fleets and fueling stations. This money will be used to establish a 1,000-car methanol-fueled fleet, as well as the fueling stations to service that fleet. The project will greatly expand the commission's existing alcohol fleet-test program, which uses funds appropriated by Ch 161/79.
- \$2,500,000 is proposed from the Energy and Resources Fund for co-funding of a demonstration cogeneration power plant using a lignite-fired fluidized bed combustor.
- \$2 million is proposed from the Energy and Resources Fund to co-fund the first phase of construction on the Southern California Edison Company's Salton Sea Solar Pond project. In the current year, the commission is spending \$250,000 from the Energy and Resources Fund to co-fund a feasibility and design study.
- \$1 million is proposed from the Energy and Resources Fund for advanced solar demonstration projects.
- \$2,750,000 is proposed from the Energy and Resources Fund for a geothermal heating system in San Bernardino. During the current year, the commission received an appropriation of \$391,000 from the Geothermal Resources Development Account to fund a geothermal project at the San Bernardino water treatment plant.

Table 4 shows that the budget proposes an increase of \$6,918,000 for financial assistance and special projects in 1982-83. However, the increase in new funds for these projects is greater than the table would appear to indicate. During the current year, the commission will spend an estimated \$17,082,000 for financial assistance and special projects, nearly all of which is from appropriations made prior to 1981. On the other hand, all of the \$24 million proposed to be spent in 1982-83 will require new appropriation authority. The Energy Account of the Energy and Resources Fund will provide \$21.6 million of the new money, while the Motor Vehicle Account will provide the remaining \$2,400,000.

Shifts in Program Emphasis. Although the budget proposes virtually no change in the level of funding for basic support of the commission in 1982-83, there are some changes in program emphasis in the support budget. The budget proposes a net reduction of 15.2 personnel-years (excluding allocated administrative positions) in the Energy Conservation Program, where virtually the entire loss of federal funds occurs. The reduction will take place primarily in staff assigned to energy conservation programs for buildings. However, the staff reduction in the Conservation Program will be offset by increases elsewhere so that the commission's total staff effort will decrease by less than one personnel-year. The major increase will be in the Energy Development program, which will gain 12.9 personnel-years in 1982-83, primarily for work related to alcohol and synthetic fuels.

Energy Commission Reorganization and Energy Account Funding

The Governor's Budget requests \$43,805,000 in appropriations from the Energy Account of the Energy and Resources Fund in the budget year, including \$21,789,000 requested for the commission.

Section 6217 of the Public Resources Code, as amended by Ch 899/80 and as further amended by Ch 886/81, prohibits the transfer of any funds to the Energy Account after June 30, 1982 unless "a reorganization of the state Energy Resources Conservation and Development Commission has been enacted by the Legislature." Therefore, a legislative reorganization

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of the Energy Commission is required before any tidelands oil revenue needed to fund the 1982-83 appropriations requested in the budget can be transferred into the Energy Account. Chapter 899, which first imposed the reorganization requirement, was signed by the Governor in September 1980. The administration has not yet proposed a reorganization plan to comply with this legislation.

In the event the commission is not reorganized and tidelands oil revenues are not transferred to the Energy Account, the only money available to finance any of the expenditures proposed from the Energy Account would be surpluses in the account carried over from the current fiscal year. The Governor's Budget estimates that the Energy and Resources Fund as a whole will have an unexpended reserve of \$3,957,000 on June 30, 1982 which will be carried over into 1982-83. The budget, however, does not indicate how much of this reserve is in the Energy Account.

Grants for Local Geothermal Projects

Chapter 139, Statutes of 1980, established the Geothermal Resources Development Account (GRDA) in the General Fund.

Under federal law, the state receives one-half the revenue from bonuses, royalties and other payments from mineral development on federal land in California. Chapter 139 provides that the state's share of the revenues from geothermal development on federal lands shall be deposited in the GRDA. The GRDA also receives \$2 million each year from the state's share of other federal mineral revenues (primarily from oil and gas) which otherwise would be deposited in the State School Fund. This transfer was authorized by Chapter 139 in order to give the GRDA an amount of funds equivalent to the federal geothermal revenues which the state received before the GRDA was established. These additional deposits began in 1980-81, and will continue through 1984-85. At that time, a total of \$9,068,000 will have been paid back to the GRDA. This is the amount of federal geothermal revenues which the state deposited in the State School Fund prior to the enactment of Chapter 139.

Funds in the GRDA are distributed as follows:

1. 40 percent is paid directly to the counties in which the federal lands that produce revenues are located.
2. 30 percent is deposited in the Renewable Resources Investment Fund.
3. 30 percent is allocated to the Energy Commission.

Chapter 139 continuously appropriates to the Energy Commission its 30 percent share of the revenues deposited in the GRDA for grants to local governments that have geothermal resources. These grants may be used for a wide variety of purposes related to the development of local geothermal resources. Chapter 139 establishes a one-year lag between the receipt of revenues and their availability for expenditure by the Energy Commission. Therefore the amount which the commission can distribute in one year depends on revenue to the GRDA in the prior year.

The fund condition statement for the GRDA indicates that revenue available for expenditure during 1980-81 was \$2,467,000. The Energy Commission's 30 percent share of this amount is \$740,000. The commission's budget for 1981-82 appropriated \$391,000 of the \$740,000 for a geothermal project in the City of San Bernardino. Therefore, the commission has an unappropriated surplus of \$349,000 in the current year which it can use for

grants to local governments.

The budget estimates that current-year revenues to the GRDA, which will be available for expenditure in 1982-83, will total \$18.4 million. Our discussions with federal officials in the U.S. Bureau of Land Management and the U.S. Geological Survey, however, indicate that revenues will be approximately \$2.7 million, or \$15.7 million less than the amount estimated in the budget. We estimate, therefore, that the commission will have \$810,000 in 1982-83 (its 30 percent share of 1981-82 revenues) for grants to local governments with geothermal resources.

Staffing Requirements Not Identified

We recommend that the Energy Commission report to the Legislature prior to budget hearings on specific staffing requirements for each of the proposed projects funded from the Energy and Resources Fund and for the Fuel Efficient Traffic Signal program funded from the Motor Vehicle Account.

The commission's budget requests \$24 million for special projects and financial assistance programs. However, it does not identify the staff needed to administer these programs. The commission should identify the staff needed for each of these programs by either specifying existing staff that can be assigned to them or by requesting additional staff to administer them.

Availability of Federal Funds

We recommend a reduction of \$1,505,000 in state funds from Item 3360-001-019 and an equal increase in federal funds in Item 3360-001-890 in order to replace state funds with federal funds which have become available since the budget was prepared.

As discussed above, the budget anticipates that federal grants to the Energy Commission will be virtually eliminated in 1982-83, dropping from \$5,889,000 during the current year to \$5,000 in 1982-83. This estimate was based on President Reagan's budget proposals. Congress, however, restored \$25 million in energy-related grant funds, and the President has signed HR 4035, which appropriates the money. According to the Department of Energy's San Francisco Regional Office, \$1,504,700 is available to the commission in 1982-83. The \$1,504,700 may be used for a wide range of commission activities related to energy conservation.

We recommend that these additional federal funds be used to replace the same amount of state money budgeted from the special account, for a state savings of \$1,504,700.

POWER PLANT CERTIFICATION PROGRAM

Changing Workload

We recommend that the commission report to the Legislature prior to budget hearings on any budget revisions needed to handle an expected increase in power plant siting workload.

New power plants built in California, other than hydroelectric plants and small thermal power plants generating less than 50 megawatts, must first be approved by the California Energy Commission under a two-stage power plant certification process. The first stage, the notice of intention (NOI), consists of a series of workshops and nonadjudicatory and adjudicatory hearings which are intended to: (1) evaluate the need for the plant, (2) investigate the safety, health, environmental, land-use and economic

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impacts of the power plant at three alternative sites, (3) determine the likelihood of compliance with local, state and federal laws, standards and ordinances, and (4) determine whether there are preferable alternatives to the proposed project.

The second stage, the application for certification (AFC), consists of a series of evidentiary hearings to: (1) evaluate specific facility designs, (2) verify that all adverse impacts will be satisfactorily mitigated, (3) confirm the economic feasibility and energy effectiveness of the project, and (4) determine that all applicable regulatory requirements will be complied with. Essentially, the AFC is intended to provide a "one-stop" licensing process which consolidates the regulatory functions of various state and local agencies involved in the siting process.

Scheduled Workload. On September 16, 1981, the commission forecast that its power plant siting workload in 1982-83 would include three AFCs for geothermal power plants during the first six months of the fiscal year and two cogeneration projects extending over the full year. In order to handle this workload, the commission is requesting \$1,311,000 for 28.9 personnel-years and \$35,000 for consulting contracts. This reflects a decrease of \$153,000 and 5.2 positions from the current year.

Possible Increase in Workload. On December 28, 1981, the commission revised its power plant siting forecast for the budget year to tentatively schedule the following additional AFCs:

- Sacramento Municipal Utility District—Geothermal Power Plant No. 2 (55 megawatts).
- Southern California Edison Company—Lucerne Valley Gas Turbine Power Plant (1,600 megawatts).
- Southern California Edison Company—Solar Thermal Power Plant (100 megawatts).
- Southern California Edison Company—California Coal Power Plant (1,500 megawatts).
- ARCO—Carson Cogeneration Gas Turbine Power Plant (300 megawatts).

The Lucerne Valley Gas Turbine Power Plant was reinstated as an active project in December 1981. However, the commission has not yet confirmed when the AFCs for the other plants will be submitted by the utilities. As a consequence, the commission is uncertain about its power plant siting workload next year and may seek a significant revision in its budget request.

Our analysis indicates that the commission's budget request for its scheduled workload of three geothermal and two cogeneration projects is reasonable. In view of the increase in workload that the commission now anticipates, however, we recommend that the commission report prior to budget hearings on any major revisions in workload which would require a change in the amounts budgeted for power plant siting.

ALTERNATIVE ENERGY PROJECTS

Salton Sea Solar Pond Project

We recommend approval of \$2 million in Item 3360-001-189 for the first phase of construction of the Salton Sea Solar Pond project. We further recommend that Budget Bill language be adopted which: (1) prohibits the

encumbrance of state funds for this project until the funding expected from public utility and federal government sources is assured, (2) requires feasibility of the project to be established and (3) requires repayment of state funding if the plant generates commercially salable power.

The commission is requesting \$2 million from the Energy Account in the Energy and Resources Fund for a multistage project to construct a solar pond power plant at the Salton Sea.

Description of the Project. The Southern California Edison Company, California Energy Commission, and the U.S. Department of Energy are proposing to construct a five-megawatt solar pond research and development project on land owned by the U.S. Navy. Completion and activation of the project is scheduled in 1985. The five-megawatt (63-acre) plant would provide design and operating experience for the construction of a prospective 600-megawatt commercial power plant composed of twelve 50-megawatt modules covering an area of up to 50 square miles in the Salton Sea. The Jet-Propulsion Laboratory will be responsible for technical management of the project.

The solar salt pond energy system relies on relatively simple technology to extract energy from bodies of salt water heated by the sun. Salt brine is placed in a diked pond in layers of increasing density. Solar energy penetrates the top fresh water layer and heats the bottom layer of brine to about 200 degrees Fahrenheit. This hot brine is piped from the bottom of the pond to a heat exchanger which heats a secondary working fluid (in this case freon). The working fluid is expanded to a vapor to drive a "rankine cycle" turbine/generator. The used brine is returned to the pond for reheating. The estimated total cost of the five-megawatt project is \$40 million (\$8,000 per kilowatt). The project costs will be shared as follows:

- U.S. Department of Energy—\$20 million (50 percent).
- Southern California Edison Company—\$10 million (25 percent)
- California Energy Commission—\$10 million (25 percent)

In 1980-81, the California Energy Commission provided \$100,000 and the Southern California Edison Company and Ormat Turbines, Ltd., in Israel, the developers of the technology, provided \$200,000 for a preliminary study of the project. Based on the favorable results of the preliminary study, a comprehensive, technical, and economic feasibility study was funded in 1981-82, with the U.S. Department of Energy contributing up to \$1,500,000, the Southern California Edison Company contributing \$250,000, and the California Energy Commission contributing \$250,000. The state's share was appropriated in the 1981 Budget Act. Supplemental report language was also adopted stating the Legislature's intent to participate in construction funding during future years.

The Budget Request for 1982-83. Completion of the feasibility study is anticipated in October 1982. Assuming that the feasibility study will recommend that the project be implemented, the commission is requesting \$2 million from the Energy Account in the Energy and Resources Fund in 1982-83 for the first phase of construction.

Analysis. According to the Jet-Propulsion Laboratory, the solar salt pond technology has been developed and successfully demonstrated in Israel. The technology appears to be relatively simple, renewable, environmentally clean, and may be capable of producing moderate levels of lower cost power. The next logical step appears to be construction of the proposed five-megawatt project. If that is successful, the development of 50-megawatt power modules may be possible. The project, however, has

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risks associated with (1) the development of a high-flow brine extraction system and (2) the efficiency and reliability of the binary cycle heat exchangers and the turbine/generators.

Based on the Legislature's commitment to this project and its potential for developing lower cost energy sources, we recommend approval of the \$2 million requested for this project, plus adoption of the following Budget Bill language which will assure that (1) state funds are not expended until federal and utility funding is committed to the project, (2) the feasibility of the project is established, and (3) state funding will be repaid from project revenues.

"The Energy Commission shall not encumber funds appropriated for the Salton Sea Solar Pond Project unless and until (1) the expected funding from public utility and federal government sources is secured, (2) an engineering and cost study is completed which demonstrates the feasibility of the project, and (3) the utility agrees to repay the state funding from project revenues if the plant generates commercially salable amounts of power."

Photovoltaic Power Plant—Santa Catalina Island

We recommend deletion of \$450,000 in Item 3360-001-189 for the photovoltaic project on Santa Catalina Island because the state is already participating in a larger, high risk photovoltaic demonstration project, and this request is premature.

The California Energy Commission requests \$450,000 from the Energy Account in the Energy and Resources Fund to support the construction of a 300-kilowatt photovoltaic power plant on Santa Catalina Island. The total cost of the project would be approximately \$2 million (\$6,670 per kilowatt). The commission's contribution (\$450,000) would provide 22.5 percent of the total project costs. The commission indicates that it will seek the remaining \$1,500,000 from a private manufacturer of photovoltaic systems, as yet unidentified. The Southern California Edison Company is willing to operate the plant but will not participate in the costs.

Santa Catalina's power is presently provided by a six-megawatt, diesel-electric generator system which amply satisfies a peak demand of three megawatts.

Objective of the Project. The primary objectives of this demonstration project are to: (1) encourage the widespread use of photovoltaic power sources throughout California, (2) place a large order for photovoltaic systems in order to develop advanced production techniques and drive down the cost of the cells and associated circuitry and equipment, and (3) provide operating experience with a solar power source in a larger isolated power system.

Similar Project Also Receiving State Funds. The Budget Act of 1981 appropriated \$2 million from the Energy Account in the Energy and Resources Fund to the commission to participate with the Sacramento Municipal Utility District and the U.S. Department of Energy in a one-megawatt photovoltaic project at Rancho Seco in Sacramento County. This plant is expected to be the first stage of a multistage project consisting of a 100-megawatt photovoltaic power plant occupying 1,200 acres. Construction will occur over a period of 12 years. The cost of the one-megawatt first stage is estimated to be \$12 million (\$12,000 per installed kilowatt).

The total cost of the multistage project is estimated to range between \$270 million and \$750 million, depending on the future costs of photovoltaic cells. The total state share of project costs will be in the range of \$5.4 million to \$15 million.

Analysis. Photovoltaic power systems have been very successful in space applications, and commercial use of this technology may be possible in the future. However, it is uncertain whether the Rancho Seco project will be able to realize a cost per kilowatt of \$12,000. In addition, the average operating life of flat-plate photovoltaic cells has not been determined, and it is possible that many cells may fail in three to five years.

Several years of further research and development may be necessary to improve the efficiency and reliability of photovoltaic systems and reduce the cost of the cells and associated equipment in order to achieve the fully installed cost of \$6,650 per kilowatt estimated for the Santa Catalina Island project.

The commission's proposal to fund a second large-scale photovoltaic project is not supported by appropriate technical and cost analyses. In addition, the request for state funds to construct the Santa Catalina Island project is premature because neither a manufacturer of photovoltaic systems nor the Southern California Edison Company has made a commitment to sharing in the costs of the project.

For these reasons, we recommend that the \$450,000 requested for the Santa Catalina Island project be deleted. The state should limit its involvement in the development of photovoltaic technology to the Rancho Seco project until further progress is achieved in lowering installation costs and improving the efficiency and reliability of photovoltaic systems.

Modular Solar Boiler Project

We recommend deletion of \$400,000 in Item 3360-001-189 for the Modular Solar Boiler project because state involvement in this project has not been justified.

The Southern California Gas Company, Southern California Edison Company, and California Energy Commission are proposing to construct a modular solar boiler project in southern California in order to demonstrate the feasibility of using this solar power source in industrial process applications. The solar module would use a 50,000 square foot array of parabolic trough collectors with an output of 5 million British Thermal Units per hour. The total cost of the project is estimated to be \$2 million, with the commission providing \$400,000 (20 percent) from the Energy Account in the Energy and Resources Fund. The commission has not yet identified a funding source for the remaining \$1.6 million and has not found an industrial user for the system.

Existing systems have already demonstrated the feasibility of using the technology to be tested in this project. For example, solar boilers using arrays of parabolic trough collectors have been placed in service at several locations throughout California. One of the largest such systems is providing solar heating and cooling for the University High School in San Diego.

The proponents are presently developing a preliminary design and studying the feasibility of the project. As a consequence, no details on the project are available at this time. Hence, we are unable to document that this project is economically feasible, that state assistance is justified, or that the amount requested is reasonable. We, therefore, recommend deletion of \$400,000 requested for the project.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued**Geothermal Space Heating System—San Bernardino**

We recommend deletion of \$2,750,000 in Item 3360-101-189 for the Geothermal Space Heating System in the City of San Bernardino because the proposed project would be supported disproportionately by the state in view of the benefits of the system that would be realized by federal and county agencies and the San Bernardino Valley College.

The Board of Commissioners of the City of San Bernardino and the California Energy Commission are proposing to drill several geothermal wells and build pumping stations and six miles of below-ground transmission pipelines. The purpose of this system is to supply low-temperature water for space heating systems at the Norton Air Force Base, San Bernardino U.S. Veterans' Hospital, San Bernardino Valley College, San Bernardino County Administration Center and Orange Show Fair Grounds (a nonprofit corporation). This system would save an estimated 250 million cubic feet of natural gas each year and produce a net savings to the beneficiaries of approximately \$225,000. The federal agencies would account for about 70 percent of the heating load on the system.

Project Costs and Funding. The city estimates that the total cost of the system would be approximately \$6,670,000. The commission would provide \$2,750,000 (40 percent) from the Energy Account of the Energy and Resources Fund to pay all of the high-risk costs of drilling the wells and installing the below-ground pumps and transmission pipelines. The remaining costs of converting the heating systems at the individual facilities would be privately financed and paid for by the user agencies with budgeted operating funds.

State Support for Related Project in San Bernardino. The state is already paying most of the capital costs for an existing geothermal sewage treatment heating system serving the City of San Bernardino.

The Budget Act of 1981 appropriated \$391,000 to the Energy Commission from the Geothermal Resources Development Account for a grant to the Board of Water Commissioners, City of San Bernardino, for development of geothermal wells. These wells are designed to provide low-temperature hot water to sewage digesters in the city's 21 million gallon per-day waste water treatment plant. This project promises to save the city 11 million cubic feet of natural gas and reduce energy costs by about \$40,000 each year. Drilling of the geothermal wells will also assist in determining the availability of the geothermal resource for the proposed space heating system.

The state will provide 90 percent of the funding for this sewage treatment system. The city will provide the remaining 10 percent, using private financing, to convert the digesters and associated equipment within the sewage treatment plant. Thus, while the city is receiving all of the benefits from the project, it is financing only a token amount of the project's costs.

Analysis. Our analysis indicates that state funding for a second, much larger geothermal space heating system serving federal and local facilities (but no state facilities) is unreasonable, given the proposed allocation of costs and benefits. Because this heating source will directly benefit federal and local facilities, these beneficiaries should be required to provide matching funds for the capital costs of the wells and transmission pipe-

lines. As a consequence, we recommend deletion of the \$2,750,000 requested for the project.

Lignite Cogeneration System

We recommend deletion of \$2,500,000 in Item 3360-001-189 for the American Lignite Cogeneration System because a state subsidy of the project (56 percent of the capital cost) is not needed to make the project feasible, and would be inappropriate since the project may produce private gross revenues of approximately \$33.5 million during the first 12 years of operation.

The American Lignite Products Company and the Energy Commission are proposing to construct a fluidized-bed cogeneration plant which will generate two megawatts of electrical power and 12,000 pounds per hour of process steam. The plant would be fueled with 110 tons per day of lignite which is a brownish coal, intermediate between peat and bituminous coal.

The American Lignite Projects Company mines about 50,000 tons of lignite per day in Ione, California, and extracts a mineral wax known as "montan wax" from this material. This hard wax is used in inks, polishes and industrial lubricants. The residual lignite is a low-sulfur fuel with excellent heat characteristics (8,000 BTU/lb.).

Based on a successful test burn of lignite in a fluidized-bed combustor at Coeur d'Alene, Idaho, the company is presently designing a cogeneration system for use at its Ione plant. The system is scheduled to be completed in 1985 and will cost approximately \$4.5 million. The commission proposes to contribute \$2.5 million toward the project from the Energy Account in the Energy and Resources Fund in 1982-83. This amounts to 56 percent of the project's total capital costs. The company has also applied to the U.S. Department of Commerce for a \$1 million grant. If this grant is secured, governmental subsidies totaling 78 percent would be available for the project.

The company estimates that the cogeneration plant will earn total gross revenues in the range of \$33.5 million at current natural gas prices over a useful operating life of 12 years. This revenue will be derived from (1) the use of process steam for the wax extraction process and (2) the sale of approximately 1.45 megawatts of excess electrical capacity to the Sacramento Municipal Utility District (SMUD). This project promises to provide a source of low-cost fuel to the company if the fluidized-bed combustor and multi-stage turbine prove to be efficient and reliable.

Our analysis indicates that state subsidy of the project is not warranted because: (1) the company's rate of return on the total cost of the project is estimated to be about 16.5 percent and (2) the company's estimated pay-back period for underwriting these costs is 8.5 years. As a result, it is economically feasible for the company to support the entire project without state subsidy. If the company finds that risk sharing is needed before it can undertake the project, it should investigate having SMUD supply the turbine generator or share in its cost since SMUD would be a direct beneficiary of any excess electrical capacity generated by the project.

In summary, we do not believe a state subsidy for this project is appropriate or necessary, and recommend deletion of \$2.5 million requested for the project.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued**PETROLEUM INDUSTRY INFORMATION REPORTING ACT**

Chapter 1055, Statutes of 1980, the Petroleum Industry Information Reporting Act (PIIRA), revised the type, number and frequency of reports which the petroleum industry must submit to the Energy Commission. It also required the commission to analyze and interpret the fuel supply information it receives and to make quarterly and annual reports to the Legislature and the Governor.

More specifically, PIIRA requires major oil marketers and refiners to submit monthly, rather than quarterly, reports within 30 days after the end of the reporting month. California oil producers are no longer required to file monthly or quarterly reports with the commission. Instead the commission relies on monthly production statistics published by the state Oil and Gas Supervisor. Chapter 1055 requires the commission to publish a quarterly report within 70 days after the end of each quarter which summarizes, analyzes and interprets the data the commission has received.

Chapter 1055 also requires annual reports by major refiners and marketers on their capacity, utilization and methods of transportation. Major petroleum producers and transporters and major petroleum storers must report their capacity, inventories and quantity of products handled during the year and methods of transportation. Additionally, integrated refiners (companies that produce, refine and transport petroleum and have more than 500 branded retail outlets in California) must submit an annual forecast of all industry operations. By April 15 of each year, the commission must publish a report which describes petroleum supply, demand and pricing trends, plus industry investments, and makes recommendations for legislative or administrative actions.

The Legislature, in supplemental report language, directed the commission, the Department of Finance, and the Legislative Analyst to separately identify the positions and contract funds in the fuels assessment element of the Regulatory and Planning program which directly relate to the implementation of Ch 1055/80.

PIIRA Cost Estimates. In response to the directive in the supplemental report, the budget (page R-30) identifies a total 1982-83 cost of \$987,000 for PIIRA-related work in the fossil fuels assessment element of the Regulatory and Planning program. This amount consists of \$527,000 for 17 personnel years of staff and \$460,000 for contracts.

The Energy Commission recently revised its budget estimate. First the commission has added the cost of benefits, operating expenses, and equipment for the 17 personnel-years of staff identified in the budget. The budget costs included only the salary of the staff. Second, the commission added \$100,000 of contract funds that were not included in the budget amount because of a typographical error. Third, the commission added the cost of five personnel-years for data processing, and various commission-wide administrative functions.

Our analysis indicates that further revisions to the Energy Commission's estimate should be made. First, we believe four personnel-years should be added to account for the Fossil Fuels Assessment Office Manager and his clerical staff. These positions are budgeted separately under the management and support element of the Regulatory and Planning program. Second, two personnel years should be added for temporary help. During the

current year, the fossil fuels assessment office has had three student assistants paid from temporary help funds. We assume that the need for temporary help will decrease in 1982-83, and that the cost of these positions will be \$40,000.

Table 5 presents the cost estimate for the fuels assessment element of the Regulatory and Planning program, in the budget, as well as the adjustments to that estimate made by the commission and by us. We estimate that the total funds requested to carry out PIIRA in 1982-83 are approximately \$1,758,000, or \$771,000 more than the estimate given in the budget.

Table 5
Energy Commission
Reconciliation of Cost Estimates for
Administration of Petroleum Industry Information Reporting Act
1982-83
(in thousands)

	<i>Personnel-Years</i>	<i>Dollars</i>
1. Budget Estimate (p. R-30)		
a. Salary cost for 14 PY ^a in Fossil Fuels Assessment Office and 3 PY for Legal and Policy Office Support.....	17	\$527
b. Contract funds.....		460
Total estimate in budget.....	17	\$987
2. Cost identified by Energy Commission Subsequent to Preparation of the Budget		
a. Benefits, operating expenses and equipment charges for the 17 PY identified in the budget		\$304
b. Correction to budget contract amount.....		100
c. Cost of five PY for data processing, personnel and accounting services and other administrative functions	5	181
Total commission adjustment to budget estimate	5	\$585
Total revised commission estimate.....	22	\$1,572
4. Costs added by Legislative Analyst		
a. Four PY for Fossil Fuels Assessment Office Manager and clerical staff	4	\$146
b. Two PY for student assistants (temporary help)	2	40
Total Analyst Adjustments	6	\$186
Total Analyst Estimates	28	\$1,758

^a Personnel-years.

PIIRA Incremental Cost. Although the cost of administering PIIRA—\$1,758,000—is substantial, the commission does not appear to be devoting more resources to PIIRA than it devoted to fuels-related work prior to the enactment of Ch 1055. In April 1980, the commission identified 24.5 positions (excluding administrative positions) in its 1979-80 budget related to the analysis of fuels issues.

Although PIIRA increased some requirements under the petroleum reporting system (primarily the requirement that reports be submitted on a monthly, rather than quarterly basis), it also eliminated some of the reports required under the old system such as the oil producer reports. According to the commission staff, the total amount of data now handled under PIIRA is no greater than that handled under the quarterly reporting system. In addition, the commission has completed a sophisticated data processing system for PIIRA information which will reduce the workload of compiling and analyzing data and issuing reports.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

Reduction in Staffing and Contracts for the Fuels Assessment Program

We recommend a reduction of \$494,000 in Item 3360-001-044 to eliminate 3.5 personnel-years and \$350,000 of contract funds because the work to be undertaken using these resources is not a commission responsibility.

Staffing Funds. The commission proposes an additional 3.5 personnel-years for environmental analysis and legal support for the fossil fuels assessment element in 1982–83. The commission is requesting the 3.5 positions to analyze the environmental cost associated with the production and refining of petroleum. Work in this area may include investigations of changes in air pollution offset policies in the South Coast Air Basin, the effect of offset policies on refinery modifications, environmental limitations on offshore oil production near Santa Barbara, and environmental limitations on oil production in the San Joaquin Valley.

The commission has not justified its need for this information. Furthermore, the commission has no jurisdiction over the environmental regulation of oil production or refining. Responsibility for these matters rest with several federal agencies; the Air Resources Board, the Coastal Commission and the State Lands Commission at the state level; and local environmental and land-use agencies.

Furthermore, we note that the commission has other staff available for environmental analysis, to the extent such analysis is needed to carry out the commission's responsibility. For example, there are currently 31 professionals in the commission's Environmental Office.

For these reasons, we recommend deletion of the 3.5 new positions, for a savings of \$144,000.

Contract Funds. In addition to the new positions, the commission is requesting \$570,000 in contract funds for the fossil fuels assessment element in 1982–83 for the following contracts:

1. Expert witnesses on fuel price and availability	\$20,000
2. Refinery utilization and configuration	200,000
3. Transportation fuel retailing in California	200,000
4. Petroleum exploration and production costs in California	150,000
	\$570,000

The commission indicates that all of these funds are for PIIRA-related work except for \$10,000 budgeted for expert witnesses on natural gas issues.

The \$570,000 represents a substantial increase over the \$80,000 allocated for PIIRA studies in the current year.

Our analysis indicates that several of the proposed contracts are not necessary and will not provide useful results to the commission. Specifically, we recommend a reduction from the \$570,000 requested for contract funds to eliminate \$200,000 for the refinery utilization and configuration contract and the \$150,000 for the exploration and production cost contract. According to the commission, the refinery utilization and configuration contract would determine the cost of modifying refineries to handle larger amounts of California heavy oil, and how those costs could be passed on to consumers through price increases. The commission has no authority over refinery use or modifications or petroleum pricing. Therefore, this study is not necessary for any specific decision or action on the part of the commission. Similarly, the study of exploration and production costs will

not provide necessary information to the commission because the commission does not have jurisdiction over oil production or exploration.

COMPUTER MODELING

Overview

The budget requests contract funds to improve the commission's computer models of utility financing and transportation energy use. In both cases, computer models have been developed and are in operation by the agencies with the primary responsibility in these areas: Caltrans and the Public Utilities Commission. The commission, however, wants to develop its own, more sophisticated models for purposes of forecasting long-range energy demand and evaluating various policy options.

Virtually every significant economic or industrial activity in the state affects energy use or production. Therefore, the commission's modeling efforts could grow infinitely unless they are (a) restricted to those areas which are not being addressed by other agencies and (b) limited to work which will be of some immediate and specific use to the commission.

In addition, the ability of long-range models to provide useful information for government decisions is not clear. Even the most sophisticated long-range planning models cannot overcome the inherent uncertainty surrounding the assumptions made today about conditions in the future. Such models do not make more reliable predictions; instead they produce flexible "scenarios" which depend on the validity of the assumptions made by the modelers. As a consequence, these scenarios are not forecasts or estimates so much as explorations of the modelers' assumptions.

Electric Utilities Financial Models

We recommend a reduction of \$150,000 from Item 3360-001-019 to eliminate contract funds requested to enhance the commission's financial model of the electric utilities and to investigate the implications of project financing because (1) such models now exist at the Public Utilities Commission and (2) the Energy Commission has no responsibility for utility financing.

Enhanced Computer Model. The commission requests \$60,000 in contract funds to enhance its financial computer model (FINMOD) of investor-owned utilities. The proposed contract would provide for improvements to the model for rate regulation, capital expenditures, tax laws and new financing mechanisms. The financial analyses will be used to forecast electricity prices, assess utility resource plans, and encourage utility investments in alternative generating resources.

The Energy Commission has no jurisdiction over utility financing. The Public Utilities Commission (PUC), which regulates the rates and financial affairs of the investor-owned utilities, has its own computer model of utility financing (ELFIN). According to PUC staff, ELFIN can model each utility's generating facilities, revenue production, cash flow for construction, rate regulation, and taxes.

Because the commission lacks jurisdiction over utility financing and should not attempt to duplicate the work done by the PUC, we recommend deletion of the \$60,000.

Contract Studies. The commission also requests \$90,000 for contract studies of the implications of "project financing" for California utilities and ratepayers. In this context, project financing refers to the cooperative sharing in the financing of a particular electric power or gas project by

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

several utilities or other entities through agreements to purchase the electricity or gas produced by the project.

Examples of project financing identified by the commission are the Intermountain Power Project in Utah which involves the Los Angeles Department of Water and Power; the Point Conception LNG Terminal; and the Trans-Canada Gas Pipe Line. The Intermountain project does not involve any California investor-owned utilities, and hence is not subject to the PUC's jurisdiction. The other two projects are within the jurisdiction of the PUC. In our judgment, the implications of project financing agreements must be considered by the PUC or (in the case of the Intermountain project) the governing boards of the municipal utilities. These bodies are responsible for determining whether such agreements are in the best interest of the ratepayers and the public. Because none of these projects are within the jurisdiction of the Energy Commission we recommend deleting the \$90,000.

Transportation Forecasting

We recommend a reduction of \$155,000 in Item 3360-001-019 to eliminate contract funds for studies of household travel behavior and vehicle technology because these studies have little relevance to the basic functions of the commission and because Caltrans is already doing much of this work.

Travel Behavior Survey. The budget requests \$80,000 in contract funds for the design of a household travel behavior survey. The Energy Commission would use the survey results in its travel demand forecasting model to project household travel patterns and gasoline use. The \$80,000 requested for this contract would fund only the first step of the project—the design of the survey. The actual survey would be conducted in subsequent years and would cost substantially more than \$80,000.

Caltrans has periodically conducted household travel surveys. The last of these extended from 1976 to 1980, and it involved more than 16,000 households at a cost of approximately \$1 million. Caltrans will do another survey when it believes that the last survey is outdated.

Caltrans also has an extensive system of transportation models. These include a statewide aggregate model which estimates miles traveled and fuel used, and submodels which specifically forecast fuel use and air pollution due to vehicles (the emissions model is also used by the Air Resources Board).

Vehicle Technology. The commission is also requesting \$75,000 in contract funds to address vehicle technology issues in the transportation energy demand model. This work may include studies of fuel efficiency, engine types, vehicle purchase prices, vehicle safety, resale value, emissions levels, tire types and lubricants. In addition, the commission wants to add information about railroad engines and rolling stock, aircraft, ships, agricultural and construction equipment and motorcycles to its vehicle data base.

The proposed work is poorly defined. Vehicle safety and emissions do not have any direct relationship to energy forecasting. Projections of future engine types, purchase prices and resale values will be too speculative to be the basis for government decisions. Some information, such as railroad, ship, and construction equipment data has relatively minor importance.

Conclusion and Recommendation. Our analysis indicates that:

1. The commission's transportation forecasting models essentially duplicate work which is already being done by Caltrans.
2. Explorations of future vehicle technology will be speculative and are not needed for any commission decisions, and
3. The commission does not have a specific use for long-range transportation energy demand data because it has no regulatory authority over transportation fuels.

The commission does have responsibility for monitoring fuel supplies and making short-term forecast of those supplies. To the extent, however, that information is needed for this task, the commission has a separate information gathering system established under the Petroleum Industry Information Reporting Act.

Based on our analysis, we conclude that the requested funds are not justified, and we recommend a reduction of \$155,000 requested for these two contracts.

ALCOHOL FUELS DEVELOPMENT

Chapter 161, Statutes of 1979, appropriated \$10 million from the Transportation Planning and Development Account (TPDA) to the Business, Transportation and Housing Agency for a program to investigate the practicality and cost-effectiveness of alternative motor vehicle fuels. The agency allocated \$6.2 million of this \$10 million appropriation to the Energy Commission for two major programs: (a) \$3.8 million for no-interest loans for medium-to-large-scale alcohol fuel production facilities plus \$250,000 for administrative and technical services associated with these loans and (b) \$2,150,000 to fund fleet tests of vehicles which use pure alcohol fuels, both methanol and ethanol.

Unused Loan Funds

We recommend that the commission report prior to budget hearings how it intends to use the unspent money in the Agricultural and Forestry Residue Utilization Account which was originally intended for alcohol production loans.

Chapter 803, Statutes of 1980, deposited the \$3.8 million allocated to the commission for alcohol loans in the state Agricultural and Forestry Residue Utilization Account in the General Fund and continuously appropriated the money to the commission.

As of January 1982, the commission had not spent \$2,482,000 of the \$3.8 million which it has available for alcohol production loans. The commission has funded five feasibility studies and one construction project (the Raven Distillery near Fresno). The commission intended to fund additional construction loans, but initial feasibility studies indicated that the projects studied, which used grain as the feedstock to make alcohol, were not economically feasible. During the last two years, the price of corn has increased while the price of gasoline has not increased as much as expected. As a result, projects based on grain feedstocks are no longer economically attractive in California. The one construction project funded to date uses no-cost, culled fruits which otherwise would have to be destroyed. Due to the poor economic outlook for large alcohol production facilities which use grain feedstocks, we recommend that the commission report to the Legislature how it intends to use the remaining \$2,482,000.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued**Alcohol Fueled Vehicle Fleets**

We withhold recommendation on \$5 million requested from the Energy Account in the Energy and Resources Fund in Item 3360-001-189 to purchase and operate up to 1,000 methanol-fueled vehicles for state and local government fleets and to establish refueling stations, because the commission has not yet presented an itemized budget for this project or provided adequate information on project implementation.

The budget requests \$5 million from the Energy Account of the Energy and Resources Fund to (a) obtain approximately 1,000 methanol-powered vehicles for state and local government fleets, (b) operate the vehicles, and (c) establish a refueling network for them. The commission would use this money to pay the increment of increased costs (currently between \$1,000 and \$3,000 per vehicle) for automobiles and trucks which have been designed to use pure methanol as a fuel. The price of an equivalent gasoline vehicle presumably would be covered by regular state or local government fleet purchase funds. The commission would also subsidize the operation of these vehicles by paying for the increased cost of the methanol fuel compared with gasoline. (Methanol is currently priced so that about \$2 of methanol is equivalent to a gallon of gasoline.) Additionally, the commission would establish up to 80 refueling stations throughout the state to service the vehicles.

The commission has not presented an itemized budget for this project. For example, it has not established a pricing mechanism for the methanol vehicles or obtained any long-term supply or price commitments for the methanol fuel. The commission's proposal also fails to indicate how long the subsidy of operating costs would continue, who would obtain eventual title to the vehicles, or who would operate the methanol refueling stations and under what conditions.

The commission currently has three alcohol test fleets. Fleet 1 consists of 12 Ford Pintos modified to operate on pure alcohol (ethanol or methanol) fuels. Fleet 2 consists of 50 1981 Volkswagen Rabbits and pickups, 39 of which were specifically manufactured to operate on pure alcohol fuels. This fleet is operated by the Department of General Services. Fleet 3 consists of 55 1981 Ford Escort station wagons, 40 of which were specifically manufactured to operate on methanol. This fleet will be operated by the County of Los Angeles. The fleet tests include monitoring of fuel economy, engine wear and emissions. The final results of these fleets tests will not be available until 1983, when the experience of several years of operation can be evaluated.

The total cost of the three fleets was \$2,150,000 in 1980-81. These funds were allocated to the Energy Commission by the Business, Transportation and Housing Agency from the \$10 million appropriated from Transportation Planning and Development Account by Ch 161 for alternative motor vehicle fuels.

The commission's proposal for a 1,000-car fleet is based on preliminary test results from a few of the present test vehicles. Because of the many unanswered questions remaining about this project, we withhold recommendation, pending receipt of itemized costs and benefits to the state attributable to the proposed methanol vehicle fleet.

Alcohol Engines for Agriculture

We recommend a reduction of \$100,000 in Item 3360-001-019 to eliminate contract funds for the conversion of agricultural engines to alcohol fuels because this work is the responsibility of the Department of Food and Agriculture, the University of California, and the other state institutions of higher education.

The budget requests \$100,000 from the Special Account to convert agricultural engines from petroleum fuels to locally produced alcohol. The project is intended to demonstrate new engine designs for alcohol fuels in order to encourage small-scale alcohol fuel production.

Our analysis suggests that the Energy Commission is not the most appropriate agency for this project, nor is the Special Account the most appropriate source of funds to support it. Chapter 803, Statutes of 1980, and the interagency agreements which allocated the \$10 million appropriated to the Secretary of Business, Transportation and Housing Agency by Ch 161, gave the responsibility for the development of small-scale, on-the-farm alcohol facilities to the Department of Food and Agriculture (DFA). DFA was allocated \$2,350,000 of the \$10 million appropriated by Ch 161/79 specifically for alcohol fuels development. The department has used the funds provided by Ch 161 to make several loans, totaling \$815,000, for small-scale alcohol production on farms or in agriculture-related industries. The department is evaluating loan applications for an additional \$1,084,000. The loan repayments are deposited in a revolving fund and can be used by the department for additional loans or other activities designed to promote small-scale agriculture alcohol production. Also, the department has given seven grants to date, totaling \$210,000, from the \$2,350,000 to six colleges and one adult education program. These grant funds are being used, together with the institutions' own funds, to establish demonstration and teaching programs to promote agricultural production and use of alcohol fuels.

In addition, the 1981 Budget Act appropriated \$1.4 million from the Energy and Resources Fund to the Department of Food and Agriculture for the establishment of a San Joaquin Valley Agriculture and Energy Technology Center at California State University, Fresno.

Finally, the University of California has an extensive network of cooperative extension agents throughout the state who distribute information and demonstrate new methods and technologies to farmers and others in the agriculture community.

We believe the investigation and demonstration of small-scale technology for farm use is desirable, but that responsibility for it should remain with the Department of Food and Agriculture, the University and the other educational institutions which already have extensive contacts with the agricultural community. We therefore recommend deletion of the \$100,000 request by the commission for contract funds.

OTHER RECOMMENDATIONS**Photovoltaic Projects**

We recommend a reduction of \$465,000 in Item 3360-001-019 to eliminate contract funds for (1) demonstrations of photovoltaic remote and special duty applications and (2) photovoltaic feasibility studies because photovoltaic applications at remote sites have already been commercially demonstrated and because feasibility studies for large-scale photovoltaic applications are premature.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

Photovoltaic Applications. The budget proposes \$200,000 in contract funds so that the Energy Commission may co-fund with unidentified parties commercial demonstrations of photovoltaic installations. The purpose of these installations is to replace diesel and propane-powered generators or batteries in remote locations or where electricity from a utility system is not available.

Although electricity from photovoltaic cells is much more expensive at present than electricity supplied by the utilities, photovoltaic power may be economically feasible in remote locations where the customary use of generators and batteries is expensive. The high cost of traditional sources of energy can make photovoltaic energy the most cost-effective choice today for some applications such as communications relay stations or corrosion protection systems.

Despite the promise of photovoltaic energy, our analysis indicates that the commission's request for \$200,000 is neither necessary nor appropriate, for the following reasons:

1. The co-funded projects would not demonstrate any basic new technology. Remote and special duty applications of photovoltaics have existed in California for some time, and do not have to be demonstrated at this time.
2. Photovoltaics are already cost-effective in many instances where the commission proposes to co-fund projects.
3. The state and federal governments offer substantial tax incentives for investments in photovoltaic equipment.

Fuel Allocation Revenue Account

We recommend that \$390,000 in the Fuel Allocation Revenue Account be transferred to the Energy Resources Conservation and Development Special Account because it is no longer needed. We further recommend that the Fuel Allocation Revenue Account be abolished.

The Governor's Budget proposes spending the \$390,000 in the Fuel Allocation Revenue Account for appropriation as follows: (a) \$150,000 to the Department of Food and Agriculture for irradiation of fruits and vegetables and (b) \$240,000 to the Solar Energy Conservation Mortgage Corporation.

Under the authority of the Federal Emergency Petroleum Allocation Act of 1973 (EPAA), the Energy Commission administered a state gasoline and diesel fuel "set-aside" program for several years. The set-aside consisted of a small percentage of the California fuel supply which the oil companies held in reserve and distributed in accordance with commission orders. The authority for the state set-aside expired in October 1980, when EPAA expired.

Chapter 803, Statutes of 1980 established a statutory framework in state law for the commission to administer the federal set-aside program. In addition, Ch 803 created the Fuel Allocation Revenue Account and transferred \$390,000 to it from the Energy Resources Conservation and Development Special Account. This money was intended to provide a reserve for the commission to draw on should it be necessary to expand the set-aside program in the event of a more serious fuel shortage. No fuel shortage has occurred and the \$390,000 has not been expended.

Authority for the commission to spend the \$390,000 in the Fuel Alloca-

tion Revenue Account no longer exists. Chapter 803 provided for the repeal of the program whenever federal law no longer authorized a state set-aside program or on January 1, 1982, whichever occurred first. Both dates have passed. We, therefore, recommend that the \$390,000 in the Fuel Allocation Revenue Account be transferred to the Energy Resources Conservation and Development Special Account, from which it was appropriated. The Fuel Allocation Revenue Account should also be abolished because there is no longer any need for it.

Elsewhere in this *Analysis* we recommend deletion of the \$150,000 appropriation to the Department of Food and Agriculture for food irradiation studies because the Fuel Allocation Revenue Account is not an appropriate funding source. We also recommend elsewhere in this *Analysis* the deletion of the \$240,000 to the Solar Energy Conservation Mortgage Corporation because the corporation should be supported with private funds.

TECHNICAL RECOMMENDATIONS

Agricultural Solar Design Competition

We recommend reversion of \$99,000 appropriated by Ch 905/80 from the Energy and Resources Fund for an agricultural solar design competition because these funds are no longer needed.

Chapter 903, Statutes of 1980, appropriated \$99,000 from the Energy and Resources Fund to the commission for an agricultural solar design competition. The appropriation was to cover prize money and administrative costs. The competition has been held, but the commission was not successful in attracting qualified entries and no prizes were awarded. According to commission staff, the commission has absorbed the administrative cost of the competition and none of the \$99,000 has been used. We therefore recommend that this money be reverted to the Energy and Resources Fund.

Contract Reports

We recommend the adoption of supplemental report language which the Legislature has adopted in previous years to require the Energy Commission to submit quarterly contract reports to the Legislature.

Section 15604 of the Public Resources Code requires the commission to submit to the Governor an "integrated program of proposed research and development and technical assessment projects set forth on an item-by-item basis" for inclusion in the state budget. This report must include any information which is "necessary to describe the project adequately." The report must also describe the progress of the commission's research programs to date.

At the time this *Analysis* was prepared, the commission's report was not completed.

In addition to the annual report, the Legislature has also adopted supplemental report language requiring the commission to make quarterly reports describing contracts to be let during the upcoming quarter and evaluating the results of contracts completed during the preceding quarter. The purpose of these reports is to advise the Legislature of the commission's plans, and to provide a way of comparing plans with actual accomplishments. The supplemental report language also requires the commission to submit an annual reconciliation of budgeted contracts with actual expenditures and contracts awarded.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

The quarterly contract reports have been helpful in monitoring the commission's many programs involving research projects and studies. They also provide the commission with a management and evaluation tool to use in administering its contracting activities.

We therefore recommend continuation of the quarterly reports by adopting the following supplemental report language:

"The commission shall continue to submit quarterly reports to the Legislature on its research, development and other consultant contracts in excess of \$10,000. Reports shall be submitted before the end of the first month in each quarter. For contracts to be let that quarter, the reports shall include (a) a summary of the work to be accomplished and how it will be used, (b) how the contract relates to previous contract work, and (c) the estimated cost and source of funds. For completed contracts, the report shall include (a) results and success or failure in meeting contract objectives, (b) how the results will be used, and (c) cost and source of funds. By November 1, of each fiscal year the commission shall submit a reconciliation of contracts budgeted in the previous fiscal year with the actual expenditures and contracts awarded."

Transfer to General Fund

We recommend that the savings resulting from our recommendations on Item 3360-001-189—\$6,100,000—be transferred from the Energy Account in the Energy and Resources Fund to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs state-wide.

We recommend reductions amounting to \$6,100,000 from the Energy Account of the Energy and Resources Fund in the commission's budget request. Approval of these reductions would leave an unappropriated balance of tidelands oil revenues in the Energy and Resources Fund that would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendations be transferred to the General Fund.

**ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION—CAPITAL OUTLAY**

Item 3360-301 from the General
Fund, Energy Resources Con-
servation and Development
Special Account

Budget p. R 42

Requested 1982-83	\$92,000
Recommended reduction	92,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Minor Capital Outlay. Reduce by \$92,000.* Recommend project for installation of employee shower facilities be deleted because they are too costly, and the Legislature has previously denied the appropriation of funds for such facilities.

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ANALYSIS AND RECOMMENDATIONS

We recommend Item 3360-301-019, \$92,000 for installation of employee shower facilities, be deleted because the project is too costly and the Legislature has previously denied funding for such facilities.

The budget proposes \$92,000 from the Energy and Resources Conservation and Development Special Account of the General Fund for one minor capital outlay project for the Energy Commission. The project proposes construction of shower facilities in the new state building Site 1B which is to house the commission staff. This building is currently under construction and is scheduled for completion in July 1982. The requested funds would alter a portion of the storage area to provide shower, dressing rooms, and restroom facilities. The commission indicates that the new facility would be used by employees who bicycle to work. The proposal does not indicate if a fee would be charged for use of the facilities, or if the facilities would be available for recreationists.

Prior Action by the Legislature. The Department of General Services included shower and locker facilities in the original plans for the new Department of Justice building in Sacramento. The Legislature, however, deleted funds for these facilities in approving the budget for this project.

Facilities in Other New Buildings. Although the Department of General Services has proposed installation of shower and locker facilities in other new office buildings, it has not specifically requested that the Legislature provide funds for such facilities. Instead, the department has used project contingency funds for this purpose, thus avoiding the need for legislative review. This was done in constructing the new Site 1A office building. Consequently, while other new office buildings contain shower and locker facilities, the Legislature has not specifically approved them.

Provision of Shower and Locker Facilities Should be Addressed by Legislation. Providing shower and locker facilities in state buildings is a policy issue which we believe the Legislature should address in legislation. A similar policy issue is whether, and under what circumstances, child care facilities should be provided in state buildings. The Legislature has addressed this issue in recent legislation (Ch 913/80) establishing the terms

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

and condition whereby employee groups may organize child care programs and provide appropriate reimbursement to the state for facilities needed for the program. Similar legislative action is needed with regard to shower and locker facilities. The Legislature needs to decide under what circumstances it will incur the added expense of providing these facilities, and establish specific guidelines for their operation. Until such a policy is established by the Legislature, we recommend that funds not be included in the budget for these facilities, and therefore we recommend deletion of the proposed funds for shower and locker facilities.

Proposed Project Too Costly. Our analysis indicates that the amount proposed for this project is excessive. The project involves remodeling of 328 square feet of space in the new building at a cost of \$92,000—or *\$280 per square foot*. This amount, moreover, is a remodeling cost only; it does not include the original cost to construct the building space. In comparison, the State University's guideline for building costs of physical education facilities is \$72 per square foot. Using this guideline, the proposed cost of the shower facilities would be approximately \$23,000. We recognize that remodeling for the shower and locker facilities would involve work that is more extensive than that covered by CSU guidelines. The additional costs of undertaking this work, however, would be offset somewhat by the fact the project involves remodeling, rather than construction of new space.

In summary, we recommend deletion of the proposed funds because (1) the Legislature has previously deleted funds proposed for shower and locker facilities, (2) a policy is needed governing the use of any such facilities that are funded, and (3) the cost of the proposed modifications is excessive compared to state cost guidelines for similar facilities.

Resources Agency

STATE SOLID WASTE MANAGEMENT BOARD

Item 3380 from the Solid Waste
Management Fund

Budget p. R 44

Requested 1982-83	\$8,779,000
Estimated 1981-82.....	8,993,000
Actual 1980-81	12,938,000
Requested decrease (excluding amount for salary increases) \$214,000 (-2.4 percent)	
Total recommended reduction	\$989,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3380-001-389	Grants, Loans, and General Support	Solid Waste Management	\$8,779,000
3380-001-890	(To be added by Department of Finance letter) Miscellaneous Support	Federal Trust	(84,000)
Total			\$8,779,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

- | | |
|--|-----|
| 1. <i>General Support Positions. Reduce by \$187,000.</i> Recommend deletion of five positions, due to reduced workload, for a savings of \$187,000 from the Solid Waste Management Fund. | 534 |
| 2. <i>Public Awareness Contract Expenditures. Reduce by \$802,000.</i> Recommend (1) deletion of \$802,000 in proposed public awareness and education contract expenditures, because evidence is lacking that current efforts are successful, and (2) that the board develop a proposal for an analysis of alternative public awareness and education strategies prior to budget hearings. | 535 |

Note: These recommendations would permit a corresponding savings to the General Fund of \$989,000.

GENERAL PROGRAM STATEMENT

The State Solid Waste Management Board is responsible for (1) ensuring that nonhazardous wastes are handled and disposed in an environmentally sound manner, (2) reducing the amount of waste produced, and (3) encouraging the recovery of materials and energy from solid waste. Under existing law, the primary responsibility for solid waste management and associated planning is assigned to local government. The board is authorized approximately 100 personnel-years for the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes total appropriations of \$8,779,000 from state funds for support of the Solid Waste Management Board in 1982-83. This is a decrease of \$214,000, or 2.4 percent, from estimated current year expenditures. Expenditures by the board, however, will exceed the level proposed in the budget by the amount of any salary or staff benefit increases approved for the budget year.

The board also requests the reappropriation of \$105,000 remaining from the \$200,000 originally appropriated from the Environmental License Plate Fund by Ch 1019/81. These funds were provided for a study of the migration of methane gas in landfills. The board proposes to spend \$70,000 of the \$105,000 in 1982-83 and carry over the remainder to 1983-84. The board also plans to spend \$84,000 in federal funds and \$11,000 in reimbursements, bringing total proposed expenditures in 1982-83 to \$8,944,000. This is a decrease of \$1,033,000, or 10.4 percent, from total expenditures in the current year.

1981-82 Legislative Changes Reflected in 1982-83 Budget Bill

Chapter 1150, Statutes of 1979 (AB 66), transfers approximately \$16 million each year from the General Fund to the Solid Waste Management Fund for support of the state Litter Control, Recycling and Resource Recovery Program. Chapter 364, Statutes of 1980 (SB 261), allocates these funds to specific program categories. The 1981 Budget Act, however, superseded some of the provisions of AB 66 and SB 261. These changes are continued in the 1982-83 Budget Bill, as discussed below.

Reduced Transfer. AB 66 would have transferred \$15,947,000 from the General Fund to the Solid Waste Management Fund in 1982-83. The

STATE SOLID WASTE MANAGEMENT BOARD—Continued

Budget Bill, through Control Section 19.06, provides for a transfer of only \$7,368,000 in lieu of the AB 66 transfer. The difference—\$8,579,000—will remain in the General Fund.

Revised Allocations. The 1981 Budget Act eliminated the statutory litter grants specified in SB 261, reduced recycling grants by 50 percent, and increased resource recovery grants by \$300,000. Control language in Item 3380-001-389 proposes a similar distribution of funds in 1982-83.

Elimination of General Fund Appropriation. The Budget Bill does not provide a direct General Fund appropriation for support of the board. This is consistent with the Legislature's action in 1981-82.

The combined effect of these changes is shown in Table 1.

Table 1
Solid Waste Management Fund Revenues and Expenditures
Current Law Compared to Proposed Budget Bill
1982-83

	<i>Current Law</i>	<i>Budget Bill</i>	<i>Difference</i>
Revenues:			
Transfer from General Fund.....	\$15,947,000	\$7,368,000	-\$8,579,000
Miscellaneous.....	5,000	5,000	—
Total Revenues.....	\$15,952,000	\$7,373,000	-\$8,579,000
Expenditures:			
<i>Grants and Contracts:</i>			
Litter Control.....	\$3,779,425	—	-\$3,779,425
Resource Recovery.....	3,197,975	\$2,451,000	-746,975
Recycling.....	3,488,700	1,203,000	-2,285,700
Public Awareness.....	1,162,900	802,000	-360,900
<i>Board Staff and Support:</i>			
Disposal Management.....	698,000	698,000	—
Resource Recovery and Recycling.....	1,516,000	1,516,000	—
Litter Management.....	55,000	55,000	—
Waste Reduction.....	110,000	110,000	—
Administration and Support.....	1,944,000	1,944,000	—
Total Expenditures.....	\$15,952,000	\$8,779,000^a	-\$7,173,000

^a Expenditures exceed revenues due to use of funds that will carry over from the current year.

Significant Budget Changes

The major changes in the board's 1982-83 budget are discussed below and are shown in Table 2.

- Open-Dump Inventory.** Federal funding for this program in 1982-83 is expected to be \$390,000 less than the amount needed to continue activities at the current-year level. The board proposes to restore \$224,000 of the reduction from the Solid Waste Management Fund.
- Administration and Support.** Federal funding for administration and support will be reduced by \$404,000 in 1982-83. The board proposes to restore \$187,000 of the reduction from the Solid Waste Management Fund.
- Grants.** Grants for recycling, resource recovery, and public awareness are reduced by \$689,000. This reduction consists of (a) a \$461,000 decrease to achieve the 5 percent baseline reduction, and (b) a redirection of \$411,000 from grants to the open-dump inventory and administration and support program restorations discussed above,

partially offset by (c) an increase of \$183,000 to restore the 2 percent across-the-board reduction required by the Department of Finance during the current year.

Table 2
State Solid Waste Management Board
Proposed Budget Changes
1982-83
(in thousands)

	<i>Solid Waste Management Fund</i>	<i>Federal Funds</i>	<i>Other</i>	<i>Total</i>
1981-82 Base Budget (Revised).....	\$8,993 ^a	\$878 ^b	\$106 ^c	\$9,977
A. Program Changes				
1. Open-Dump Inventory				
a. Loss of Federal Funding	—	-390	—	-390
b. Increased State Funding	224	—	—	224
2. General Support				
a. Loss of Federal Funding	—	-404	—	-404
b. Increased State Funding	187	—	—	187
3. Grants				
a. Restoration of 2 percent 1981-82 reduction ..	183	—	—	183
b. 5 percent 1982-83 reduction.....	-461	—	—	-461
c. Redirection to fund staff increases	-411	—	—	-411
B. Baseline Changes				
1. Miscellaneous Adjustments.....	64	—	-25 ^d	39
Total 1982-83 Budget Changes	<u>-\$214</u>	<u>-\$794</u>	<u>-\$25^d</u>	<u>-\$1,033</u>
Totals, 1982-83 Proposed Budget	\$8,779	\$84	\$81 ^e	\$8,944

^a Does not include \$4,900,000 used to repay General Fund loan.

^b Does not include \$1,673,000 pass-through to Department of Health Services for hazardous waste management.

^c Consisting of \$95,000 from the Environmental License Plate Fund (ELPF) and \$11,000 in reimbursements.

^d Environmental License Plate Fund (ELPF).

^e \$70,000 from the ELPF and \$11,000 in reimbursements.

Effect of Recycling Grants on Competition

The *Supplemental Report of the 1981 Budget Act* directed the Legislative Analyst to review the effects of the board's recycling grants on competition in the recycling industry. The results of our review are incorporated in the *Final Report on Litter Control, Recycling and Resource Recovery* (Legislative Analyst's office report Number 81-19, December 1981). Our conclusions regarding the effect of the board's grants on competition are as follows:

- There is no evidence that grant recipients have actively solicited new business in such a manner as to induce accounts previously served by the private recycling industry to switch to state-subsidized recycling firms.
- State-funded buy-back programs in urban areas inevitably have some competitive impact on existing recyclers in the same area. This impact cannot be specified, however, because numerous other economic, locational and business factors also affect the economic health of the recycling industry.
- It is not possible to measure the effect that increases in the amount

STATE SOLID WASTE MANAGEMENT BOARD—Continued

of recycled materials recovered by grant recipients have had on the supply of recycled materials or on the prices paid for recycled material.

Restoration of Federally-Funded Administration and Support Positions

We recommend deletion of \$187,000 requested in Item 3380-001-389 to restore funding for five positions previously supported with federal funds because the positions are not justified on a workload basis.

Federal funds for administration and support activities will be reduced by \$404,000 (six positions plus operating expenses) in 1982-83. The board's budget proposes to eliminate one of these positions and reduce operating expenses, for a savings of \$217,000. The board proposes to continue the remaining five positions, and requests \$187,000 from the state Solid Waste Management Fund for this purpose.

Our analysis indicates that substituting state funds for federal funds to continue the five positions is not warranted. Legislative changes to the board's programs and management improvements instituted by the board have reduced the board's workload to the extent that the reduction in staffing brought about by the loss of federal funds can be absorbed. Specifically:

1. Elimination of the litter grants program component means that the board no longer needs to process and monitor more than 400 annual litter grant contracts.
2. The 50 percent reduction in recycling grants, together with consolidation and automation of the grant monitoring process, has reduced the need for staff to review, process and monitor these grants.

The board reorganized its staff in July 1981, at the same time that these reductions in workload were taking place. For this reason, we are unable to identify, on a position-by-position basis, all personnel who were redirected from these two program components to other activities. Based on a review of the board's detailed workplan prior to the reorganization and legislative changes, however, we conclude that at least six positions were administratively redirected to other activities. We therefore conclude that the reduction of six administration and support positions necessitated by the loss of federal funding can be absorbed without adversely affecting the board's ability to meet its remaining workload.

Replacement of Federally-Funded Open-Dump Inventory Positions

The "open-dump inventory" involves a systematic inspection of the state's landfills to determine compliance with federal and state minimum criteria for solid waste handling. Federal funds available for the inventory in 1982-83 will be \$390,000 (13.5 positions) less than the amount needed to continue it at the current-year level. The budget proposes to eliminate 8.5 positions, for a savings of \$166,000. The board proposes to continue the remaining five positions and requests \$224,000 from the state Solid Waste Management Fund for this purpose.

The results of the inventory during its first two years indicate that the program has been successful in identifying problems and bringing about corrective measures. A total of 233, or 62 percent, of 377 sites inspected were found to be out of compliance with one or more criteria at the time of the initial inspection. Of the 233 sites which failed the initial inspection, 183 (78 percent) were subsequently upgraded and achieved compliance.

The requested positions would provide a minimum state staff sufficient to inspect landfills an average of once every six years. We believe this level of coverage is justified, and recommend approval of the requested funds.

Public Awareness and Education

We recommend elimination of funding for contracted statewide public awareness and education efforts for a savings of \$802,000 in Item 3380-001-389, because evidence does not show that current statewide efforts have been successful. We further recommend that the board develop a proposal for an analysis of alternative public awareness and education strategies prior to budget hearings.

The budget requests \$307,000 for seven positions and \$802,000 for various contracts in support of the board's public awareness and education efforts. In addition, an unspecified portion of the \$1.2 million requested for recycling grants will be used for advertising and to enhance public awareness. These activities would be undertaken pursuant to a statutory directive that the board conduct programs aimed at increasing participation in recycling projects and encouraging compliance with anti-litter laws.

Our analysis concludes that the \$802,000 requested for public awareness and education contracts is not justified by the benefits that can be expected from this program. While we recognize the importance of public awareness and education in helping to encourage recycling and influence the public to reduce littering, this importance, by itself, cannot justify the amount requested.

In our first annual report on the litter control, recycling and resource recovery program, we criticized the board public awareness and education efforts as ineffective, fragmented, and insufficiently coordinated with local activities. In 1979-80, we recommended and the Legislature adopted the following language in the supplemental report to the Budget Act:

"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 formulate an overall plan for the education and public awareness program."

The board did not undertake the specific evaluation of alternatives as a separate study effort. Instead, the board responded to the Legislature's directive in a letter dated December 1980, which essentially recommended a continuation of previous efforts, with additional emphasis on coordination with local interest groups. The program was continued on this basis in 1980-81 and 1981-82.

The current public awareness and education effort primarily involves generalized attempts to heighten the public's awareness of solid waste issues, on the assumption that increased awareness will lead to long-term changes in behavior. The \$802,000 requested for contracts in the budget year is primarily directed at activities of this type.

Some portions of the program have been creative, have attracted attention, and have reached large numbers of people. There is no reason to believe, however, that exposure to generalized messages of this type is effective in changing the behavior of those who generate the most litter. Nor is any evidence available from the board to indicate that the current efforts actually result in reduced littering or increased recycling.

We continue to believe that public awareness and education is crucial to the success of the board's programs because a change in public attitudes appears to be the only effective method of reducing litter on a permanent

STATE SOLID WASTE MANAGEMENT BOARD—Continued

basis. In our *Final Report on Litter Control, Recycling and Resource Recovery*, we recommend that a state public awareness function continue to be part of the ongoing state solid waste management program. Lacking evidence showing that current efforts are having any success, however, we are unable to recommend approval of the \$802,000 requested for public awareness contracts in the budget.

More work is needed to define a public awareness and education program which recognizes the limits of state support, and has some possibility of achieving its objectives. Accordingly, we recommend that the board develop a proposal for an analysis of alternative public awareness and education strategies, such as was called for in the *Supplemental Report of the 1980 Budget Act*. This proposal should be available prior to budget hearings.

If our funding recommendation is approved, Budget Bill control language in Item 3380-001-389, which allocates funds to specific program categories, will have to be revised.

Adjustment to Control Section 19.06

The budget shows a surplus of \$202,000 remaining in the Solid Waste Management Fund at the end of 1982-83. This amount is adequate to cover any salary and benefit increases enacted for the budget year. To prevent the buildup of an unnecessary surplus in this fund, we recommend in our analysis of Control Section 19.06 that the proposed in-lieu transfer from the General Fund to the Solid Waste Management Fund be reduced by an amount equal to any reductions which the Legislature makes to the board's proposed expenditures. This action would increase the amount in the General Fund available for other high priority purposes.

**STATE SOLID WASTE MANAGEMENT BOARD—
REAPPROPRIATION**

Item 3380-490 from the Environmental License Plate Fund

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

This item requests reappropriation of the unencumbered balance of Ch 1019/81, which appropriated \$200,000 to the Solid Waste Management Board from the Environmental License Plate Fund for a study of the migration of methane gas in landfills. Staff for the board indicate that planned 1981-82 expenditures of \$95,000 will result in a balance of \$105,000 remaining available as of June 30, 1982.

The budget proposes to reappropriate this balance. Of the balance, \$70,000 would be spent in 1982-83, and the remaining \$35,000 would be carried over into 1983-84. This phased approach is consistent with the enabling legislation, which directed the board to undertake a two-year study and report to the Legislature in 1984.

Resources Agency
AIR RESOURCES BOARD

Item 3400 from the General
Fund and special funds

Budget p. R 52

Requested 1982-83	\$53,390,000
Estimated 1981-82.....	52,884,000
Actual 1980-81	50,010,000
Requested increase (excluding amount for salary increases) \$506,000 (+1.0 percent)	
Total recommended reduction	\$494,000
Recommendation Pending	\$1,825,000

1981-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3400-001-001—Support		General	\$4,517,000
3400-001-019—Cogeneration		Energy Resources Conserva- tion and Development Spe- cial Account, General	144,000
3400-001-044—Support		Motor Vehicle Account, State Transportation	24,959,000
3400-001-115—Support		Air Pollution Control	1,015,000
3400-001-128—Regulation of Licensed Smog Sta- tions by Bureau of Automotive Repair		Automotive Repair	1,582,000
3400-001-140—Air Pollution Research		California Environmental Li- cense Plate	2,101,000
3400-001-420—Operation and Supervision of Man- datory Vehicle Inspection Program in South Coast Air Basin		Vehicle Inspection	17,504,000
3400-001-890—Miscellaneous Support		Federal Trust	(2,321,000)
3400-101-001—Subventions to Local Air Pollution Control Districts		General	873,000
3400-101-044—Subventions to Local Air Pollution Control Districts		Motor Vehicle Account, State Transportation	695,000
Total			\$53,390,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | <i>Analysis
page</i> |
|--|--------------------------|
| 1. Subvention Program. Defer recommendation on \$1,-568,000 requested for subvention payments to local districts. Recommend that the Air Resources Board provide, prior to budget hearings, a detailed plan for implementing proposed changes in the subvention program. | 541 |
| 2. Other Subvention-Related Potential Reductions. Defer recommendation on (1) \$103,000 requested to pay local districts for air monitoring and (2) \$154,000 requested for ARB to administer the subvention program. | 542 |
| 3. <i>Acid Deposition. Reduce Item 3400-001-044 by \$80,000 and Item 3400-001-115 by \$20,000.</i> Recommend reduction of \$100,000 to delete augmentation for data processing services that can be financed within the base budget. | 543 |

AIR RESOURCES BOARD —Continued

4. *Transportation Projects. Reduce Item 3400-001-001 by \$19,000 and Item 3400-001-044 by \$74,000.* Recommend reduction of \$93,000 to delete three positions from the Transportation Projects section because the ARB's role in transportation projects has not been adequately defined. 544
5. *Proposed New Positions. Reduce Item 3400-001-044 by \$92,000 and Item 3400-001-115 by \$22,000.* Recommend reduction of \$114,000 to delete three new positions that have not been justified on a workload basis. 544
6. *Research Contract. Reduce Item 3400-001-044 by \$66,000 and Item 3400-001-140 by \$34,000.* Recommend reduction of \$100,000 to delete a duplicative research contract. 545
7. *Hazardous Substance Control.* Recommend legislation clarifying the roles of the Air Resources Board, the Department of Health Services, and the local air pollution control districts regarding air quality aspects of hazardous substance control. 545
8. *Technical Budgeting. Reduce Item 3400-001-001 by \$17,000 and Item 3400-001-044 by \$70,000.* Recommend reduction of \$87,000 due to improper inclusion of one-time expenditure in base and unjustified price increases. 546

GENERAL PROGRAM STATEMENT

The Air Resources Board (ARB) is responsible for achieving and maintaining satisfactory air quality in California. The board consists of a full-time chairperson and six part-time members, all of whom are appointed by the Governor and serve at his pleasure.

Most of the board's staff are located in Sacramento. Vehicle emission testing, vehicle certification, and air pollution laboratory work are conducted in El Monte.

The board has 568.8 authorized personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes total appropriations of \$53,390,000 from the General Fund and various special funds for support of Air Resources Board activities in 1982-83. This is an increase of \$506,000, or 1 percent, over estimated current year appropriations. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year.

Although overall state expenditures change very little, the budget proposes to reduce the General Fund portion of the board's expenditures from \$8,565,000 in 1981-82 to \$5,390,000 in 1982-83. This reduction is made possible by a \$3,160,000 decrease in General Fund subventions to local air pollution control districts.

In addition to \$53,390,000 in state funds, the board proposes to spend \$2,321,000 in federal funds and \$683,000 in reimbursements, bringing total expenditures from all sources to \$56,394,000. This is a decrease of \$12,000, or 0.02 percent, from estimated total expenditures in the current year.

Significant Budget Changes

Table 1 summarizes the ARB's proposed budget adjustments for 1982-83. Significant changes are as follows:

1. A decrease of \$5,776,000 in subventions to local air pollution control districts. To offset this reduction, the administration is proposing legisla-

tion authorizing local districts to collect emission fees to cover the cost of district operations.

2. An increase of \$5,781,000 in state operations, consisting primarily of:
 - (a) \$303,000 for control of toxic substances, including increased statistical analysis of existing research data, development of guidelines for the evaluation and control of toxic emissions, and investigation of potential sources of toxic emissions.
 - (b) \$345,000 to establish a program to monitor the extent and severity of acid deposition (acid rain) in California on a long-term basis.
 - (c) \$1,865,000 for additional research on health effects, crop damage, control technologies, and atmospheric processes related to air pollution.
 - (d) \$198,000 for a two-year study of emissions from methanol-fueled heavy duty vehicles, as authorized by Ch. 1101/81 (SB 274).
 - (e) \$125,000 to begin ongoing surveillance testing of in-use light-duty diesel vehicles.
 - (f) \$154,000 to inspect vehicle fleets to detect tampering and mis-fueling.
 - (g) \$275,000 for the completion of the automated emission inventory data system.
 - (h) \$86,000 for compliance with the administrative law requirements of AB 1111.
 - (i) \$2,434,000 for increased costs to operate and supervise the Vehicle Emissions Inspection Program in the South Coast Air Basin.

3. A decrease of \$238,000 to accomplish the 5 percent reduction in General Fund expenditures required by the administration. This reduction consists of:

- (a) \$77,000 to reduce payments to local districts for air monitoring network maintenance and to eliminate special air monitoring contracts with the University of California and other agencies.
- (b) \$94,000 to reduce contract studies of alternative means to implement federal Prevention of Significant Deterioration requirements.
- (c) \$47,000 to eliminate audits of the subvention program by the State Controller's Office, and
- (d) \$20,000 to reduce air monitoring data collection and analysis in the Lake Tahoe Basin.

Our analysis indicates that the proposed reductions should not significantly reduce the effectiveness of the state air quality control program.

Reports Pursuant to Supplemental Language

There has been a longstanding disagreement regarding the Air Resources Board's statutory authority to review the air pollution control programs of local districts. In the past, this disagreement has produced debate during budget hearings over the need for and appropriateness of specific portions of the board's budget request.

Last year, the Legislature attempted to bring about a resolution or narrowing of these controversies by directing the ARB to submit the following regarding its role and the role of the local districts:

1. **Role of the Board in Stationary Source Control.** The ARB and representatives of local districts were directed to discuss their differences and develop understandings concerning the state board's role in reviewing the stationary source control work of the local districts:

AIR RESOURCES BOARD —Continued

Table 1
Air Resources Board Proposed Budget Adjustments
1982-83
(Dollars in Thousands)

	<i>General Fund</i>	<i>Motor Vehicle Account</i>	<i>Air Pollution Control Fund</i>	<i>Other</i>	<i>Total</i>
1981-82 Base Budget (Revised)	\$8,565	\$24,502	\$1,637	\$21,702	\$56,406
1. Program Expansion					
a. Toxic Emission Control	—	243	60	—	303
b. Acid Deposition	—	276	69	—	345
c. Research	—	1,229	—	636 ^a	1,865
d. Testing of Methanol-Fuel Heavy Duty Diesel Vehicles	—	198	—	—	198
e. Surveillance Testing of Light Duty Die- sel Vehicles	—	125	—	—	125
f. Fleet Inspection	—	—	—	154 ^b	154
g. Completion of Emission Data System ..	—	—	275	—	275
h. AB 1111 Regulatory Review	—	69	17	—	86
i. Miscellaneous	—	38	5	21 ^c	64
2. Change in Funding Source—Rely on fees, rather than subventions to finance local district activities	-3,160	-2,616	—	—	-5,776
3. Restoration of Current-Year Reductions					
a. Two Percent Reduction	93	—	—	—	93
b. Section 27.10 Reduction	10	—	—	—	10
4. Baseline Changes					
a. Five Percent Reduction	-238	—	—	—	-238
b. Facility Relocation	—	168	42	—	210
c. Shift of 1981-82 Air Pollution Control Fund Expenditures to General Fund and Motor Vehicle Account	200	800	-1,000	—	—
d. Vehicle Inspection Program	—	—	—	2,434 ^d	2,434
e. Miscellaneous Price and Other Adjust- ments	-80	622	-90	-612 ^e	-160
Totals, 1982-83 Budget Changes	<u>-3,175</u>	<u>\$1,152</u>	<u>-\$622</u>	<u>\$2,633</u>	<u>-\$12</u>
Totals, 1982-83 Proposed Budget	\$5,390	\$25,654	\$1,015	\$24,335	\$56,394

^a Environmental License Plate Fund.^b Federal funds.^c Reimbursements.^d Vehicle Inspection Fund.^e Various special funds.

Supplemental Report Language directed the ARB and the California Air Pollution Control Officers Association (or any district at its discretion) to submit reports, not later than October 1, 1981, containing (a) a definition of appropriate ARB "oversight" and "local assistance" for stationary source control, and (b) agreed-upon operating procedures to diminish ARB and local district friction in the implementation of the agreed-upon functions.

The ARB requested an extension of the report date to December 1, 1981. A draft report was released in October 1981, and a final report was issued in January 1982.

2. Local District Enforcement Practices. The ARB was directed to submit a report, by September 1, 1981, containing (a) an evaluation of the degree of compliance with rules and regulations for stationary sources in each local air pollution control district, with particular emphasis on nonattainment areas, and (b) a comparison of existing levels of enforcement activity by districts.

The ARB requested an extension of the submittal date for the report to December 1, 1981. A draft report was released in September, 1981. As of February 11, 1982, a final report had not been released.

Disagreements Continue. The report on the Air Resources Board's role with respect to stationary sources recommends procedures for conflict management, development of control standards, and the conduct of various ARB reviews of local activities. As of this writing, the report does not appear to have resulted in resolution of fundamental policy disagreements between the board and some local districts. The unresolved issues include the nature and extent of state involvement in enforcement testing, rule adoption, and permit approval.

Subvention Program

We defer recommendation on \$1,568,000 requested for subvention payments to local districts. We recommend that the Air Resources Board provide, prior to budget hearings, a detailed plan for implementing the proposed changes in the subvention program.

The Governor's Budget requests only \$1,568,000 for subventions to local air pollution control and air quality management districts. This is a decrease of \$5,776,000, or approximately 80 percent, from the amount available for subventions in the current year.

To offset this reduction in state support, the administration intends to seek legislation authorizing local districts to charge emission fees to cover the cost of district operations. Only the South Coast District has such authority under current law. The \$1,568,000 remaining in the budget is to be distributed to districts which do not have an industrial base sufficient to generate adequate emission fee support.

Emission Fee Concept Has Merit. The concept of funding local district operations from emission fees has merit. The report, *Air Quality Control in California*, prepared by a contractor for the Legislative Analyst's office pursuant to SCR 32, recommended legislation authorizing all districts to charge emission fees. These fees impose on pollution sources a portion of the cost of controlling the pollution they produce, and may provide an incentive for polluters to reduce their emissions. Moreover, fee support for local district activities and elimination of state subventions would increase the autonomy of local districts because the ARB would no longer be able to use the threat of reduced subventions to persuade districts to undertake actions which the districts otherwise would resist.

Transition Problems. While the emission fee concept has merit, however, implementation of the concept cannot be achieved as quickly as the budget assumes. Legislation permitting fees to be levied must be enacted, and a fee collection structure will have to be put in place in each district. Both will take time to accomplish. We do not believe implementation of the new system will be completed by July 1, so that fee revenues will be available to the districts to support their operations in the budget year.

AIR RESOURCES BOARD —Continued

At the time this analysis was prepared, no information was available from the ARB either on the details of the proposed legislation or on how the transition to emission fee support will be accomplished. We, therefore, defer recommendation on the level of subvention payments and recommend that the Air Resources Board provide to the Legislature, prior to budget hearings, a description of:

1. How the fees will be levied and collected.
2. A rate schedule for the fees and an estimate of the revenue they will produce.
3. When such revenue will first become available to local districts.
4. How the funds budgeted for distribution to districts unable to fully support themselves from emission fees will be allocated.
5. The effect of any emission fee shortfalls on the federal "maintenance-of-effort" requirements which must be met if districts are to continue to receive federal grants.

District Consolidation. The administration's proposal to authorize emissions fees would make most districts self-supporting. However, some of the smaller districts may not have the capability to become self-supporting. The SCR 32 report recognized this problem. One of its principal recommendations was that small districts should be consolidated as nearly as possible into basin-wide districts. The report found that (1) air pollution can be handled more effectively on the scale of an air basin, (2) a minimum staff of five full-time employees is needed to handle adequately contemporary air pollution problems, and (3) only 14 of the 46 districts in the state, as of 1980, had a staff of five or more.

The emission fee proposal would be easier to implement if applied to basinwide districts. Consolidation of small districts would have the added advantage of improving the efficiency and effectiveness of their current air pollution control efforts. For these reasons, district consolidation should be given serious consideration during development of proposals to implement emission fees for support of district operations.

Other Subvention-Related Potential Reductions.

We defer recommendation on (1) \$103,000 to pay local districts for air monitoring, and (2) \$154,000 for ARB to administer the subvention program.

Our analysis indicates that \$257,000 budgeted for air monitoring contracts and for the ARB to administer the subvention program may not be needed if the proposed change to emission fee support is implemented. Specifically:

1. **Air Monitoring Contracts.** The budget requests \$103,000 for payments to local districts which maintain air monitoring stations for the statewide air monitoring network. Similar payments have been made since 1970, when the state network was first authorized.

In 1981-82, the ARB proposed to terminate payments to the South Coast Air Quality Management District for air monitoring. This proposal was based on the fact that federal quality control requirements had superseded the original purpose of state funding, which was to upgrade the quality of air monitoring data. The 1981-82 budget, however, proposed to continue payments to the Bay Area, Monterey Bay-Santa Cruz, Ventura County and San Diego districts.

We recommended in last year's *Analysis* that payments to these remain-

ing four districts also be terminated, for the same reason that the ARB proposed to terminate payments to the South Coast District. After local districts testified that they could not absorb the reduction in state support because they did not have the emission fee resources of the South Coast District, the Legislature deleted funding for the South Coast but did not delete the funds for the four other districts.

If the Legislature authorizes all districts to charge emission fees, there will be no reason to continue state payments to the four districts that still receive them. The original purpose of state funding has already been superseded, and the districts would have the ability under the ARB subvention proposal to absorb the reduction in state funding. Air monitoring is an integral feature of the local programs, and we know of no reason to continue to provide state funding if local districts become self-supporting.

2. Subvention Administration. The budget also requests \$154,000 and four positions for the ARB to administer the subvention program. Depending on the details of the proposed changes in the program, these positions may not be needed.

Pending clarification of the emission fee proposal, we withhold recommendation on the funds requested for air monitoring payments and subvention administration for the reasons given above.

Acid Deposition

We recommend a reduction of \$100,000 to delete unneeded data processing funds. (Reduce Item 3400-001-044 by \$80,000 and Item 3400-001-115 by \$20,000.)

"Acid deposition" is a general term for the process whereby acids formed in the atmosphere reach the ground level in the form of rain, snow, fog, dew, dry particles, or by other means. The board is requesting \$345,000 and four new positions to begin monitoring the extent and severity of acid deposition in California on a long-term, systematic basis.

Given preliminary information which indicates that acid deposition may be a serious problem in California, we agree that a monitoring program is warranted. Our analysis indicates, however, that only the \$245,000 requested for staff and equipment to collect samples and analyze them at the board's laboratory is needed next year. The \$100,000 requested for Teale Data Center charges is not needed.

Comprehensive information to be collected by the new monitoring network will not be available until late in the budget year. Analysis of existing data can be absorbed within the board's existing budget for data processing, for two reasons. First, the board has adequate flexibility in using its own in-house data processing capabilities. Second, some additional work can be accommodated within the board's existing allocation for services from the Teale Data Center because (1) implementation of a cost control system developed in the current year to control excessive data processing expenditures should reduce existing demand on the center, and (2) a reduction from current-year Teale charges, due to completing the validation of sophisticated air quality models, will make additional funds available.

We therefore conclude that the \$100,000 requested for data processing is not needed to accomplish the board's objectives in the budget year, and recommend that it be deleted.

AIR RESOURCES BOARD —Continued**Transportation Projects**

We recommend a reduction of \$93,000 to delete three existing positions from the Transportation Projects Section because the ARB's role in transportation projects is not well defined. (Reduce Item 3400-001-001 by \$19,000 and Item 3400-001-044 by \$74,000.)

As direct emission controls on motor vehicles and stationary sources of pollution become more stringent, increasing attention is being paid to changes in existing transportation "systems" that can bring about further air quality improvement. Such changes include traffic flow improvements, increased ridesharing, bicycle riding, and mass transit usage, and other actions that can maintain personal mobility while reducing motor vehicle emissions. The budget requests continued funding for five existing positions to develop, evaluate and seek the implementation of transportation projects.

It is clear that a reduction in the number of single-occupant motor vehicle trips is needed if California's metropolitan areas are to achieve federal air quality standards. The responsibilities and authorities of the ARB, Caltrans, and local agencies in attempting to bring about such a reduction are not well defined.

The ARB has the lead role for control of emissions from motor vehicles. In order to implement specific transportation control projects, however, it also needs to involve local air pollution control districts, local planning and transportation agencies, and Caltrans. The present relationships among these entities are confusing, generate uncertainty, and need clarification.

Based on workload information supplied by the board, we conclude that two positions are needed to review local projects and fulfill other direct ARB responsibilities. The other three positions in the transportation projects area for which funding is proposed perform activities which appear to duplicate the work of Caltrans and local agencies. Given the lack of statutory guidance to ARB and the absence of a clear division of responsibility among the various state and local entities in this area, we are unable to establish the propriety of the activities the ARB proposes to undertake with these three positions in the budget year. Therefore, we recommend deletion of these positions, for a savings of \$93,000.

Proposed New Positions

We recommend a reduction of \$114,000 to delete three proposed new positions that have not been justified on a workload basis. (Reduce Item 3400-001-044 by \$92,000 and Item 3400-001-115 by \$22,000).

The board requests \$28,000 and one position for its Graphic Services section, and \$86,000 for two legal positions. Our analysis concludes that these requests are not justified.

Graphic Services. The board bases its request for an additional graphic services position on the grounds that an ever-increasing volume and complexity of graphic work has led to delays in the completion of assignments. Staff for the board state that these delays have resulted in engineers and other technical staff undertaking work that could be done more quickly and cheaply by trained graphics personnel.

Our analysis concludes that additional graphic support for the board should be obtained by converting an existing engineering position, rather

than by establishing a new position. The funding would come from the resulting savings in engineering and technical time. We therefore recommend deletion of the proposed new position.

Legal Services. The board requests two legal positions to comply with procedural requirements imposed by Ch 567/79 (AB 1111), which established the Office of Administrative Law.

One-time costs associated with the requirement, set forth in AB 1111, that ARB review existing regulations were covered by administrative augmentations to ARB's budget in 1980-81 and 1981-82. The 1982-83 budget proposes an additional staff counsel and legal assistant position to handle increased workload related to the adoption of *new* regulations.

We recommend deletion of these proposed new positions because the ongoing workload resulting from AB 1111 requirements has not been documented. When the board familiarizes itself with the Office of Administrative Law's requirements and working relationships are developed, more legal staff may not be needed.

Other state agencies with similar regulatory responsibility, such as the Energy Commission, the Water Resources Control Board, and the Department of Food and Agriculture, while aware of the potential for increased workload, have chosen to continue current levels of legal staffing in 1982-83. We propose that the ARB do the same, and recommend that the two requested positions be deleted until the ongoing workload is clarified.

Research Contract

We recommend a reduction of \$100,000 to delete funding for a duplicative research contract. (Reduce Item 3400-001-044 by \$66,000 and Item 3400-001-140 by \$34,000.)

The board requests \$100,000 to quantify and analyze the gases produced at inactive municipal and hazardous landfills.

Detailed information already exists on the generation and composition of gas from *municipal* landfills. This work has been done by private firms interested in recovering landfill gas for its energy content. In addition, Ch 1019/81 directs the state Solid Waste Management Board to undertake a two-year study of the safety aspects of landfill gas migration, including methods of monitoring gas quantities and movements.

Similar work has not yet been done on the generation and composition of gas from inactive *hazardous* landfills. The Department of Health Services (DHS), however, is undertaking a major site cleanup effort pursuant to Ch 756/81 (SB 618) which established the state hazardous waste superfund. DHS will prepare a detailed analysis of the quantity and composition of any gases emitted at each site. This work will provide the information sought by the ARB from its proposed research contract. Consequently, the proposed research is unnecessary, and we recommend that funding for it be deleted, for a savings of \$100,000.

Hazardous Substances Control

We recommend legislation to clarify the roles of the Air Resources Board, the Department of Health Services, and the local air pollution control districts regarding air quality aspects of hazardous substance control.

The Governor's Budget requests \$303,000 and seven positions for the ARB to expand its work on airborne toxic substances.

Our analysis indicates that this request is justified to permit the ARB to

AIR RESOURCES BOARD —Continued

respond to requests for assistance from local districts and other state agencies. Such requests will increase due to (1) the Governor's proposed ban on any landfill disposal of six classes of substances and the resultant increase in the incineration of hazardous materials, and (2) the implementation of state cleanup actions pursuant to CH 756/81 (SB 618). Both of these developments will require detailed analysis by the ARB of the air quality implications of various proposals for disposal of the hazardous materials.

We have pointed out in the past that under existing law, local air pollution control districts have the primary responsibility for the control of emissions from stationary sources which involve hazardous materials. In most instances, however, the local districts do not have the technical capability to handle hazardous emissions. It therefore is likely that the ARB will actually review the air quality aspects of most hazardous facility siting, hazardous waste clean-up, and hazardous emissions control proposals. This is because the role of the Department of Health Services as the statutory lead agency for hazardous substance control places the major control activity at the state, rather than the local level, as well as because some local districts do not have the necessary expertise and are already asking the ARB for assistance.

The Legislature needs to clarify the precise mechanism by which state concerns will be incorporated into final decisions on controlling emissions from hazardous waste sites and proposed treatment and disposal facilities. For example, the grounds on which the ARB might overturn a local permit decision which controls emissions of hazardous gases from a facility are subject to dispute. At the same time, the extent to which hazardous waste facility permits issued by the Department of Health Services will incorporate air quality considerations or will include or exclude decisions of the ARB or the local air pollution control districts is not well defined. Finally, disagreement and confusion between the ARB, the local air pollution control districts, and DHS over the specific responsibilities involved in the development of emission standards for hazardous materials probably has contributed to the slow progress in the development of such standards.

Without legislative clarification of these matters, it is virtually impossible to determine where funds to do the work should be budgeted. We therefore recommend enactment of legislation clarifying the roles of the Air Resources Board, the Department of Health Services, and the local districts regarding air quality aspects of hazardous substance control.

Technical Budgeting Issues

We recommend a reduction of \$87,000 to delete (1) \$60,000 in one-time equipment expenditures improperly included in the ARB's base budget for 1982-83, and (2) \$27,000 in unjustified price increases. (Reduce Item 3400-001-001 by \$17,000 and Item 3400-001-044 by \$70,000.)

Our analysis of the board's detailed justification for its operating expense and equipment request concludes that a reduction of \$87,000 is warranted.

1. **Equipment expenditures.** The board received a \$60,000 augmentation in 1981-82 to purchase equipment to expand the state's particulate monitoring network. Standard budgeting procedure is to remove one-time expenditures from the base request for the next year. This was not done for the \$60,000 augmentation, and we therefore recommend that this amount be deleted.

2. *Price adjustments.* The board requests a \$29,000 increase for data processing services consisting of \$20,000 for workload changes and \$9,000 for a 7 percent price increase. The Department of Finance advises that no price increase is anticipated for data processing services in 1982-83. We therefore recommend deletion of the \$9,000 requested for this purpose.

The board also requests a \$168,000 increase in general expenses, consisting of \$60,000 for workload changes and \$108,000 for an 8.4 percent price increase. Because the board has not prepared a detailed breakdown for its general expense request, we are unable to determine a need for an increase in excess of what the Department of Finance's price guidelines recommend—7 percent. We therefore recommend that the increase to offset the effects of inflation on general expenses be limited to 7 percent, for a savings of \$18,000.

**Resources Agency
COLORADO RIVER BOARD**

Item 3460 from the General Fund

Budget p. R 64

Requested 1982-83	\$177,000
Estimated 1981-82.....	176,000
Actual 1980-81	162,000
Requested increase (excluding amount for salary increases) \$1,000 (+0.6 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 unified position reflecting the views of those California agencies having established water rights on the Colorado River.

The board consists of 11 members appointed by the Governor. Six members are appointed from the following agencies with entitlements to Colorado River water: the Palo Verde Irrigation District, Imperial Irrigation District, Coachella Valley County Water District, Metropolitan Water District of Southern California, San Diego County Water Authority and the 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. It is supported approximately 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 an appropriation of \$177,000 from the General Fund for support of the Colorado River Board in 1982-83. This is

COLORADO RIVER BOARD—Continued

an increase of \$1,000 or 0.6 percent, above the estimated current year expenditure.

The total 1982-83 budget for the board (all funds) is \$547,000, consisting of the state's \$177,000 appropriation from the General Fund and \$370,000 from the six water agencies. This is \$5,000, or 0.9 percent, more than the budget estimates will be expended during the current year. A total of \$4,000 of this increase will be funded by the water agencies. No program changes have been budgeted for 1982-83. Our analysis indicates that the proposed budget is reasonable.

**Resources Agency
DEPARTMENT OF CONSERVATION**

Item 3480 from the General
Fund

Budget p. R 66

Requested 1982-83	\$14,339,000
Estimated 1981-82	13,048,000
Actual 1980-81	11,901,000
Requested increase (excluding amount for salary increases) \$1,291,000 (+9.9 percent)	
Total recommended reduction	\$207,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3480-001-001	Department of Conservation, primary funding source	General	\$9,555,000
3480-001-035	Surface Mining and Reclamation Program	Surface Mining and Reclamation Account, General	1,175,000
3480-001-042	State Share, California Institute of Technology Seismograph Network	State Highway Account, State Transportation	11,000
3480-001-144	State Share, California Institute of Technology Seismograph Network	California Water	11,000
3480-001-398	Division of Mines and Geology	Strong-Motion Instrumentation Program	1,589,000
3480-001-190	Department of Conservation, various	Resources Account, Energy and Resources	1,998,000
3480-001-890	Various Programs	Federal Trust	(207,000)
Total			\$14,339,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | <i>Analysis
page</i> |
|---|--------------------------|
| 1. Restore Geodimeter Network Survey. Recommend redirection of \$54,000 in Energy and Resources Funds from Regional Geologic Map Series project to restore higher priority Geodimeter Network Survey. | 551 |
| 2. Well Abandonment Funding. Increase Item 3480-001-001 by \$55,000. Recommend increase in contract funds to finance abandonment and corrective work on hazardous and deserted oil and gas wells which was deferred during current year. | 553 |

- 3. *California Resource Information System. Reduce Item 3480-001-190 by \$122,000.* Recommend reduction to maintain funding for program at current-year level because program performance does not warrant an augmentation. 554
- 4. *Open-Space Subvention Administration. Reduce Item 3480-001-001 by \$140,000.* Recommend deletion of funds for administration of open-space subventions to be consistent with our recommendation to delete the subvention in Item 9100. 555

GENERAL PROGRAM STATEMENT

The Department of Conservation consists of two divisions plus a unit in the director's office.

The Division of Mines and Geology functions as the state's geologic agent. Under the direction of the State Geologist, the division conducts a strong-motion instrumentation program to measure the large-scale destructive motion of earthquakes. It is also responsible for the classification of certain urban and other lands according to their mineral content. Policy direction is given to this division 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.

The Special Services for Resource Protection unit administers an open-space subvention program on behalf of the Resources Secretary, a farmland mapping and monitoring program, soil resource information activities and the California Automated Resources Inventory (CARI) program. The department has 341 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$14,339,000 from various state funds for support of the Department of Conservation in 1982-83. This is an increase of \$1,291,000, or 9.9 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.

Sources of Funding

The department estimates that it will spend \$15,528,000 from all sources for support programs in 1982-83. This amount will be financed from the following sources:

1. General Fund (Item 3480-001-001)	\$9,555,000
2. Surface Mining and Reclamation Account, General Fund (Item 3480-001-035)	1,175,000
3. Special funds (Items 3480-001-042 through 3480-001-890)	3,609,000
4. Reimbursements	982,000
5. Federal Trust Funds	207,000
Total	\$15,528,000

The proposed expenditure level is \$492,000, or 3.3 percent, higher than total estimated expenditures in the current year.

The Surface Mining and Reclamation Account was created pursuant to Ch 800/80. It finances Division of Mines and Geology activities that (1) designate significant mineral-bearing lands and (2) monitor reclamation of mined lands which local governments regulate. The special account

DEPARTMENT OF CONSERVATION—Continued

receives the first \$1.1 million of federal mining revenues provided to the state each year.

Reimbursements of \$982,000 come primarily from state and public agencies receiving geologic contract services from the department, from fees paid for preparation of environmental impact reports on proposed geothermal power projects, and from sales of publications (geologic maps and reports).

The budget shows that the department expects to receive \$207,000 in federal funds during 1982-83. Most of these funds will be provided by the U.S. Geological Survey for support of various cooperative research projects carried out by the Division of Mines and Geology.

Significant Budget Changes

Table 1 summarizes significant changes in programs, by funding source, proposed for 1982-83. These changes are discussed below.

Workload and Administrative Adjustments. Workload and administrative adjustments include restoration of one-time reductions in General Fund expenditures. These consist of a 2 percent reduction in 1981-82 expenditures for state operations and a 25 percent reduction in travel expenses pursuant to Section 27.10 of the 1981 Budget Act.

General Fund expenditures are being reduced by 5 percent, or \$226,000, in the budget year, pursuant to a directive from the Governor affecting many General Fund agencies. The reduction does not affect the Division of Oil and Gas which is financed through assessments and fees charged to operators of oil, gas and geothermal wells, or activities supported with appropriations from special funds such as the Energy and Resources Fund. The 5 percent reduction will be achieved by making minor reductions in operating expenses, equipment purchases and contract services, by closing the Mines and Geology library and mineral museum in San Francisco to public use, and by terminating funding for the Geodimeter Network Survey.

Significant Program Changes. In contrast to the 5 percent reduction in General Fund support for existing activities, the department's budget proposes increased expenditures for new or expanded programs from the Energy and Resources Fund. Specifically, it requests:

- A total of \$314,000 to replace lost federal funds that have been used in the past for ongoing research on low- and moderate-temperature geothermal resources in Sonoma County.
- A total of \$540,000 from the Resources Account to support a new Farmlands Mapping and Monitoring program established pursuant to Ch 13/82 and financed in the current year through reimbursements from the Department of Food and Agriculture.
- A \$155,000 increase in funding for the California Automated Resources Information (CARI) project, which would be renamed the California Resource Information System. This project would also assume the responsibilities of the disbanded Environmental Data Center in the Office of Planning and Research.

Other programs established in 1980-81 with appropriations from the Energy and Resources Fund (ERF) are proposed for continuation in the budget year, at a combined cost of \$490,000. These include (1) a project to update the Division of Mines and Geology's Regional Geologic Map Series (\$120,000), (2) a cooperative research project with the Mexican government on seismic hazards in the California-Mexico border region

Table 1
Department of Conservation
Proposed Program Changes by Fund
(in thousands)

	<i>General Fund</i>	<i>Energy and Resources Fund</i>	<i>Federal Other Special Funds^a</i>	<i>Reim- bursements</i>	<i>Total</i>
1981-82 Base Budget (Revised).....	\$9,433	\$752	\$3,348	\$1,503	\$15,036
1. Workload and Administrative Adjustments					
a. Restoration of 2 percent unallotment	88	—	—	—	88
b. Restoration of 25 percent reduction in travel expenses.....	105	—	—	—	105
c. OAL review of regulations.....	-37	—	—	—	-37
d. Five-percent reduction in state opera- tions	-226	—	—	—	-226
2. Significant Program Changes					
a. Geothermal resource investigations—fed- eral funding shift.....	—	314	-314	—	—
b. Farmland mapping and monitoring fund- ing shift	—	540	—	-540	—
c. Windbreak evaluation project	—	155	-155	—	—
d. Statewide soils information	—	41	—	—	41
e. California Automated Resources Inven- tory (CARI)	—	155	20	—	175
3. Merit Salary Adjustments, Price Increases, Miscellaneous Minor Changes.....	192	41	94	19	336
Total Changes 1982-83	<u>122</u>	<u>1,246</u>	<u>-355</u>	<u>-521</u>	<u>492</u>
Total Proposed 1982-83 Budget.....	<u>\$9,555</u>	<u>\$1,998</u>	<u>\$2,993</u>	<u>\$982</u>	<u>\$15,528</u>

^a Includes expenditures from the Surface Mining and Reclamation Account in the General Fund, Strong-Motion Instrumentation Program Fund, and small accounts from State Transportation Fund (State Highway Account) and California Water Fund.

(\$220,000), and (3) expansion of statewide soils mapping and information activities (\$150,000). The budget also proposes a shift in the funding source for demonstration projects to develop practical methods to control wind erosion (\$155,000) from the Environmental License Plate Fund to the Energy and Resources Fund.

In several instances, proposed use of funds from ERF appears to be inconsistent with provisions of current law that established the ERF. The statute which created ERF states that only short-term projects should be financed with ERF money. The budget, however, proposes to use ERF funds for support of ongoing projects and programs.

Geodometer Network Survey Funding Removed Again

We recommend (1) that \$54,000 requested from the Energy and Resources Fund under Item 3480-001-190 for continued support of the Regional Geologic Map Series project be redirected to restore funding for the Geodometer Network Survey, which has a higher priority, and (2) the adoption of Budget Bill language to accomplish this redirection.

Last year, the budget proposed to reduce by \$50,000 General Fund support for the Geodometer Network Survey in the Division of Mines and

DEPARTMENT OF CONSERVATION—Continued

Geology. The survey is a cooperative project with the U.S. Geological Survey (USGS) to measure crustal strain and movement at fixed points along the San Andreas Fault in northern and southern California. Geodometer measurements are sufficiently accurate to measure movement along the earth's faults, which may indicate the likely location of major earthquakes in the future. The USGS budgets the Geodometer Network Survey as part of its earthquake prediction program in Menlo Park.

Geodometer Restored in 1981-82. Last year, the Legislature judged the geodometer field measurements to be of sufficiently high priority that it refused to approve a reduction in the Geodometer Network Survey, and instead augmented the division's budget by \$50,000 to restore full funding. The Governor did not delete the appropriation when he signed the Budget Act. These funds are being used during the current year pursuant to the department's contract with the USGS to:

- Establish a survey network for an area called the Mendocino Triple Junction (the northern extremity on land of the San Andreas Fault near the Mendocino Headlands). This has been the site of numerous seismic events having a magnitude of 6.0 on the Richter Scale, and was the northern end of the 1906 earthquake.
- Expand the existing survey network near Parkfield (located along the southern end of the San Andreas Fault in southern California). This was the southern extremity of an 1857 earthquake.

Program Deleted for 1982-83. In the 1982-83 budget, the Department of Conservation has again proposed eliminating funding for the Geodometer Network Survey. This reduction is proposed to help achieve the 5 percent reduction in General Fund support. At the same time, the budget is requesting an additional \$195,000 in Item 0690 to continue an interagency earthquake preparedness task force which was established by executive order during 1981. This task force is being supported in the current year from a General Fund appropriation of \$313,000 to the Office of Emergency Services. Primary technical support for this task force is provided by the Division of Mines and Geology.

We believe there is an inconsistency in continuing to fund the Governor's earthquake preparedness task force, while at the same time diminishing the ability of the state's chief geologic agent to collect basic data on the San Andreas Fault. In our judgment, both projects can help the Legislature respond to a critical problem facing California. Consequently, we recommend that the Legislature appropriate \$54,000 to continue the Geodometer Network Survey. This is the same amount as budgeted in the current year, plus a 7 percent adjustment for price increase.

Geologic Map Project Slippage. The budget also requests \$120,000 from the Energy and Resources Fund to finance the third year of a multi-year project being undertaken by the Department of Conservation to update the existing Regional Geologic Map Series. Approximately one-half of this amount would be used to support contracts with graduate students for collection of data.

Our analysis of this mapping project indicates there has been significant slippage in the work program originally submitted to the Legislature in 1980-81, the first year of funding. In the 18 months since the project was initiated, the division has yet to publish a revised map based on the data collected by graduate students. Originally, the division proposed to complete data collection and publish updated maps for (1) the San Bernardino

and Weed quadrangles during 1980-81, and (2) the San Diego-Santa Ana, and San Francisco-San Jose quadrangles in 1981-82. Instead, it is still collecting data for the San Bernardino and Weed quadrangles and completing Sacramento and Santa Rosa quads—two maps which were originally scheduled for publication in 1979-80. The basis for slippage in the regional mapping update project is unclear, but suggests that the work has not been a high priority project.

Redirection Recommended. In order to prevent the restoration of funding for the Geodimeter Network Survey from placing an additional burden on the General Fund, we recommend that \$54,000 needed to continue the survey be redirected from the \$120,000 requested from the Energy and Resources Fund for the third-year for the Regional Geologic Map Series project. This redirection will still leave \$66,000 to fund the third-year of this mapping project. The money should be used to complete publication of maps of areas where data collection is underway or completed, rather than starting new areas.

To accomplish this redirection, we recommend that the Legislature add the following control language to Item 3480-001-190:

“Provided, that \$54,000 of the amount appropriated for updating the Regional Geologic Map Series shall be utilized to restore support for the Geodimeter Network Survey.”

Well Abandonment Funding Deficiency

We recommend that (1) Item 3480-001-001 be increased by \$55,000 to permit the Division of Oil and Gas to perform abandonment and corrective work on hazardous idle oil and gas wells, which was deferred during the current year, and (2) the special oil and gas assessment be increased by the same amount to cover the cost for this work.

The budget requests \$160,000 from the General Fund for contract funds to continue Division of Oil and Gas abandonment and corrective work on hazardous idle oil and gas wells. This is the same amount provided in the current year. The cost of this work, as well as the division's regular support budget, is fully offset by special assessments charged on oil and gas production which are deposited in a special account in the General Fund.

During the current year, the division has experienced significant unanticipated increases in the cost of abandoning a hazardous oil well in the City of Huntington Beach. As a result, the division deferred work on eight other hazardous wells in Colusa, Kern and San Mateo Counties. These wells represent a hazard to the environment and public and should be corrected as soon as possible. The estimated cost for the abandonment/corrective work on these deferred projects is \$55,000.

To ensure that the division's schedule for completing corrective work on all hazardous idle wells does not fall behind and continue to pose a threat to the public or environment, we recommend an increase of \$55,000 to cover the eight projects which were deferred during 1981-82. This amount, plus the \$160,000 already budgeted, would provide a total of \$215,000 for corrective work in 1982-83. The additional funds should be provided by increasing the oil and gas assessment for the budget year as necessary. Thus, there would be no net cost to the General Fund for these activities. In future years, we recommend the total amount proposed for abandonment/corrective work should be budgeted according to the amount of work needing to be performed.

DEPARTMENT OF CONSERVATION—Continued**Increase for California Resource Information System Not Justified**

We recommend (1) a reduction of \$122,000 from Item 3480-001-190 to maintain the budget for the California Resource Inventory System at the current-year level because of the project's accomplishment during its first 18 months of operation do not justify an increase and (2) that the cost of the proposed new Environmental Data Center be absorbed within the existing funding level.

The budget requests \$450,000 from the Resources Account in the Energy and Resources Fund for seven positions, plus temporary help, to support the California Automated Resource Inventory (CARI) System. For 1982-83 this program is being renamed the California Resources Information System, which the department believes more adequately describes the functions being performed.

The requested amount is \$150,000, or 50 percent, higher than estimated project expenditures during the current year. Of this amount, \$122,000 is requested for 3.8 additional staff positions and operating expenses to expand the program. The balance of the increase (\$28,000) is requested to offset price increases for central administrative services, operating expenses, and staff salaries in the existing program.

Environmental Data Center. Most of the \$122,000 requested to expand the program would be used by the department to assume responsibility for and expand the functions of the Environmental Data Center (EDC). EDC previously has been budgeted in the Office of Planning and Research (OPR), which established the project in 1978. In 1980-81, OPR expended approximately \$77,550 from the General Fund for EDC. Although an additional \$80,603 was budgeted by OPR to continue EDC during the current year, the project was terminated in July 1981, and the money was redirected to support other OPR programs and activities that were adversely affected by a \$250,000 reduction in federal funds. The OPR indicates that EDC was disbanded because it considered General Fund support of the project to have a lower priority compared to those activities previously financed with federal funds.

California Automated Resources Inventory Program. The CARI program was originally established in 1980-81 for the purpose of identifying and computerizing existing earth resources data. It was financed in its first year with \$500,000 from the Energy and Resources Fund. A prime objective of the program was to develop a sophisticated, digitized mapping, technological capability in the Department of Conservation that could be utilized by a variety of other state agencies and programs. An additional \$300,000 was provided by the Legislature to continue development of this program in 1981-82.

After 18 months and appropriations of \$800,000, it is not evident that CARI has been successful in fulfilling the role envisioned by the Legislature when it established the project in the 1980-81 budget. Our review of the project indicates that its digitized mapping capability is still in the developmental stage and that it is not yet a fully operational system. Moreover, the department is still not able to identify a specific clientele for the maps—either among other state agencies, local agencies, or members of the general public.

During the project's third year of operation, the department proposes to (1) provide CARI with a new name, (2) assume responsibility for the

disbanded OPR Environmental Data Center, and (3) increase support expenditures by 50 percent. The original objective of the project—establishing a digitized mapping system—appears to be deemphasized.

Given the department's inability to identify specific potential users of the CARI program, we are unable to identify any benefits to the state that would justify establishing CARI as an ongoing program. In proposing to take over and expand the responsibilities of the recently disbanded Environmental Data Center, the department appears to be shifting the focus of the program, confusing its objectives and directing attention away from the marginal accomplishments of the digitized mapping effort.

We recommend that funding for the project be maintained at the current-year funding level (\$300,000), adjusted to offset price and salary increases. This amounts to a total recommended funding level of \$328,000. We recommend that the balance of the \$450,000 requested—\$122,192—be deleted. This, however, should not prevent the department from taking over the EDC functions from OPR. We believe there may be more value in undertaking these functions than in continuing to spend funds for development of and experimentation with digitized mapping technology. Hence, we recommend that the EDC project be financed within the \$328,000 recommended funding level, and that other lower priority activities be curtailed or abandoned.

Administration of Open-Space Subventions

We recommend a reduction of \$140,000 from Item 3480-001-001 to delete support for administration of open-space subventions to local governments, consistent with our recommendation to terminate the subventions (see analysis of Item 9100).

The department's budget includes \$140,000 from the General Fund for support of 4.9 positions to administer the open-space subvention program on behalf of the Secretary of Resources. Section 16144 of the Public Resources Code requires the secretary to obtain specified information from each city and county with land under an open-space contract. This information is used to certify that individual local governments are eligible to receive subvention payments from the State Controller.

Our analysis indicates that the open-space subvention program has not been effective in preventing development of agricultural land. Our findings and conclusions are discussed more fully under Item 9100 of our *Analysis*.

Based on our analysis, we recommend that the \$14 million requested for subventions to local government for open-space contracts be deleted, and that these funds be reappropriated to the General Fund. If this recommendation is approved, the Department of Conservation staff which administers these subventions would no longer be needed, and Item 3480 could be reduced for a General Fund savings of \$140,000. This amount includes direct program costs of \$126,000, plus \$14,000 for department administration and indirect costs.

**Resources Agency
DEPARTMENT OF FORESTRY**

Item 3540 from the General
Fund and various funds

Budget p. R 80

Requested 1982-83	\$136,034,000
Estimated 1981-82.....	123,726,000
Actual 1980-81	121,112,000
Requested increase (excluding amount for salary increases) \$12,308,000 (+9.9 percent)	
Total recommended reduction	\$5,393,000
Recommendation pending	\$700,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3540-001-001—Department of Forestry, Primary Support		General	\$121,906,000
3540-001-140—Soil Erosion Study, Forest Practices Data Processing System		California Environmental License Plate	294,000
3540-001-189—Field Facility Energy Conservation		Energy Account, Energy and Resources Fund	502,000
3540-001-190—Vegetation Management, Dutch Elm Disease, Rural Forest Improvement, Watershed Mapping, Biomass Harvesting		Resources Account, Energy and Resource Fund	6,703,000
3540-001-300—Board of Forestry, Registration of Foresters		Professional Foresters Registration	82,000
3540-001-890—Various		Federal Trust	(1,480,000)
3540-001-928—California Forest Improvement Program		Forest Resources Improvement	4,993,000
3540-001-940—Rural and Urban Forest Improvement		Renewable Resources Investment Fund	1,535,000
3540-001-965—Department of Forestry, Administration of Timber Yield Tax		Timber Tax	19,000
3540-011-928—State Forest System, Support		Forest Resources Improvement	(1,307,000)
Total			\$136,034,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | |
|--|----------------------|
| | <i>Analysis page</i> |
| 1. Wildland Fire Protection Assessment. Recommend enactment of legislation making department's wildland fire protection program partially self-supporting through a system of landowner assessments (potential General Fund savings: up to \$33 million annually). | 564 |
| 2. Federal Agency Billings. Recommend (1) department bill U.S. Forest Service and Bureau of Indian Affairs for administrative overhead in connection with fire suppression assistance provided by state, and (2) that the additional funds be used to finance additional staff needed to correct continuing bill deficiencies. | 568 |
| 3. <i>BLM Charges Inadequate. Reduce Item 3540-001-001 by \$997,000.</i> Recommend reduction to reflect additional col- | 570 |

- lections from the Bureau of Land Management that are warranted to cover actual cost of providing fire protection service to BLM lands.
4. **Wintertime Contract Funds. Reduce Item 3540-001-001 by \$768,000.** Recommend reduction to eliminate double budgeting for fire suppression personnel who provide local protection during wintertime. 572
 5. **CCC Trainee Program. Reduce Item 3540-001-001 by \$330,000.** Recommend reduction of funds for Resource Protection Trainee program because this program has been terminated by the California Conservation Corps. 573
 6. **Wildfire and Chaparral Management. Reduce Item 3540-001-190 by \$539,000.** Recommend reduction of one-time funds provided for current year start-up costs which have been included improperly in 1982-83 baseline budget. 573
 7. **Forest Practice Corrective Work. Increase Item 3540-001-140 by \$100,000.** Recommend augmentation to permit department to finance corrective work for violations of the Forest Practice Act in 1982-83. 574
 8. **Timber Harvest Permit Fees.** Recommend (1) department report prior to budget hearings on how it intends to finance costs for ongoing administration of Forest Practice Act if it does not receive permit fee revenues, and (2) enactment of legislation clarifying departmental authority to establish system of timber harvest permit fees. 575
 9. **Forest Management Increases.** Withhold recommendation on \$700,000 for new projects pending clarification of the department's plans for implementing Forest Practice Act as intended by the Legislature. 575
 10. **CFIP Augmentations Inappropriate. Reduce Item 3540-001-190 by \$1 million, and Item 3540-001-940 by \$1,535,000.** Recommend (1) reduction of \$2,535,000 in augmentations proposed for the California Forest Improvement Program (CFIP) and (2) transfer of the savings to the General Fund, because CFIP already has an ongoing source of funding available to it. 577
 11. **Biomass Harvesting. Reduce Item 3540-001-190 by \$200,000.** Recommend deletion of funds proposed to assist private development of specialized biomass harvesting technology because department is not authorized to provide capital for such purposes. 578
 12. **Dutch Elm Disease.** Recommend adding language to Item 3540-001-001 and 3540-001-190 permitting expenditure of \$1.5 million for Dutch Elm Disease program only if legislation is enacted transferring statutory authority from Department of Food and Agriculture. 579
 13. **Energy Conservation Project. Reduce Item 3540-001-189 by \$124,000.** Recommend reduction to delete administrative positions for energy conservation projects because the department has adequate staff to undertake these projects. 580

DEPARTMENT OF FORESTRY—Continued**GENERAL PROGRAM STATEMENT**

The Department of Forestry provides 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 also (1) regulates timber harvesting on private forestland, (2) provides advisory and financial assistance to landowners on forest and range management, (3) regulates and conducts 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 of the board are appointed by the Governor. The department has 3,814 personnel-years in 1981-82.

ANALYSIS AND RECOMMENDATIONS

The budget proposes nine appropriations totaling \$136,034,000 from the General Fund and various other funds for support of California Department of Forestry (CDF) activities in 1982-83. When adjusted to eliminate estimated Emergency Fund expenditures in the current year (\$13 million), the department's budget request reflects a \$12,308,000, or 9.9 percent, increase over current year expenditures for support activities. Expenditures will increase further by the amount of any salary or staff benefit increases approved for the budget year.

Funding Sources

The department estimates that total expenditures from all sources for support programs will be \$178,115,000 in 1982-83, which is a \$4,681,000, or 2.7 percent, increase over the current year. This amount will be financed from the following sources:

1. Items 3540-001-001 through 3540-011-928	\$136,034,000
2. Federal Trust funds	1,480,000
3. Reimbursements: Local fire protection services provided to counties, cities, and special districts, using department fire fighters.....	\$32,497,000
Supervision and training of California Conservation Corpsmembers	2,733,000
Conservation Center Instructors and camp support (funded by the Department of Corrections and Youth Authority)	3,248,000
Timber harvest plan permit fees	1,004,000
Subsistence, housing and other services provided to employees	705,000
Licensing timber operators.....	73,000
Miscellaneous	341,000
Subtotal of Reimbursements.....	\$40,601,000
Total	\$178,115,000

Budget Changes

Table 1 summarizes the department's budget, by funding source, and identifies significant program changes proposed for 1982-83. These changes are discussed below.

1. *Workload and Administrative Adjustments.* Part of the department's budget increases are due to the restoration of one-time reductions made in the current year. These increases include: (1) \$1,922,000 to restore funds eliminated pursuant to a 2 percent reduction in General Fund supported state operations required by the Department of Finance, and (2) \$163,000 to restore funds eliminated for travel costs pursuant to Section 27.10 of the 1981 Budget Act. Restoration of these current-year reductions accounts for a \$2,085,000 increase in General Fund expenditures in the budget year.

The budget also proposes to restore \$3,587,000 deleted by the Legislature last year because of expected recoveries from the federal government for state assistance on federal fires. The Legislature took this action to provide an incentive for Forestry to improve its billing procedures for services rendered to the U.S. Forest Service. Because this action applied only to the current year, the department has adjusted its 1982-83 baseline budget to restore the amount deleted.

Due to the uncertainty concerning federal funding, the budget does not show continuation of a \$673,000 block grant received during the current year from the U.S. Forest Service pursuant to the federal Cooperative Forestry Assistance Act. The budget for 1982-83 also shows a \$556,000 decrease in other federal funds due to completion of several short-term projects during the current year.

Last year, the Legislature provided an augmentation of \$100,000 from the Environmental License Plate Fund to finance corrective actions under the Forest Practice Act. The department has treated this increase as a one-time expenditure, and as a consequence, the 1982-83 budget reflects a \$100,000 decrease in expenditures for this program.

Finally, the budget reflects a reduction of \$523,000 from the Renewable Resources Investment Fund. These funds were appropriated by Ch 1104/79 (SB 201) for support of wood energy demonstration projects, and will be completely expended during the current year.

2. *Significant Budget Changes.* The most significant program increases proposed for 1982-83 include the following:

- \$500,000 from the Energy and Resources Fund (ERF) to retrofit wood stoves and furnaces at 146 department field facilities, and to finance additional administrative staff for this project.
- \$1.5 million from the General Fund (\$250,000) and the Energy and Resource Fund (\$1,250,000) to finance the Dutch Elm Disease program. Although the program was transferred from the Department of Food and Agriculture (DFA) during the current year, Forestry's authority to spend the funds requested for the budget year is dependent on enactment of AB 2261. The amount requested is \$1,187,000 more than current-year expenditures (\$313,000) by Forestry pursuant to a contract with DFA. Current year expenditures are being financed from the General Fund.
- \$2 million in combined Energy and Resource Fund (\$1 million) and Renewable Resources Investment Fund (\$1 million) monies to pro-

Table 1
Department of Forestry
Proposed Program Changes by Fund
(in thousands)

	<i>General Fund</i>	<i>FRIP^a</i>	<i>Energy and Resources Fund</i>	<i>Other Special Funds^b</i>	<i>Federal Trust Fund</i>	<i>Reimbursements</i>	<i>Total</i>
1981-82 Base Budget (Revised).....	\$127,291	\$5,686	\$3,161	\$588	\$2,709	\$46,999	\$186,434
1. Workload and Administrative Adjustments							
a. Emergency fire suppression allotment	-13,000						-13,000
b. Restoration of current year reductions	2,085						2,085
c. Fire protection billing procedures	3,587					-3,587	
d. Workers' Compensation	369						369
3. CDC and CYA camp operations						-755	-755
f. CCC fire centers and RPT program.....						-522	-522
g. OES flood control						-244	-244
h. Cooperative Forestry Assistance Act block grant					-673		-673
i. Miscellaneous federally supported projects					-556		-556
j. Forest practice corrective actions				-100			-100
k. SB 201 wood energy project				-385			-385
2. Significant Program Changes							
a. Field facilities energy conservation projects			500				500
b. Dutch Elm Disease Program transfer	250		1,250				1,500
c. California Forest Improvement Program (CFIP)		-698	1,000	1,535		-313	1,187
d. Biomass harvesting project.....			500				500
e. Sensitive watersheds mapping.....			500			-299	201
f. Forest practices EDP system development				89			89
g. Reinstate soil erosion study				200			200
h. DWR vegetation management study			160				160
i. Helicopter conversion and operation			83				83
3. Special Reduction in State Operations (1.8 Percent Reduction)							
a. Fire station staffing.....	-698						-698
b. Timber harvest permit fees	-750					750	
c. Forest practices inspection positions	-384						-384
d. Automotive equipment replacement	-158						-158
e. Fire Academy training courses and fire prevention mass media.....	-110						-110
4. Merit Salary Adjustments, Price Increases, Miscellaneous Minor Changes	3,424	5	51	3	- ^c	-1,428	2,055
Total Changes 1982-83.....	-5,385	-693	4,044	1,342	-1,229	-6,398	-8,319
Total Proposed 1982-83 Budget.....	\$121,906	\$4,993	\$7,205	\$1,930	\$1,480	\$40,601	\$178,115

^a Forest Resources Improvement Fund.

^b Professional Forester Registration Fund, Environmental License Plate Fund, Timber Tax Fund, and Renewable Resources Investment Fund.

^c No inflation increase indicated for continuing activities supported with federal funds.

vide an augmentation for grant projects awarded under the California Forest Improvement Program (CFIP). This \$2 million is more than sufficient to offset the estimated \$698,000 decline in state forest revenue which is the source of funding authorized for CFIP by the Legislature.

- \$535,000 from the Renewable Resources Investment Fund for additional urban forestry grants. Another \$206,313 is budgeted for these grants under CFIP.
- \$500,000 from the Energy and Resources Fund to finance additional research and development on the feasibility of using timber harvest residues for wood energy.
- \$500,000 from the Energy and Resources Fund to fully implement a multi-year mapping program for sensitive watershed lands. The program was begun as a pilot project in the current year, using federal funds budgeted as a reimbursement from the State Water Resources Control Board.
- \$200,000 from the Environmental License Plate Fund for the first year of a new three-year research project to study the effect of timber harvesting on soil erosion.
- \$160,000 from the Energy and Resources Fund to support a contract study by the Department of Water Resources on vegetation management (prescribed burning) as a technique for increasing water yield from brush-covered watershed lands.
- \$144,000 from the Energy and Resources Fund and \$421,149 redirected from the General Fund to finance the conversion and operating costs of adding a seventh helicopter to the department's existing helitack and prescribed burning programs. This results in a net increase of \$83,000 due to redirection of budget year savings from the existing Wildland and Chaparral Management Program.

Although not specifically identified as a significant program change in the 1982-83 budget, the department has proposed and the Department of Finance is reviewing a plan that would convert most of its air attack program from vendor contracts to a state operation. Depending upon the outcome of its review, the Department of Finance may request that the funding for this program be changed to state operations. If approved by the Legislature, this proposal would phase out private contractor maintenance and operation of the department's extensive air attack fleet and substitute state employees as aircraft mechanics and pilots.

3. **Special Reduction in State Operations.** In addition to the new initiatives and funding increases discussed above, the budget proposes a \$2.1 million reduction in ongoing General Fund operations. This represents a 1.8 percent reduction in the department's base budget, and is part of the administration's effort to reduce 1982-83 baseline General Fund expenditures.

The \$2.1 million reduction, which affects both fire suppression and forest management activities, consists of the following:

- Eliminating the second engine at five of the department's two-engine fire stations. The stations that would be affected are located at: (1) Kelsey Cobb (Lake County), (2) Weaverville (Trinity County), (3) Pine Grove (Amador County), (4) Lockwood (Monterey County), and (5) Corona (Riverside County)—\$374,000 savings.
- Closing five one-engine fire stations, except during severe fire weather periods. These stations are located at: (1) Klamath (Del Norte County), (2) Buckhorn (Shasta County), (3) Cottonwood (Kings

DEPARTMENT OF FORESTRY—Continued

County), (4) Soquel (Santa Cruz County), and (5) San Antonio (San Bernardino County). The engines at these five stations would be moved to adjacent fire stations—\$324,000 savings.

- Shifting part of the cost for administration of the Forest Practice Act to timber harvest permit fees—\$750,000 savings.
- Reducing the level of forest practice inspection staffing statewide from 60 to 52 positions—\$384,000 savings.
- Reducing automotive mobile equipment replacement—\$158,000 savings.
- Scaling back Fire Academy training courses, and reducing fire prevention mass media budget—\$110,000 savings.

The reduction in the fire station operations and staffing were based on an analysis of historical workload and data on natural resources protected by each existing station. As a result of this analysis, one two-engine station in each of the department's five regions was selected for reduction to one-engine status. In addition, one other station in each region was chosen for operation only during "severe fire weather" periods, with the engines assigned to adjacent facilities when the stations are closed.

Given (1) the analytical basis for selecting stations affected by the 1.8 percent reduction, and (2) the depth remaining in CDF's statewide organization, we do not believe that its state responsibility fire suppression mission will be significantly impaired during 1982-83.

Employee Housing Rental Rates

The department's schedule of reimbursements indicates that it expects to receive \$105,000 during 1982-83 from rent and utilities paid by its employees occupying housing units provided at certain CDF field facilities. The department rents a total of 168 such units to its personnel at facilities such as fire stations, ranger unit headquarters and inmate conservation camps. Rents for these houses currently range from about \$70 to \$110 per month, including utilities. The rents have not increased for several years.

In the 1980 Budget Act, the Legislature added control language directing the Board of Control to revise its rental structure for state-owned housing to reflect market values. The board, however, refused to comply with this legislative directive.

In our analysis of the Department of Personnel Administration's (DPA) budget (Item 8380) we recommend that the Legislature (1) direct DPA to adjust, effective July 1, 1982, rental rates paid by employees for state-owned housing to reflect market values, and (2) add a new control section to the Budget Bill reducing the support appropriations of all state agencies having rental housing by a total of \$2.2 million (\$1.9 million General Fund) to reflect the additional reimbursements these agencies would receive as a result of rental adjustments. If this recommendation is approved by the Legislature and implemented, we estimate that this would reduce the General Fund support appropriation for the Department of Forestry by \$291,000.

Fire Protection—Review of State Responsibility Areas (SRAs)

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 in which areas the state is responsible for preventing and suppressing wildland vegetation fires.

The total amount of land currently classified as a state responsibility is approximately 33.1 million acres. Table 2 indicates the amount of acreage provided fire protection at state expense.

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

	<i>Acres</i>
1. Direct protection provided by the Department of Forestry with state employees and equipment (does not include 3,368,950 acres of federal land directly protected by Forestry on a reimbursable basis)	24,424,197
2. Protection provided by six counties on a reimbursable basis pursuant to contracts with the department	4,146,885
3. Protection provided by the U.S. Forest Service on a reimbursable basis pursuant to contracts with the department	4,050,049
4. Protection provided by other federal agencies (Bureau of Land Management, National Park Service, Bureau of Indian Affairs) on a reimbursable basis pursuant to contracts with the department	469,552
Total	33,090,683

CDF Report Indicates SRA Revisions Are Minimal. The *Supplemental Report to the 1980 Budget Act* directed the department to review the existing classification of SRA lands and to report the findings and the fiscal impacts of any proposed changes in classifications to the Legislature. The purpose of this evaluation was to identify those areas which should become the responsibility of local government or federal agencies because of increased urbanization or change to federal ownership. Last fall, the department completed an 18-month review of SRA lands pursuant to this directive.

Impact on SRA. Following public hearings in Sacramento and San Diego, the Board of Forestry reclassified (1) 93 parcels totaling 170,823 acres from local responsibility to state responsibility, and (2) 339 parcels totaling 309,470 acres from state responsibility to local responsibility. These adjustments reduced the amount of state responsibility lands by a net of 138,647 acres, or less than 0.4 percent.

Our analysis indicates that several factors were responsible for such a relatively small amount of land being reclassified from SRA status to local responsibility.

First, midway through the review, the Board of Forestry authorized the department to change the criteria used to determine whether large blocks or "islands" of developed lands and agricultural lands belonged in state or local responsibility areas. The board originally advised the Legislature that a density criteria of three or more structures per acre in contiguous areas of at least 40 acres in size would be used to identify lands for transfer to local responsibility. Midway through the reclassification process, this was changed to allow developed areas up to 250 acres to remain in state responsibility areas.

Second, agricultural lands at least 40 acres in size, with nonflammable crops, such as orchards and vineyards, were originally to be excluded from state responsibility. This criteria was also revised to accommodate islands of such agriculture up to 1,000 acres in size.

Due to these changes in criteria, developed areas and permanent agricultural lands, totaling 149 parcels and 26,714 acres, remained classified as state responsibility.

DEPARTMENT OF FORESTRY—Continued

Third, the department recommended, and the board approved, remaining SRA classification for seven heavily-urbanized areas totaling 9,293 acres because of nearby forest cover and wildland vegetation. These areas consisted of: (1) Ridgewood Heights, Humboldt County (600 acres), (2) Guerneville, Sonoma County (1,238 acres), (3) Monte Rio, Sonoma County (440 acres), (4) Orinda, Contra Costa County (2,450 acres), (5) Cambria, San Luis Obispo County (2,720 acres), (6) Malibu, Los Angeles County (780 acres), and (7) portions of the Tahoe Basin, Placer County (1,065 acres). Our analysis indicates that these areas are sufficiently developed to meet the criteria for transfer to local responsibility.

No Change Proposed in Level of Fire Protection. The department indicated in its report that classification changes resulting from the SRA review process were not sufficient to warrant any addition, reduction or change in location of fire protection resources. Consequently, no fire crew transfers or station closures have been proposed as a result of the reclassification process, and the department is proposing to continue the current level of fire protection without significant change.

Need for Reexamination of Existing Costs. General Fund support for the Department of Forestry's wildlands fire protection efforts has been increasing rapidly. In part, this is due to the incursion of residential areas into wooded lands, and the unwillingness of the Department of Forestry and the Board of Forestry to interpret the Public Resources Code in a manner that limits the department's responsibility for fire protection to range, brush or timberland areas. This has resulted in what we believe is an inequitable distribution of financial responsibility for fire protection efforts statewide. At present, urban areas pay the full cost of their own local fire protection, and also pay a disproportionate share of the state's overall fire protection costs through their taxes. In contrast, owners of wildlands and owners of structures in wildlands receive continued state fire protection from the department at a disproportionately low cost. We conclude that a more equitable method of funding the department's fire protection costs is needed.

Wildland Fire Protection Assessment

We recommend enactment of legislation making the department's wildland fire protection program partially self-supporting through a system of landowner assessments, for a potential savings to the General Fund of \$33 million annually.

Under existing law, all private land classified by the Board of Forestry as state responsibility is provided wildland fire protection at General Fund expense; there is no provision requiring landowners benefiting from this protection to contribute directly toward the state's ongoing costs.

Other western states also maintain forest and wildland fire protection systems for private lands. These include Oregon, Washington, Montana and Idaho. Unlike California, however, these states finance their programs through a combination of landowner assessments and state general fund financing. The funding mechanisms used by these states are illustrated in Table 3 and further discussed below.

Oregon. The State of Oregon finances approximately 63 percent of its annual costs through landowner assessments. For 1980-81 these assessments ranged from 31 cents to 68 cents per acre per year, depending on land type and location. The minimum charge is \$15 per parcel per year.

Table 3
Department of Forestry
Comparison of Western State Wildland
Fire Protection Funding Systems

<i>State</i>	<i>Acreage Protected</i>	<i>Landowner Assessment (per acre)</i>	<i>Minimum Parcel Change</i>	<i>Landowner Share of costs</i>
Oregon	15.8 million	31-68¢	\$15	63%
Washington	12.5 million	21-31¢	None	45%
Montana	40.0 million	up to 16¢	\$6	32%
Idaho	7.1 million	up to 30¢	\$15	60%
California	33.0 million	—	None	—

A total of 15.8 million acres is protected by the Oregon Forestry Department and subject to these assessments. Forest Class I and II timberlands are generally charged more per acre than Forest Class III grazing lands. The assessment also varies according to whether the land is located east or west of the Cascade mountains. Emergency fire suppression costs are financed through (1) an additional assessment of one cent per acre on eastern Oregon timberlands and all grazing lands, and (2) a severance tax of six cents per thousand board feet of timber harvested from protected lands. Oregon's Forestry Department monitors the administration of the fire protection assessments, which are collected through each county's property tax system.

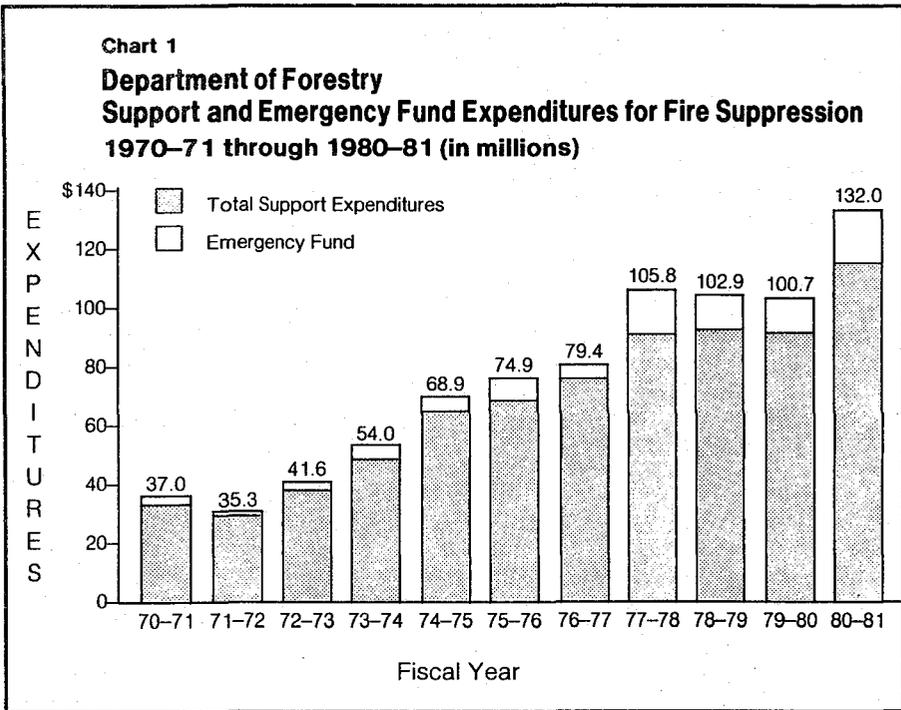
Washington. The State of Washington has a graduated system of landowner assessments which are used to finance its Department of Natural Resources fire protection program for private forests and other wildlands. Approximately 45 percent of the state's annual costs are financed from this source of revenue. Currently, affected landowners are charged an average of 31 cents per acre in western Washington and 21 cents per acre in the eastern part of the state. This includes a separate levy of 10 cents and 4 cents per acre respectively, to support a revolving fund for emergency fire suppression costs. A total of 12.5 million acres is protected by Washington State and subject to these assessments, including federal lands protected under contract. The fees levied on private land are collected through each county's tax assessor.

Montana. Montana's fire protection program is administered by its Department of Natural Resources and Conservation. We are advised that the state finances approximately 32 percent of its costs from annual assessments for protecting approximately 40 million acres of land. During 1981, these assessments could not exceed 16 cents per acre, with a \$6 minimum charge per parcel. The fees are also collected through the county property tax system.

Idaho. Although we have minimal information concerning the system for funding fire protection in Idaho, this state charges up to 30 cents per acre, with a minimum assessment of \$15. We are advised that the state is able to finance about 60 percent of its costs for providing fire protection to 7.1 million acres with these revenues.

Each of these four wildland fire protection systems is based on the premise that owners of wildlands benefiting from state protection should bear part of the cost of providing this protection. The public shares in the cost of maintaining these systems, but only to the degree that public values are identified and protected. The public share is financed through each state's general fund.

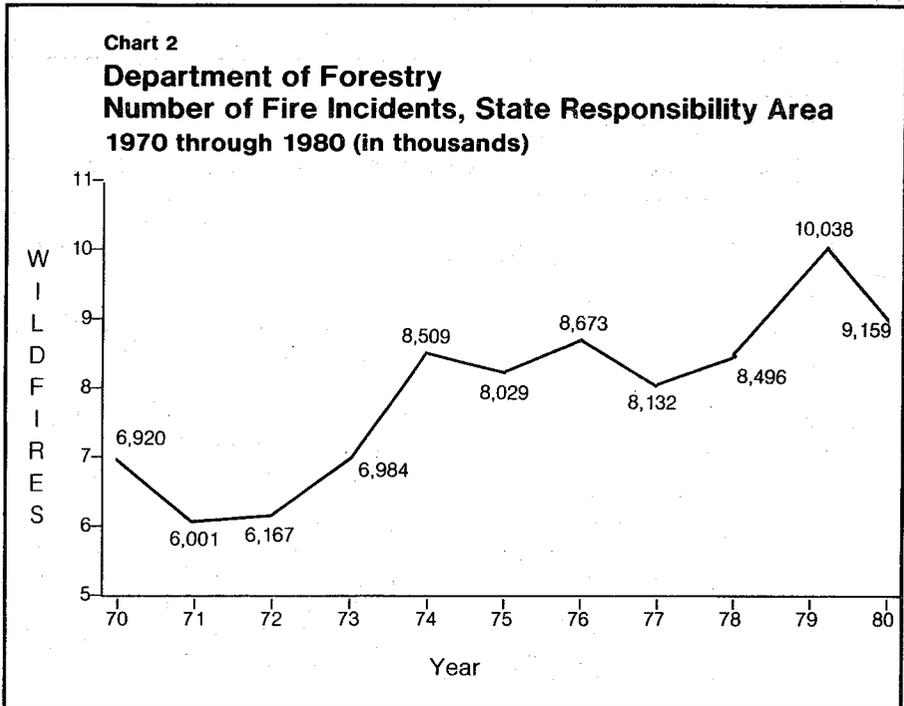
DEPARTMENT OF FORESTRY—Continued



California Fire Protection Costs Increasing Significantly. As indicated in Chart 1, the cost of the California Department of Forestry's (CDF) wildland fire protection system has increased significantly during the past 10 years. Between 1970-71 and 1980-81, the annual cost increased by \$95.1 million, or 257 percent.

Part of this increase is attributable to the effect of inflation on operating expenses and higher salaries for state employees. Part is also due to emergency fire costs and improved suppression techniques, such as the department's sophisticated air attack and helitack (helicopter) programs. In addition, the increase in the costs of the state's fire protection system have risen because the number of fire incidents has increased sharply. This is illustrated in Chart 2. Department data indicate that during the last 10 years, the average number of fire incidents has increased from 4,925 (1960-1970) per year, to 8,018 per year (1970-1980). One of the reasons for this increase in the number of incidents is the spread of developed areas into woodlands.

Landowners Should Contribute Directly Toward the Cost of Protecting Their Land. To provide for a more equitable allocation of the costs for the state's wildland fire protection system, we recommend that the Legislature revise the existing method of financing. Specifically, we recommend that landowners benefiting from this protection system be required to finance a share of the department's costs, as landowners in Oregon, Washington, Montana, and Idaho are required to do, by paying an annual



assessment based on the number of acres they own. As in the other western states, the fee should vary according to resource values and type of land protected (timberland, brushland, or grazing land). The fee should also reflect the fire hazard history for each land type. Finally, such legislation should provide for a minimum assessment or parcel charge, to ensure that collection costs do not exceed revenues and to ensure that owners of valuable structures receiving protection from the state pay some of the costs.

The assessments should be administered through existing county property tax collection systems, with state reimbursement of local collection costs (as required by the State Constitution).

Revenue Generated. The amount of revenue generated by such a funding system would depend on (1) the assessment levels charged for different land types, (2) the size of the minimum parcel charge, and (3) the administrative costs incurred in levying and collecting the assessments. If an annual assessment of from 50 cents to \$1 per acre were levied on all 33 million acres of private land currently classified as state responsibility, we estimate that between \$16.5 million and \$33 million per year in revenue could be generated. This would be sufficient to finance approximately 13 percent to 26 percent of the \$113.5 million budgeted in 1982-83 for the state responsibility fire protection program. This percentage would be modest, when compared to the share paid by property owners in other states. Nevertheless, it would result in a major savings to the state's General Fund.

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A combined system of financing which relies on General Fund support and local assessments would formally recognize that benefits from the state's wildland fire protection program accrue to both private landowners as well as the general public.

Billing of Federal Agencies

We recommend that the Legislature direct the department to (1) add an administrative charge to the bills sent to the U.S. Forest Service (USFS) and the Bureau of Indian Affairs (BIA) for fire suppression assistance provided to them by the state, (2) reflect an anticipated reimbursement of \$126,000 in Item 3540-001-001 and (3) use these funds to hire the additional administrative staff required to accurately and promptly bill state fire suppression expenses to these federal agencies.

Last year we reported in our *Analysis* on the department's poor performance in billing federal agencies for the cost of emergency fire suppression assistance provided to these agencies. CDF regularly assists the U.S. Forest Services in controlling forest and brush fires occurring on national forestland. It does so by providing the Forest Service with fire engine crews, bulldozers, California Conservation Corps members, and Department of Corrections crews, pickup labor, rented equipment, vehicles, air tankers and logistical support, as requested. Similar assistance is provided to the Bureau of Land Management and Bureau of Indian Affairs for fires on their lands. The state is supposed to be fully reimbursed for this assistance by the requesting federal agency in accordance with cooperative agreements.

Last year we determined that:

- The department's billing process is slow, inaccurate, and does not assure full recovery of state costs.
- Failure to recover full costs in a timely manner increases the size of the deficiency appropriation from the General Fund each year, thus needlessly tying up state money.
- Reimbursement for some costs may never be recovered due to CDF's failure to bill federal agencies for them.

Legislative Action. In response to these problems, the Legislature took the following actions:

1. It directed the department, through the *Supplemental Report of the 1981 Budget Act*, to submit bills for assistance to federal agencies no later than 120 days after the fire. Exceptions to this directive are permitted only if CDF provides prior written notification to the Chairman of the Joint Legislative Budget Committee.

2. It directed the department, through supplemental language, to report quarterly to the Legislature on all Emergency Fund fire expenditures incurred in providing reimbursable assistance to the federal government.

3. It reduced CDF's support budget by \$3,587,000, which was the department's estimate of costs incurred for federal fires that had not been billed and recovered, and added language authorizing the department to spend any portion of the \$3,587,000 it recovered. This action was intended to provide the department with an incentive to collect federal reimbursements rather than charge the Emergency Fund.

4. It adopted supplemental language stating legislative intent that any shortfall resulting from the department's failure to collect the \$3,587,000 should be financed through the 1981-82 deficiency appropriation bill. This

language assured the department of full funding for fire suppression activities in 1981-82, but required that any shortfall in the collections be explained to the Legislature.

Department's Response. The department has instituted new procedures for tracking billable fires, and has attempted to recover the \$3,587,000 in fire costs from previous years. Our analysis indicates, however, that CDF is still generally unable to bill federal agencies for the assistance it provides within the 120-day deadline established by the Legislature.

As of mid-January 1982, the department had recovered or billed the federal government for \$1,826,845 of the \$3,587,000 in estimated billable costs from previous years. CDF indicates that actual cost recoveries will be lower than originally anticipated because the department's earlier estimate of billable costs was too high. Subsequent to enactment of the 1981 Budget Bill, the department determined that approximately \$1.76 million of the \$3.59 million was attributable to fires along the boundary between federal lands and the state responsibility areas, and cannot be charged to federal agencies. If the department is not able to absorb this loss of funds in the current year, up to \$1.76 million will have to be added to the 1982 deficiency appropriation.

On November 4, 1981, the department reported to the Legislature on its improved system for tracking fires and billing federal agencies for assistance provided, as required by supplemental report language. At that time, the department indicated that it would be unable to comply with the 120-day billing requirement for only two federal fires, which had estimated recoverable costs of \$4,000. Subsequently, however, we learned that 75 additional fires were not billed within the 120 days specified by the Legislature. The department estimates that the 89 fire incidents involve total unrecovered costs of \$1.36 million. CDF has submitted a letter to the Chairman of the Joint Legislative Budget Committee formally advising him that it has exceeded the 120-day processing period for these fires.

Evaluation of Track Record. It is clear from the department's inability to meet the deadline in these cases that CDF's billing process continues to have serious deficiencies and needs further improvement. Our analysis indicates that this is due, in part, to two factors. First, ranger unit fire suppression personnel must compile and maintain records which are eventually used to (1) determine whether a particular fire incident is in fact billable to the federal government and (2) prepare the invoice which is sent to bill the responsible federal agency. As a practical matter, the primary responsibility of these fire suppression personnel during the fire season is to dispatch and coordinate fire control manpower and equipment. Administrative duties related to preparing documentation for billable fires is a relatively low priority, at least until the fire season is over.

A second factor causing delays in billing is the inadequate level of staff assigned to the accounting section of CDF's Sacramento headquarters. This section is responsible for auditing billing documents submitted from the field, for preparing and sending invoices to federal agencies to recover the costs. Only two full-time clerical positions are assigned to handle this workload, which in 1981 consisted of 274 billable fires with recoverable costs totaling \$4,219,812.

Federal Agencies Not Billed for Program Overhead. Our review of the department's cooperative agreements with federal agencies indicates that CDF does not charge either the Bureau of Indian Affairs (BIA) or U.S. Forest Service (USFS) for administrative overhead costs incurred in providing assistance to these agencies. This, however, violates Section 8755 of

DEPARTMENT OF FORESTRY—Continued

the State Administrative Manual (SAM) which requires state agencies performing contract services for other governmental jurisdictions (such as federal or local governmental agencies) to charge for all "appropriate costs."

During the last five years, the department billed and collected \$6.6 million in direct costs for fire suppression assistance rendered to the USFS and BIA. During that time, the department's overhead rate for contract services provided to federal agencies was approximately 9 percent. Failure of the department to include an administrative overhead charge for fire assistance to USFS and BIA resulted in a loss of about \$591,000 to the state over a five-year period.

On a yearly basis, the department collects approximately \$1.3 million for the cost of fire assistance billed to BIA and USFS. For the current year, the department has an administrative overhead rate of 9.57 percent, which is charged to (1) federal agencies for other types of contract services, and (2) the Bureau of Land Management for billable fire costs. If the department applied this administrative charge to USFS and BIA as well, it would increase departmental collections by approximately \$126,000 per year.

Recommended Legislative Action. The department should charge the BIA and USFS for its administrative costs, as the SAM requires it to do. If this were done, CDF could use the proceeds to increase its administrative staff for processing billings without imposing an additional burden on the General Fund. The additional staff would improve the timing and accuracy of fire cost recoveries.

To assure that the department imposes these charges, we recommend that the Legislature adopt the following supplemental language:

"The department shall include an appropriate overhead charge for administrative costs in billing the U.S. Forest Service and Bureau of Indian Affairs for reimbursable assistance provided to these agencies in suppressing wildland fires on federal lands."

In addition, we recommend that \$126,000 in reimbursements anticipated from the overhead charge be added to Item 3540-001-001 for increased administrative staff in headquarters and the field, so as to improve the process of billing the Forest Service and the Bureau of Indian Affairs for fire suppression assistance.

The specific control language authorizing expenditure of these reimbursements is as follows:

"Provided, that up to \$126,000 received by the state for administrative costs of billing federal agencies for emergency fire suppression assistance during the 1982-83 fiscal year is hereby appropriated for expenditure as a portion of the reimbursements in schedule (f), Item 3540-001-001."

Prompt and accurate billing will reduce Department of Forestry reliance on the General Fund to finance costs which should be recovered from the federal agencies.

BLM Fire Protection Charges Inadequate

We recommend a reduction of \$997,000 in Item 3540-001-001 and an increase in reimbursements by this amount to reflect additional collections from the Bureau of Land Management for services provided on its lands.

The department has a variety of contractual agreements with federal agencies to protect federal lands that are intermingled with, or adjacent

to, private lands for which the state is responsible for providing wildland fire protection. One of the more significant of these contracts is with the Bureau of Land Management (BLM). Under this agreement, the CDF protects 2,291,765 acres of federal land, while BLM protects 442,469 acres of state responsibility area (SRA) lands. Thus, the CDF protects 1,850,000 more acres for the BLM than the BLM protects for Forestry.

Pursuant to the CDF's contract with the BLM for this protection, the state is reimbursed for the department's actual suppression costs. In addition, the BLM pays the department a presuppression (standby) fee of \$823,000 per year—the same amount charged in 1972. This amount has not been adjusted to reflect the higher costs incurred by the department as a result of inflation, despite:

- (1) A recommendation to do so made by the Department of Finance in a 1976 report entitled, *A Review of the Division of Forestry's Fire Protection Program*;

- (2) *The Supplemental Report of the 1976 Budget Act*, which directed that the CDF review the provisions of the BLM contract and attempt to secure state compensation at a rate which reflects the costs of protecting BLM lands; and

- (3) The findings of a July 1980 fiscal management audit by the Department of Finance entitled, *A Review of California Department of Forestry's Revenue and Reimbursement Collections for Fire Suppression Services*. This report recommended that the CDF (a) prepare and incorporate standard fiscal provisions in all fire protection service contracts that will help the state obtain compensation in an amount that is equal to its costs, and (b) periodically update all contracts to reflect current costs of providing services.

The department's schedule of reimbursements for 1982–83 again includes \$823,000 from the BLM for contract fire protection during 1982–83. In contrast, the CDF's contract with the U.S. Forest Service for the Forest Service to protect state responsibility lands located within or adjacent to national forest land calls for it to spend \$3,235,000 in 1982–83, an increase of \$1.7 million, or 121.1 percent, over the 1972 level. The state cost for the Forest Service contract has increased, moreover, even though the amount of acreage protected by the Forest Service has *decreased* by 474,111 acres (10.5 percent) during the same period.

Similar inflation adjustments are routinely made for other ongoing contract services provided to or by CDF. For example, each year the department revises its fire protection contracts ("Schedule A" agreements) with local government to cover any salary increases granted to state employees. There is no reason why similar inflationary adjustments should not be required for the department's contract with BLM.

To ensure that CDF revises the presuppression rate charged BLM, we recommend that the department's support budget be reduced by \$997,000 and that its schedule of reimbursements be increased by the same amount. In effect, this will require the CDF to charge the BLM \$1,814,653 as a presuppression fee during 1982–83, an increase of 121.1 percent over the current year. Although the amount of increase is significant when viewed in a single year, we believe it is justified in order to reflect the actual costs incurred by the state under the BLM contract. In addition, this adjustment would provide for the same amount of inflation since 1972 as provided for in the Forest Service contract.

DEPARTMENT OF FORESTRY—Continued**Wintertime Contract Fire Protection Reimbursements Improperly Budgeted**

We recommend a reduction of \$768,000 from Item 3540-001-001 and a corresponding increase in reimbursements to correct double budgeting for fire suppression personnel who provide contract services to local government during the nonfire season.

Section 4142 of the Public Resources Code authorizes the department to enter into cooperative agreements with local government to provide fire protection services. These agreements commonly are referred to as "Schedule A" contracts. The cost for such services, including indirect costs, are fully reimbursed by local government. Indirect costs are reimbursed through an administrative overhead charge of approximately 10 percent.

CDF currently administers 37 "Schedule A" contracts in 29 counties. For 1982-83, the department has budgeted a total of approximately \$32.5 million in reimbursements from these contracts.

Although most "Schedule A" contracts provide for year-round fire protection, in some instances local governments have opted to contract for service only during the wintertime. As shown in Table 4 six counties contracted with CDF for wintertime fire protection during 1980-81.

Table 4
Department of Forestry
Reimbursements from Local Governments
For State-Funded Positions,
Wintertime Schedule A Contracts

<i>Contracting County</i>	<i>Person-Months</i>	<i>Amount^a</i>
Placer	18	\$42,360
Riverside	64	149,516
San Bernardino.....	88	205,584
San Diego	12	32,464
Santa Cruz.....	66	155,320
Sonoma.....	48	117,184
Subtotals.....	296	\$702,428
Overhead Charge (9.36 Percent)		65,747
Total		<u>\$768,175</u>

^a Include staff benefits

In order to fulfill the terms of these contracts, the department uses permanent year-round personnel who are fully financed through the CDF General Fund support budget. During the summertime, these positions operate CDF fire stations as part of the state responsibility fire mission. After the fire season ends, the department uses these positions to provide wintertime services, and receives reimbursements for these services. As a consequence the department is double-budgeted for these employees.

At the time this analysis was prepared, contracts for 1981-82 had not yet been completed. However, assuming that the level of service provided in 1980-81 is continued in the current and budget years, the department will receive at least \$768,000 in reimbursements from these contracts. To ensure that the positions covered by these contracts are not double-budget-

ed, we recommend that the support budget be reduced by \$768,000 and that reimbursements be increased by a similar amount.

CCC Resource Protection Trainee Program Terminated

We recommend a reduction of \$330,000 from Item 3540-001-001 to delete funds budgeted for support of the Resource Protection Trainee (RPT) program because this activity has been terminated by the California Conservation Corps.

In 1980-81, the Department of Forestry initiated a cooperative program with the California Conservation Corps (CCC). Under this program, CCC provided 240 corpsmembers to 40 CDF fire stations to increase the size of fire crews from three to five persons per engine. The 40 CDF stations receiving the additional staffing were selected on the basis of the fire incidence rate and resource values protected. The additional fire fighting personnel were intended to increase the effectiveness of engine crews on initial attacks. During the wintertime, the CCC members were assigned to various CDF fire prevention activities, such as brush clearing projects. This year-round cooperative CCC-CDF venture became known as the Resource Protection Trainee (RPT) program.

Most of the cost of the RPT program was continued in the CCC budget. The 1982-83 Department of Forestry budget, however, includes at least \$330,000 from the General Fund to cover the following costs:

- \$168,000 in supplemental fire pay for RPT participants assigned from CCC, based on \$100 per month per corpsmember for seven months.
- \$86,000 for additional operating expenses.
- \$40,000 for vehicle operations.
- \$36,000 for safety clothing.

During the current fiscal year CCC terminated the RPT program, partly because CCC lost \$5 million in federal funds. The Department of Forestry's budget, however, has not been adjusted to reflect the discontinuation of the RPT program. The funds requested for the RPT program are not needed, and accordingly, we recommend that the department's budget be reduced, for a General Fund savings of \$330,000.

Wildfire and Chaparral Management Program

We recommend a reduction of \$539,000 from Item 3540-001-190 to delete one-time funds provided for current year start-up costs of the Wildlife and Chaparral Management program which have been improperly included in the 1982-83 baseline budget.

Last year, the Legislature approved \$3.1 million from the Energy and Resources Fund (ERF) so that six military surplus UH1-F helicopters acquired from the U.S. Air Force could be modified and placed into operation for (1) suppression of wildland fires during the fire season, and (2) use during the nonfire season in a new prescribed burning and vegetation management program authorized by Ch 525/80. Conversion of the six helicopters allowed the department to phase-out the smaller helicopters which it had been leasing from private contractors during the fire season.

The 1982-83 budget proposes to maintain the current-year baseline level of \$3.1 million for the Wildfire and Chaparral Management Program. Included in the \$3.1 million is \$994,300 which was originally provided for one-time start-up costs to convert six helicopters during the current year, and to purchase vehicles and miscellaneous equipment such as radios.

Our review of the department's proposal indicates that the 1982-83

DEPARTMENT OF FORESTRY—Continued

baseline budget has not been adjusted to delete these one-time start-up costs. The department indicates that approximately \$455,626 of the \$994,300 will be needed in the budget year because certain expenditures authorized for 1981-82 were deferred in order to achieve a \$945,000 unscheduled reduction in department's budget that was made by the Legislature.

Our analysis supports the need for the \$455,626 in 1982-83. This leaves a balance of \$539,000 in one-time funds from 1981-82 which has not been justified. Accordingly, we recommend that this amount be deleted from the budget, for a \$539,000 savings to the General Fund.

Forest Practice Corrective Work Not Funded

We recommend an augmentation of \$100,000 to Item 3540-001-140 to provide additional funds for correction of Forest Practice Act violations during 1982-83, pending reimbursement through liens on forest property.

The 1981 Budget Act provided \$100,000 from the Environmental License Plate Fund to support departmental activities needed to correct environmental damage caused by violations of the Forest Practice Act. Previously, the department financed this work by redirecting available funds from other legislatively authorized activities. The department eventually recovers the cost of these projects from persons convicted of violating Forest Practice Act requirements. It does so by recording a lien on the property requiring the corrective action.

Types of work financed with the \$100,000 during the current year include:

- Disposal of logging slash left in streams or presenting a fire hazard.
- Erosion control projects required by a timber harvest plan for logging operations.
- Performance of stocking surveys by a registered professional forester to determine whether the site of the timber harvest has adequately regenerated.
- Planting seedlings at sites which the surveys determine do not meet stocking standards prescribed by law.

Current Year Workload. At the time this analysis was prepared, the department had initiated 61 enforcement actions for violations of the Forest Practice Act during the current year. This compares to a total of 53 enforcement actions initiated during all of 1980-81. Forestry estimates that it has approximately \$40,000 in pending or completed corrective work, the need for which was detected during the first half of the 1981-82 fiscal year, mostly because of erosion control and stocking violations. In addition, the department has ordered or contracted for 36 surveys of timber operations which have not yet met stocking standards. When these surveys are completed, additional state planting of seedlings may be necessary if landowners fail to perform the work.

Additional Funds Necessary. No additional funding has been requested for Forest Practice corrective work in 1982-83. Without additional funding, it is likely that certain violations will be left uncorrected, or that the department will redirect funds from other legislatively authorized programs and activities. Redirection of such funds may not be consistent with the purpose for which these funds were originally authorized by the Legislature.

Our analysis indicates that there has been a significant increase in the

number of corrective actions initiated by the department during 1981-82, compared to previous years, because of the availability of the \$100,000. To ensure that Forestry can perform any corrective work necessary during 1982-83, we recommend that the department be provided with an additional \$100,000 from the Environmental License Plate Fund.

Timber Harvest Permit Fees

We recommend:

(1) The Department of Forestry report prior to budget hearings how it intends to finance costs for the Forest Practice Act during the current and budget years; and

(2) Enactment of legislation clarifying the department's authority to establish a system of graduated permit fees to finance the Forest Practice Act.

Control language in the 1981 Budget Act directed the Department of Forestry to establish a system of permit fees to finance approximately \$254,000 in costs for administering the Forest Practice Act. The control language was based on the department's assurances to the Legislature that it had the authority under the California Environmental Quality Act (CEQA) to charge the timber industry a portion of the state's costs to regulate this industry's activities. These costs are estimated at \$3.7 million in the current year. The 1982-83 budget shows an additional \$750,000 in permit fee revenues to cover the cost of administering the Forest Practice Act in the budget year.

The Legislative Counsel has concluded that neither the CEQA nor the control language in the 1981 Budget Act grants authority to the CDF to charge a fee to finance costs of the Forest Practice Act. This opinion was subsequently affirmed by an Attorney General opinion (No. 81-710). In addition, late in January the Office of Administrative Law (OAL) rejected the department's proposed schedule of fees due to lack of statutory authority. In the event that OAL's decision is reversed, the department anticipates that efforts will be made to delay the fee through court action. If the OAL decision is not reversed, or if a court sets aside the fees, the program will be under-funded by \$254,000 in the current year and \$1,004,000 in the budget year.

Under these circumstances, we recommend that CDF report to the Legislature prior to budget hearings on how it intends to finance the costs of administering the Forest Practice Act during the current and budget years.

We further recommend that legislation be enacted to provide CDF with the necessary authority to establish fees. The cost of similar regulatory programs administered by other state agencies, such as the Department of Food and Agriculture, Division of Oil and Gas, and water quality control boards, are either fully or partially reimbursed through industry fees and assessments. In the case of the Forest Practice Act, similar legislation appears necessary. Such action would also be consistent with the intent of the Legislature, as expressed in the 1981 Budget Act.

Forest Management Funding Increases Are Premature

We defer recommendation on \$700,000 augmentations requested for (1) sensitive watershed mapping (\$500,000), and (2) new soil erosion studies (\$200,000), pending clarification from the department concerning staff reductions and permit fees proposals affecting administration of the Forest Practices Act.

DEPARTMENT OF FORESTRY—Continued

Forest Practice Act Program Overburdened. The Department of Forestry has proposed several modifications in funding for the Forest Practice Act in 1982-83. These changes include (1) shifting \$1 million in program costs from the General Fund to permit fees and (2) reducing the number of forest practice inspector positions from 54 to 46, for a savings of \$384,000.

In past years, we have pointed out that the department has had problems adequately handling forest practice workload with the existing staff of 54 field forester positions. These problems are due, in part, to the eight-year life cycle under which each timber harvest plan (THP) must be monitored to ensure that timber operators comply with all applicable rules and stocking (replanting) requirements.

Historically, the CDF has approved an average of from 1,800 to 2,000 new timber harvest plans each year. Because previously-approved plans must also be monitored, the new approvals increase the workload of the department. Although the number of new plans approved in 1981 was less than the average, workload still went up. The department now has a cumulative workload of THPs from prior years consisting of 3,940 plans which are still active and 5,956 plans which must still meet stocking requirements. In addition, as discussed earlier in this analysis, the department is experiencing a major increase in the number of enforcement actions it must take, largely because timberland owners or operators have failed to submit stocking reports or to meet stocking standards.

Staff Redirection Not Feasible. Despite the fact workload is rising, the department proposes to reduce the number of forest practice positions by 15 percent. It proposes to compensate for the reduction of eight positions by utilizing trained field administrative staff and fire suppression personnel to handle inspection workload.

Our analysis indicates that, while it is desirable to use field personnel for more than one program in order to achieve efficiencies in the deployment of available resources, it is not clear that the department's proposal is realistic. The department has indicated in the past that the type of assignment it proposes for 1982-83 is not feasible. Despite the department's change of views, we believe that the proposal has limitations. For example, it is unclear how much time fire suppression personnel will have for timber harvest inspections during the summertime fire season. (In this regard, we note that the department has not yet scheduled this inspection workload for the fire suppression personnel.) As a consequence, it is questionable to what extent fire suppression personnel can be substituted for forest practice inspectors.

Adding to the department's potential difficulties in adequately handling timber harvest plan inspections is the possibility that its proposal to establish a system of permit fees either will not be approved by the Office of Administrative Law or will be indefinitely delayed by litigation. How CDF would handle forest practice inspection if it cannot collect fees is unclear.

New Programs Proposed in the Budget. At the same time that it is changing the method of funding and reducing staff for enforcement of the Forest Practice Act, CDF has requested funding for two new forest management projects:

- \$500,000 is requested for a new multi-year mapping project of sensitive watershed lands.
- \$200,000 is proposed for new soil erosion studies.

Major increases in funding for discretionary new projects should not be

approved when the department may be unable to finance essential regulatory work under the Forest Practice Act. Before it approves any of the major increases above, the department should clarify how it intends to finance administration of the Forest Practices Act and compensate for any shortfalls in funding which might occur. Pending clarification of these matters, we defer recommendation on the department's budget request for these augmentations.

CFIP Augmentations Inappropriate

We recommend:

(1) A reduction of \$1 million from Item 3540-001-190 (Resources Account, Energy and Resources Fund) and \$1,535,000 from Item 3549-001-940 (Renewable Resources Investment Fund) to delete augmentations for the California Forest Improvement Program because this program already has a legislatively established source of funding; and

(2) The addition of a control section transferring the \$2,535,000 savings to the General Fund.

The budget proposes a \$4,993,000 appropriation from the Forest Resources Improvement Fund for reforestation, urban forestry, and a wood energy projects and activities. This amount includes (1) \$1,494,506 for support of 35 positions to continue administration of the California Forest Improvement Program (CFIP), (2) \$3,209,689 for forest improvement projects on private and state lands, (3) \$238,805 for new urban forestry grants, and (4) \$50,000 to finance seed collection for the state forest nurseries. Of the \$3.2 million proposed for forest improvement projects, a net of about \$2.64 million would be available for grants to private landowners.

In addition to the \$4,993,000 appropriation proposed from the Forest Resources Improvement Fund, the department has requested two augmentations totaling \$2,535,000 from the Energy and Resources Fund and the Renewable Resources Investment Fund for the following:

- A \$2 million increase in the amount to be available in 1982-83 for grants to private landowners to reforest and conduct other improvement projects on their lands. This would provide a 76 percent increase in the amount otherwise available for grant projects.
- A \$535,000 increase for urban forestry grants (\$494,948) and staff (\$40,052). This would provide a 107 percent increase in the amount which would otherwise be available for this segment of the program.

Outside Funding Augmentations Inappropriate. Pursuant to Ch 812/79 CDF has exclusive use of all state forest revenues in order to provide a continuing source of support for the California Forest Improvement Program (CFIP). Previously, all state forest revenues were deposited in the General Fund. The only limitation imposed by Ch 812 is the requirement that (1) these revenues reimburse the General Fund for the annual operating costs for the state forest system (\$1.3 million in 1982-83), and (2) 10 percent of the net be devoted to support of urban forestry. The balance in any year is available to support the other discretionary purposes such as forest improvement projects which were authorized in Ch 1181/78.

In 1979, when Ch 812 was enacted, revenues from the state forest system had been experiencing rapid increases due to inflation in the price for timber products. Now because of deteriorated market conditions for timber, the department is experiencing a significant decrease in state forest revenues. This has caused cash-flow problems for the Forest Improvement

DEPARTMENT OF FORESTRY—Continued

Program. Cash-flow problems have resulted in part because the department has authorized extensions of time to operators awarded timber contracts in previous years. These operators have sought delays in the date when the timber under contract must be removed and paid for because the awarded bid price now exceeds current market value.

We believe it is inappropriate to finance \$2,535,000 in augmentations for CFIP to offset declines in state forest revenues due to current economic conditions. The state's General Fund is also experiencing decreases in revenue for many of the same reasons that affect the funding available for rural and urban forestry grant projects. It is also inappropriate to propose increases in funding for grant projects intended to rehabilitate private rural forest lands, when CDF is proposing staff cutbacks in its other program that regulates timber operations on private lands. Instead, we recommend that the \$2,535,000 be deleted and that the savings be transferred to the General Fund. This action will give the Legislature greater flexibility in the use of the money to meet various priorities. Our recommendation will still leave the Department of Forestry with the state forest revenues for use in CFIP as the Legislature authorized pursuant to Ch 812/79.

Biomass Harvesting

We recommend a reduction of \$200,000 in Item 3540-001-001 to delete funding proposed for private development of a specialized biomass harvester prototype, because the department lacks statutory authority to provide venture capital for such purposes.

The budget includes \$500,000 from the Resources Account, Energy and Resources Fund, to accelerate development of biomass harvesting—a new industrial technology. Biomass harvesting is the collection of wood waste from timber harvesting and chaparral from brushlands so that these resources may be converted into energy.

The department's budget proposal would continue the type of research financed during the current and prior years with federal and state funds. During the current year, the department used \$345,340 from the General Fund to contract with the Papakube Corporation for development and construction of a mobile wood densification system. The department owns this machine which converts wood waste (biomass) into pellets that can be used as a fuel.

For 1982-83, the department requests \$500,000 from the Energy and Resources Fund to finance the first year of a five-year project to further develop biomass harvesting. The department intends to allocate \$200,000 to partially finance a private venture by the Shar Corporation to develop and construct a biomass harvesting device. Unlike the Papakube contract for construction of a wood densifier, the proposed arrangement with Shar would not result in the state having ownership of the biomass harvester constructed by the corporation.

Other agencies, such as the Energy Commission and Solid Waste Management Board, currently provide state grants and loans to promote private development of alternative energy sources and recycling. These funding programs, however, have been authorized by statute. In contrast, the Department of Forestry has not been statutorily authorized to make grants to private corporations for the development of wood energy technology.

The California Forest Improvement Act (Ch 1181/78) limits the depart-

ment's authority in this area to conducting surveys, studies, and research concerning the feasibility of utilizing wood waste and forest growth for generation of electric energy or producing liquid fuels. The department is authorized to provide only technical (not financial) assistance to public and private agencies and persons in order to encourage and facilitate utilization of wood for energy production. Chapter 1181 authorizes private financial assistance only to timberland owners for reforestation, timber stand improvement, and habitat improvement projects.

As a consequence, we recommend that the \$200,000 budgeted for subsidizing private development of specialized biomass harvesting equipment be deleted. Funding for this purpose can be appropriated in legislation providing Forestry the statutory authority to subsidize such projects.

Dutch Elm Disease Program Transfer

We recommend the adoption of language in Items 3540-001-001 (General Fund) and 3540-001-190 (Resources Account, Energy and Resources Fund) making \$1.5 million available for the Dutch Elm Disease program only in the event that legislation is enacted transferring statutory authority for the program from the Department of Food and Agriculture to the Department of Forestry.

The budget includes \$1.5 million for the Dutch Elm Disease (DED) program. The budget assumes that the Department of Forestry will take over direct responsibility for the program from the Department of Food and Agriculture. The \$1.5 million request is \$1 million more than the \$500,000 provided to the Department of Food and Agriculture (DFA) for the program by the 1981 Budget Act. It is comprised of \$250,000 from the General Fund and \$1,250,000 from the Energy and Resources Fund.

The amount requested for 1982-83 would enable CDF to increase budgeted staff from 16 to 36 personnel-years, and restore funding to the 1980-81 level.

Last year, DFA proposed to terminate the Dutch Elm Disease program and as a consequence did not request funding for the program in its 1981-82 budget. The Legislature, however, appropriated \$500,000 from the General Fund to provide a minimum level of support for the program in 1981-82. This amount is sufficient to maintain operation of the department's laboratory in Sonoma and support 16 personnel-years of staff.

In November 1981, DFA executed a contract with the Department of Forestry which has had the effect of administratively transferring responsibility for the Dutch Elm Disease program from DFA to Forestry. DFA chose to contract with Forestry because CDF lacks adequate statutory authority to assume complete responsibility for the program. The contract transferred \$313,000 from DFA to the Department of Forestry. This was the balance left from the \$500,000 provided in the 1981 Budget Act, and will cover Forestry's costs for the remainder of the current year. DFA also transferred control of its Sonoma lab, miscellaneous equipment, and vehicles to Forestry.

Current law assigns to the Department of Food and Agriculture responsibility for administering the DED program. Forestry does not have statutory authority to assume responsibility for this program, and thus lacks the authority to spend the \$1.5 million budgeted for this purpose in 1982-83.

DEPARTMENT OF FORESTRY—Continued

Consequently, we recommend that control language be added to the Budget Bill prohibiting expenditure of the \$1.5 million unless statutory authority for the DED program is transferred to Forestry. Specifically, we recommend adding the following language to Items 3540-001-001 (General Fund) and 3540-001-190 (Energy and Resources Fund):

“Provided, that the amounts appropriated for support of the Dutch Elm Disease program shall not be available for expenditure unless and until urgency legislation is enacted providing the department with statutory authority to administer the program.”

Administration of Energy Conservation Project

We recommend a reduction of \$124,000 from Item 3540-001-189 to delete funding for new positions requested to administer energy conservation projects because a declining minor capital outlay workload makes additional staff unnecessary.

The department has budgeted \$500,000 from the Energy Account, Energy and Resources Fund, to finance the installation of wood-burning stoves and central-heating systems in 146 forest fire stations and ranger unit headquarters facilities. Of this amount, \$295,000 is for purchase and installation of wood stoves and furnaces, \$81,000 is for weather stripping and insulation, and \$124,000 is for three new professional positions (two engineers and one energy manager), plus clerical help, to design and administer contracts to install the stoves and furnaces. This proposal was developed pursuant to a 1981 Office of Appropriate Technology (OAT) study which investigated the technical and economic feasibility of using wood for heating in CDF facilities.

The facilities in this project were chosen largely because of their proximity to available wood supplies. Based on an estimated cost of \$6,900 per wood-fired central heating system, and \$1,150 for purchase and installation of each wood-burning stove, plus \$20 per cord of wood, OAT determined that the project was cost-effective compared to the cost of buying butane or propane. The calculated payback period is three to four years.

Our analysis of the proposal indicates that the request for new positions to administer the project is not justified. The project would be handled by the department's Manpower, Engineering and Technical Services unit which also has responsibility for CDF's major and minor capital outlay work. Within this unit, the department has five existing positions in Sacramento headquarters, plus six additional positions in each of its five regional headquarters offices.

There has been a substantial decrease in the Manpower, Engineering and Technical Services minor capital outlay workload during the last two years. The department has requested only \$145,000 for minor capital outlay projects in 1982-83, compared to expenditures of \$503,000 in the current year and \$692,000 in 1980-81. The department should be able to use existing engineering staff for the relatively simple design and administration of the wood furnace and stove contracts. Therefore we recommend that the \$124,000 requested for the four new positions be deleted. This reduction would still provide \$376,000 to cover contract costs for the project.

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY

Item 3540-301 from the General Fund, Special Account for Capital Outlay

Budget p. R 94

Requested 1982-83	\$833,000
Recommended approval	755,000
Recommended reduction	78,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. **Transfer to General Fund.** Recommend savings resulting from our recommendations be transferred to the General Fund in order to increase the Legislature's flexibility in meeting high priority needs statewide. 581
2. **Redding Forest Fire Station. Reduce by \$11,000.** Recommend reduction in architectural/engineering services to eliminate overbudgeting. 583
3. **Perris Headquarters Auto Shop. Reduce by \$5,000.** Recommend reduction in architectural/engineering services to eliminate overbudgeting. 583
4. **San Luis Obispo Headquarters. Reduce by \$26,000.** Recommend reduction in architectural/engineering services to eliminate overbudgeting. Further recommend that the Department of Finance report on the source of funding for additional work needed to complete this project. 583
5. **DeLuz Forest Fire Station. Reduce by \$36,000.** Recommend project to replace existing station be deleted because of low workload at this station. 584

FORESTRY

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$833,000 from the General Fund, Special Account for Capital Outlay, for various capital outlay projects for the Department of Forestry. This amount includes \$798,000 for new projects and \$35,000 to restore funds for one project which are proposed for reversion during the current year. Table 1, summarizes the department's 1982-83 capital outlay program and our recommendation.

Transfer to General Fund

We recommend that the savings resulting from our recommendations on Item 3540-301-036—\$78,000—be transferred from the Special Account for Capital Outlay to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.

We recommend reductions amounting to \$78,000 in the Department of Forestry's capital outlay proposal. Approval of these reductions, which are discussed individually below, would leave an unappropriated balance of tideland oil revenues in the Special Account for Capital Outlay, where they would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY—Continued

Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendations be transferred to the General Fund.

The budget proposes \$833,000 from the General Fund, Special Account for Capital Outlay, for various capital outlay projects for the Department of Forestry. This amount includes \$798,000 for new projects and \$35,000 to restore funds for one project which are proposed for reversion during the current year. Table 1, summarizes the department's 1982-83 capital outlay program and our recommendation.

Table 1
Department of Forestry
Capital Outlay Projects 1982-83
Item 3540-301-036
(in thousands)

<i>Project Title</i>	<i>Phase^a</i>	<i>Location</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost^b</i>
Kneeland (Fernwood) Helitack Base °..	a	Humboldt County	35	35	—
Redding Forest Fire Station Replacement.....	pw	Shasta County	66	55	\$981
San Luis Barracks Replacement	wc	San Luis Obispo County	515	489	—
Perris Headquarters Auto Shop Replacement.....	pw	Riverside County	26	21	394
DeLuz Forest Fire Station Replacement	pw	San Diego County	36	—	453
Opportunity Purchase	a	Statewide	10	10	—
Minor Capital Outlay	a	Statewide	<u>\$145</u>	<u>\$145</u>	—
Totals			\$833	\$755	\$1,828

^a Phase symbols indicate: a = acquisition, p = preliminary plans, w = working drawings and c = construction.

^b Department of Forestry estimate.

^c Funds appropriated in 1980 Budget Act of \$35,000 proposed for reversion under Item 3540-495. Restoration of funds proposed in 1982-83.

Kneeland (Fernwood) Helitack Base

We recommend approval of acquisition funds for the Kneeland Helitack base.

The budget includes \$35,000 under Item 3540-301-036(a) for acquisition of a site in Humboldt County for the Kneeland (Fernwood) Helitack base. These funds would replace funds appropriated in the 1980 Budget Act and proposed for reversion under Item 3540-495. The acquisition is needed because the previous helitack base site was inaccessible and foggy. A replacement site currently is being leased, and appropriation of these funds would allow purchase of the site in 1982-83.

Given the previous legislative action on this project, we recommend approval of the proposed funds.

Overbudgeting of Planning Funds for Two Projects

We recommend Item 3540-301-036(b), preliminary plans and working drawings for the new Redding Forest Fire Station, be reduced by \$11,000 and Item 3540-301-036(d), preliminary plans and working drawings for the Perris Headquarters Auto Shop, be reduced by \$5,000 to eliminate overbudgeting of architectural/engineering services for these projects.

The budget includes \$66,000 for preliminary plans and working drawings for a new forest fire station in Redding. The existing Redding Forest Fire Station is a leased facility, and the department cannot renew the lease agreement. Construction of a new facility—on land to be leased from the federal government for a long term at no cost—is proposed, at a total cost of \$1,048,000. The budget also includes preliminary plans and working drawing funds in the amount of \$26,000 to replace the existing auto shop at the Perris Headquarters facility in San Bernardino County. The existing wood structure is inadequate to meet the department's needs for servicing vehicles assigned to this area. The estimated total cost of the proposed replacement project is \$420,000.

Our review of the proposed budgets for these projects indicate that an excessive amount is proposed for architectural/engineering services. We have consistently recommended that funds for these services plus project contingency not exceed 18 percent of the estimated contract cost for new projects or 20 percent for projects to alter existing facilities. (This is the level of funding that has been supported consistently by the Department of Finance for projects undertaken by the California State University and the University of California.) The project budgets for the Redding and Perris projects include 21 percent for these items. The Department of Forestry projects are repetitive in design and involve relatively simple structures such as the pre-engineered metal building proposed to house the Perris auto shop. We know of no reason for budgeting funds in excess of the usual amount for architectural/engineering services associated with these projects. We therefore recommend reduction of \$11,000 for the Redding project and \$5,000 for the Perris project, which would reduce the fees and contingency to the 18 percent supportive level.

San Luis Obispo Headquarters

We recommend Item 3540-301-036(c) be reduced by \$26,000 to eliminate overbudgeting of architectural/engineering services. Further, we recommend that the Department Finance report to the Legislature prior to budget hearings on the funding source for additional items needed to complete this project.

The budget proposes \$515,000 for working drawings and construction of a new barracks facility at the San Luis Obispo Headquarters. The existing barracks facility was constructed in 1940 and has extensive termite damage and dry rot. The estimated total project cost is \$536,000. Funds for preliminary plans and working drawings for this project were appropriated in the 1980 Budget Act, in the amount of \$36,000. A portion of these previously appropriated funds are proposed for reversion (under Item 3540-495) and rebudgeting under this item.

Architectural/Engineering Services. Our review of the project estimate indicates that the amount budgeted for architectural/engineering services and project contingencies represents 25 percent of estimated contract cost. As discussed above, our analysis indicates that these costs should be limited to 18 percent of the estimated contract cost. The Depart-

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY—Continued

ment of Forestry's facilities are essentially standard designs which can be reused at several sites. Consequently, an amount equal to the 18 percent of contract costs should be adequate. On this basis, we recommend that the amount of project funds be reduced by \$26,000 to correct for over-budgeting.

Potential for Future Funding Requirements. In 1980, when the department initially requested preliminary plans and working drawings, this project provided for the new barracks facility plus other improvements. These improvements included additional paving for visitors and replacement of the existing radio equipment room and fuel storage facility. This work—estimated to cost \$165,000—was included in the project as approved by the Legislature, but has since been deleted by the Department of Finance. According to Department of Forestry staff, this facility will not be operable unless additional funds for the needed improvements are approved.

We recommend that prior to legislative hearings on the budget, the Department of Finance indicate how the additional work that Forestry staff indicates is needed to make this a complete and operable facility, will be funded.

Replacement of Low Activity One-Engine Station

We recommend deletion of Item 3540-301-036(e), preliminary plans and working drawings to replace the existing DeLuz Forest Fire Station, because this is a low activity station, for a savings of \$36,000.

The budget proposes \$36,000 for preliminary plans and working drawings for a project to replace the existing DeLuz Forest Fire Station in San Diego County. The existing station is a metal prefabricated building which was relocated to the DeLuz site in 1954 and was considered temporary at that time. The department indicates that the building is worn out and inadequate for station operational needs. The estimated future cost for construction of the replacement facilities is \$453,075.

The Department of Forestry recently completed an evaluation of all one-engine forest fire stations. The department evaluated these stations in an effort to identify low-activity stations which could be eliminated and thus reduce overall costs in the fire protection program. The department identified 10 one-engine stations which could be closed to reduce overall program costs. One of these 10 stations was the DeLuz station in San Diego County. Subsequent to the identification of these potential reductions, however, the administration modified its cost reduction proposal so as to continue occupancy at these facilities but at a reduced staffing level. Consequently, the budget does not propose closing of any stations.

It is apparent that on a statewide basis, continued occupancy of the DeLuz station is a low priority. Consequently, if program reductions must be made because sufficient funds are not available to maintain a "current services budget," the DeLuz station would appear to be a good candidate for closure. Given the current fiscal situation, and the possibility that this station may be closed, it would not be prudent to provide funds for new facilities at the DeLuz station at this time. Accordingly, we recommend that the proposed planning and working drawing funds be deleted, for a reduction of \$36,000. If the Legislature chooses to maintain funding for this station, an appropriation for planning and working drawings could be provided in 1983-84.

Land Acquisition—Opportunity Purchases

We recommend approval of \$10,000 for opportunity purchases.

The budget includes \$10,000 in Item 3540-301-036(f), for the acquisition of land proposed in the Department of Forestry's capital outlay program. Budget Act language permits the department to use these funds to secure purchase options for sites that may be proposed for acquisition in future budgets. Approval of the proposed funds will expedite acquisition of new sites and also provide the Legislature with better cost information on future budget requests. Accordingly, we recommend approval of the requested amounts.

Minor Capital Outlay

We recommend approval of \$145,000 for minor capital outlay.

The budget includes \$145,000 in Item 3540-301-036(g) for eight minor capital outlay projects (\$150,000 or less per project) for the Department of Forestry. The projects would provide facilities for the new Kneeland Helitack Base (\$41,000), additional paving at air attack bases (\$46,000), and minor improvements (such as toilet room modifications, emergency generators, etc.) at various forest fire stations (\$58,000). The proposed projects and associated costs are reasonable, and we recommend approval.

Projects by Descriptive Category

In the A-pages of our Analysis, we discuss the capital outlay funding problems resulting from the distribution of tidelands oil revenue in 1982-83. To aid the Legislature in resolving these problems, we have divided those projects which our analysis indicates are justified into the following categories:

1. Critical fire/life safety and security projects—includes projects to correct life threatening conditions.
2. Projects needed to meet code requirements—includes projects that do *not* involve life threatening conditions.
3. Essential utility, site development and equipment—includes projects needed to make new buildings usable or continue usability of existing buildings.
4. Meet existing instructional capacity needs in higher education—includes projects that are critical, and for which no alternatives are available other than reducing enrollments.
5. Improve program efficiency or cost effectiveness—includes new office buildings, alterations, etc.
6. Energy conservation projects—includes projects with a payback period of less than five years.
7. Energy conservation projects—includes projects with a payback period greater than five years.

We have recommended a total of \$755,000 for Capital Outlay for the Department of Forestry. All of the projects recommended for funding are to improve program efficiency (Category 5).

DEPARTMENT OF FORESTRY—REVERSION

Item 3540-496 to the General
Fund, Special Account for
Capital Outlay

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- | | |
|---|-----|
| 1. Reversion of Previously Appropriated Funds. Recommend that unencumbered funds totaling \$171,000 for previously approved construction projects be added to the items to be reverted. | 587 |
|---|-----|

ANALYSIS AND RECOMMENDATIONS

Reversion of Previously Appropriated Funds

We recommend that three projects with unencumbered balances totaling \$171,000 be added to the list of project funds to be reverted.

This item proposes that the unencumbered balance of five appropriations made by the 1980 and 1981 Budget Acts be reverted to the Special Account for Capital Outlay (SAFCO). Part 1 of Table 1 identifies the projects for which these balances were appropriated, the amount appropriated, and the amounts proposed for reversion.

According to the Department of Finance, these reversions are proposed so that the funds may be transferred from the Special Account for Capital Outlay to the General Fund to meet higher priority state needs. Our analysis of the proposed reversion follows:

Fernwood Helitack Base. The 1980 Budget Act provided \$35,000 for acquisition of a new base for the Fernwood Helitack Unit. The administration proposes to revert these funds in the current year and rebudget them in the 1982-83 budget. A proposed site in Kneeland has been located and is currently being leased.

Redding Acquisitions (\$230,000). The 1980 Budget Act provided \$230,000 for land acquisition at Redding to provide sites for a new headquarters facility and forest fire station. The Department of Forestry has secured a letter from the federal government indicating its intent to lease the proposed new sites to the state on a long-term basis at no cost. Consequently, the proposed reversion of the unused portion of these funds (\$223,000) is appropriate.

San Luis Obispo Headquarters (\$38,000). The 1980 Budget Act provided \$38,000 for this project. The budget requests funds for working drawings and construction in 1982-83. The residual working drawing funds of \$23,000 provided in the 1980 Budget Act is proposed for reversion to eliminate double-budgeting of the working drawing amount.

Oak Glen Conservation Camp (\$110,000). The 1980 Budget Act appropriated \$110,000 to provide a replacement dormitory facility and various improvements at the Oak Glen Conservation Camp operated jointly by the Department of Forestry and the California Youth Authority (CYA). Construction funds for this project are proposed in the 1982-83 budget for the CYA. The previously appropriated amount includes funds for preliminary plans, working drawings and partial construction of improvements. The proposed reversion would eliminate double-budgeting of the partial construction amount.

Opportunity Purchases. This \$10,000 item provides funds for acquisitions which may arise during the fiscal year. No funds have been expended in the first six months of 1981-82, and the amount is proposed for reversion as a cost savings. A new appropriation of \$10,000 is proposed in the 1982-83 budget.

Additional Reversions Recommended

Our analysis indicates that there are additional balances previously appropriated for Department of Forestry projects that should be reverted to the unappropriated surplus of the Special Account for Capital Outlay (SAFCO). The amount which we recommend be reverted is \$171,000, and is shown in part 2 of Table 1. The Office of State Architect (OSA) recently advertised these projects for construction. In all three cases, the low bid was below the amount of funds budgeted for the project and transferred to the OSA. The Department of Finance should ensure that the bid savings have been returned from the OSA to the appropriation. Approval of the proposed reversion would increase the funds available to the Legislature for appropriation. These funds can also be transferred to the General Fund to increase the Legislature's fiscal flexibility—consistent with our recommendation on Item 3540-301-036 that surplus tideland revenues be transferred to the General Fund.

Table 1
Department of Forestry
Appropriations Proposed for Reversions
1982-83
(in thousands)

<i>Item/Budget Act</i>	<i>Project</i>	<i>Budget Act</i> <i>Appropriation*</i>	<i>Amounts</i> <i>Expended/</i> <i>Transferred</i> <i>to OSA</i>	<i>Amount</i> <i>Reverting</i>
<i>Part I—</i>				
<i>Governor's Budget</i>				
521 (c) /80	Fernwood Helitack Base	\$35 a	—	\$35
521 (d) /80	Redding Acquisitions	230 a	\$7	223
521 (g) /80	San Luis Obispo H.Q.	38 pw	15	23
521 (o) /80	Oak Glen Conservation Camp	110 pwc	74	36
354-301-036(b)/81.....	Opportunity Purchases	10 a	—	10
Subtotals.....		\$423	\$96	\$327
<i>Part II—Analyst's</i>				
<i>Proposed Additions</i>				
521 (e)	San Andreas Auto Shop	\$341 c	\$314	\$27
521 (j)	Perris H.Q. Material Center	492 c	381	111
521 (m)	Davis Equipment	763 c	735	33
Subtotals.....		\$1,601	\$1,430	\$171
Totals		\$2,024	\$1,526	\$498

* Phase symbols indicate: a=acquisition, p=preliminary plans, w=working drawings, and c=construction.

**Resources Agency
STATE LANDS COMMISSION**

Item 3560 from the General
Fund and Special Funds

Budget p. R 97

Requested 1982-83	\$7,385,000
Estimated 1981-82.....	7,687,000
Actual 1980-81	7,586,000
Requested decrease (excluding amount for salary increases) \$302,000 (-3.9 percent)	
Total recommended reduction	None
Recommendation pending	\$425,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3560-001-001—Support		General	\$7,319,000
3560-001-140—Support		California Environmental License Plate	66,000
3560-001-890—Support		Federal Trust	(75,000)
Total			<u>\$7,385,000</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Point Conception Leasing. Withhold recommendation on \$425,000 in Item 3560-001-001 for site specific environmental studies at Point Conception, because a legislatively required report on exploratory drilling program has not been submitted. 593
2. Future Management of Point Conception Leasing. Recommend that the commission report prior to budget hearings on how it proposes to manage the Point Conception leasing program. 594
3. *Owens Dry Lake Solar Pond Project. Revert \$1,000,000 to the Energy Account, Energy and Resources Fund appropriated by Item 356-301-890, Budget Act of 1981 and transfer to the General Fund.* Revert \$1,000,000 because matching funds have not been obtained. 595

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.

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, and timber operations, and maintaining records concerning state lands.

5. Administering tidelands trusts granted by the Legislature to local governments.

The commission's headquarters are in Sacramento. Oil, gas and other mineral operations are directed from an office in Long Beach. The commission has approximately 260 personnel years authorized in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes two appropriations totaling \$7,385,000 from the General Fund and the California Environmental License Plate Fund for support of the State Lands Commission in 1982-83. This is a decrease of \$302,000, or 3.9 percent, from estimated current year expenditures. Proposed expenditures will, however, increase by the amount of any salary or staff benefit increases approved for the budget year.

The General Fund request of \$7,319,000 is \$118,000 or 1.6 percent less than estimated current year expenditures. The \$66,000 request from the California Environmental License Plate fund is to complete the Lake Tahoe Shore Zone study that was begun in 1980-81.

Total expenditures of \$10,710,000 from all sources, including federal funds and reimbursements, are proposed in 1982-83. This amount is \$276,000, or 2.5 percent, less than estimated current year expenditures. Total expenditures include (a) \$2,847,000 in expenditures for overseeing oil and gas operations at Long Beach that are financed by reimbursements from tidelands oil revenues paid to the commission, (b) \$325,000 for reforestation work on school lands pursuant to a contract with the Department of Forestry, and (c) \$75,000 in federal funds for wetlands boundary determinations for the U.S. Fish and Wildlife Service.

As shown in Table 1, total expenditures are proposed to decline in 1982-83, primarily because of the 5-percent reduction in baseline expenditures required by the administration, and the scheduled completion of various short-term projects in the current year.

Five Percent Reduction in Baseline Expenditures

The General Fund request of \$7,319,000 reflects a 5 percent reduction applied to the commission's baseline budget by the Department of Finance. The reduction deleted 10 authorized positions assigned to inventory and map ungranted tidelands along the coast pursuant to Ch 706/75. A report on the program was completed and transmitted to the Legislature in November 1981, but the determination of boundaries has not been completed.

COMMISSION OIL AND GAS REVENUES

The commission receives substantial revenue from the development and extraction of oil, gas, geothermal energy and other minerals on state lands. The bulk of this revenue is from oil and gas production on state tide and submerged lands along the coast of southern California. Under existing law, (Section 6217 of the Public Resources Code), most of this revenue is allocated to the Capital Outlay Fund for Public Higher Education, the State School Lease-Purchase Fund, the Energy and Resources Fund, and the Special Account for Capital Outlay in the General Fund. Table 2 shows the tidelands oil revenue received in 1980-81, and estimates of the revenue which will be received during 1981-82 and 1982-83. The table also includes figures on oil production, and illustrates how the state's revenue is determined.

STATE LANDS COMMISSION—Continued

Table 1
State Lands Commission
Proposed Program Changes by Fund
1982-83
(in thousands)

	<i>General Fund</i>	<i>Reimburse- ments</i>	<i>Special Funds</i>	<i>Federal Funds</i>	<i>Totals</i>
1981-82 Current Year (Revised)	\$7,437	\$3,214	\$260	\$75	\$10,986
A. One-time Projects Not Continued					
1 Owens Dry Lake Study (CELPF) ^a	—	—	-250	—	-250
2. Public Lands Study (OHVF) ^b	—	—	-10	—	-10
3. Outer Continental Shelf Lease Review	—	-9	—	—	-9
4. Oil Seepage Study	—	-80	—	—	-80
B. Workload Adjustments					
1. Long Beach Office Relocation	-98	-38	—	—	-136
2. Energy Exploration Program	-71	—	—	—	-71
3. Reforestation Contract	—	75	—	—	75
4. Tahoe Shorezone Study	—	—	39	—	39
C. Cost Adjustments					
1. Price and Merit Salary Increases	414	88	—	—	502
2. Five Percent Reduction	-363	—	—	—	-363
3. Tahoe Study Overhead	—	—	27	—	27
Total 1982-83 Proposed Changes	<u>-\$118</u>	<u>\$36</u>	<u>-\$194</u>	<u>—</u>	<u>-\$276</u>
Total 1982-83 Proposed Budget	<u>\$7,319</u>	<u>\$3,250</u>	<u>\$66</u>	<u>\$75</u>	<u>\$10,710</u>

^a California Environmental License Plate Fund.

^b Off-Highway Vehicle Fund.

Table 2
State Lands Commission
Tidelands Oil Revenue ^a
(Millions of dollars
except as otherwise shown)

<i>Long Beach Operations (Net Profits)</i>	<i>1980-81</i>	<i>1981-82</i>	<i>1982-83</i>
Oil production from state lands (mil- lions of barrels)	25.6	25.4	24.5
Price per barrel ^b	\$25.21	\$26.56	\$27.92
Gross oil revenue	\$645.7	\$673.9	\$683.0
Gas Revenue.....	8.6	9.5	10.0
Total gross revenue	<u>\$654.3</u>	<u>\$683.4</u>	<u>\$693.0</u>
Less:			
Operating expenses and deductions (primarily THUMS), distribu- tions, local taxes	-\$192.3	-\$193.0	-\$205.5
Windfall Profits Tax	-28.4	-38.4	-39.0
Investment in production facilities....	-28.1	-58.4	-56.4
City of Long Beach and State Lands administration and service costs	-8.8	-9.6	-9.0
Net Revenue to State.....	<u>-\$396.7</u>	<u>-\$384.5</u>	<u>-\$383.2</u>
<i>Statewide Leases (royalty)</i>			
Oil production (millions of barrels) ..	13.4	13.7	14.0
Price per barrel ^b	\$22.29	\$26.99	\$28.48
Average state royalty percentage.....	24.3	26.1	28.8
Oil and gas revenue to state	\$79.8	\$107.2	\$124.7
Other mineral revenue4	.4	.5
Total Revenue	<u>\$476.9</u>	<u>\$492.1</u>	<u>\$508.4</u>

Note: Based on State Lands Commission revenue estimate of September 4, 1981.

^a Revenues subject to distribution under Section 6217 of the Public Resources Code.

^b Weighted average.

Long Beach Oil Production

The largest portion of the state's oil revenue comes from tidelands granted to the City of Long Beach. The city oversees the day-to-day operations of the consortium of oil companies which produce the oil under the acronym of THUMS. The state receives the net profits from the sale of the oil after operating expenses, taxes, investments and distributions to the oil companies and the city are deducted. In order to protect the state's substantial financial interest at Long Beach, the commission has the authority to approve development and operating plans and budgets.

The commission's estimate indicates that revenue from the Long Beach tidelands will be \$383.2 million in 1982-83, a decrease of \$1.3 million from the estimated revenue in the current year. The estimate assumes that declining production and higher costs will offset a slight oil price increase.

Increasing Santa Barbara Production

In addition to Long Beach, the state has leased tidelands for oil production at Huntington Beach and along the Ventura and Santa Barbara coasts. Here, the lessees pay a royalty to the state based on the value of the oil produced. The commission estimates that state revenue from these leases will be \$124.7 million in 1982-83, an increase of \$17.5 million above the estimated revenue in the current year. The additional revenue is due primarily to increasing production from a new producing zone (the Monterey formation), using an existing platform off Santa Barbara.

The commission has received 16 requests for additional drilling on existing leases off Santa Barbara and Ventura counties. Eleven of these requests involve exploratory drilling by the lessee in the Monterey and other formations using drilling ships; the other requests involve development of existing fields. As of December 1981, the commission had approved four of the exploratory drilling requests. Two of the projects have received all necessary approvals and will proceed as soon as drilling ships are available. The remaining two requests are awaiting approval by the Santa Barbara Air Pollution Control District and the California Coastal Commission.

If the exploratory drilling activities are successful, they could result in substantial amounts of new oil and gas production which would yield significant revenue to the state. Studies by the commission staff and the oil companies indicate that more than 100 million barrels of additional oil may be produced from the existing state leases as a result of the proposed exploratory activities. At current oil prices and royalty rates, production of this new oil would yield approximately \$1 billion in royalties to the state over the life of the new wells. These estimates however, are speculative, and substantial production could not take place until several years after exploration.

The commission also is considering leasing two tidelands parcels previously leased but now relinquished by the prior lessees. These are located between Point Conception and the City of Santa Barbara.

Windfall Profits Tax

The federal government levies a tax on the "windfall profits" of oil companies, based on the companies' economic interest in the oil. The Internal Revenue Services (IRS) has ruled that the definition of economic interest used for the income tax must also be used for the windfall profits tax (WPT). Federal law specifically exempts the state's interest in the oil from the tax. However, in computing their income taxes, the producing

STATE LANDS COMMISSION—Continued

companies at Long Beach (THUMS) have been claiming that the oil production expenses under the net profits agreement constitute a portion of their "economic interest" in the oil, even though in fact it results in a reduction of the state's net profit. This reduces the companies' federal income tax liability because their economic interest in the oil was subject to the depletion allowance for income tax purposes. This in turn, caused the production to be subject to the windfall profits tax.

Legislation now pending in Congress would result in a refund to the state of that portion of the WPT paid by THUMS and deducted from state revenue except for the WPT levied on the oil companies' share of the oil (about 4 percent).

The commission's estimates of oil revenues and expenses, shown in Table 2, indicate that WPT payments on Long Beach oil will total \$105.4 million over the three fiscal years, 1980-81 through 1982-83. An additional \$3 million was paid in 1979-80, the first year the tax was imposed, so that WPT payments are estimated to be \$108.4 million by June 30, 1983.

According to commission staff, WPT payments would be reduced to approximately \$8 million annually under the pending federal legislation. The \$8 million is the amount of tax the oil companies would continue to pay on their 4 percent share of the oil production. However, most of this \$8 million payment is presently deducted from the state's revenue, rather than from the oil companies' profits, because THUMS considers the WPT to be an excise tax (rather than an income tax), and excise taxes are generally treated as a production expense and distributed in proportion to net profits.

If the federal WPT law is changed, the state could receive approximately \$83.4 million more in 1982-83 (including refunds from WPT payments made in prior years) than the amount of revenues estimated by the commission. This amount is the difference between the \$108.4 million in total WPT payments through 1982-83 and the remaining liability of about \$25 million on the oil companies' share of net profits at Long Beach. The state also would receive additional revenue from tidelands oil operations in each subsequent year until 1991, when the WPT expires.

Geothermal Revenues

In addition to tidelands oil revenues, the commission receives \$12,864,000 in land rentals and revenue from "state school lands." These are lands which were granted by the federal government to the state in 1853 for use in supporting education within the state. These revenues are not distributed under Section 6217 of the Public Resources Code, but instead go directly into the General Fund. The addition of these revenues brings total commission net revenues to \$521,264,000. The Governor's Budget indicates that total commission revenues will be \$522,864,000. The difference of \$1.6 million is due to differences in rounding.

The largest component of these General Fund revenues comes from geothermal leases on former state school lands at The Geysers, where the state retained the mineral rights. The commission estimates that its geo-

thermal revenues will be \$10 million in 1982-83, an increase of \$3 million from estimated revenue of \$7 million during the current year. The increase is due to the planned start-up of PG&E's Geysers 17 generating plant and an increase in the price for geothermal steam.

Report on Point Conception Oil Development Not Received

We withhold recommendation on \$425,000 requested from the General Fund in Item 3560-001-001 for continuation of the Point Conception oil exploration program until the State Lands Commission submits its report on the program as directed by the Legislature last year.

The increased drilling on existing state leases off Santa Barbara and Ventura counties has been discussed in a previous section of this analysis. The State Lands Commission is also working on a new exploratory drilling program offshore from Point Conception in Santa Barbara County that may have important implications for the commission's leasing of oil and gas properties. This is because the Point Conception area has the potential for major new production and significant added revenues to the state in future years. The commission's approach to this development also raises important issues relating to the state's role in oil exploration and the state's oil leasing policies.

The Legislature appropriated \$1,238,000 from the General Fund to the commission in the last two fiscal years to determine the potential for oil extraction and development in the Point Conception area, and to evaluate the environmental impacts from any exploratory drilling that it may propose.

The 1982-83 budget proposes \$425,000 to continue this program. The money will be used (a) for analysis of seismic survey data now being secured in order to select specific sites for further seismic study or exploratory drilling and (b) to finance additional environmental impact reports and cultural resource surveys on the specific sites selected prior to exploratory drilling.

During the budget year, the commission expects to receive information which will permit it to decide how many leases it may offer, whether it will propose that the state do any exploratory drilling, and whether any leases will be advertised for development without prior exploratory drilling by the commission. The process for making these decisions is important, and ought to be discussed thoroughly in the commission's report.

Because the state has not conducted seismic surveys or undertaken any exploratory drilling activities preparatory to offshore leasing in those areas previously leased by the state, the Supplemental Report to the 1981 Budget Act directed the State Lands Commission to "report to the Legislature by November 1, 1981, on the advantages, disadvantages, costs, and benefits of engaging in exploratory drilling or other pre-leasing strategies for offshore oil and gas development. Any needed changes in law should also be presented."

The commission's final report was not available when this analysis was prepared. Consequently, we are not able to analyze the \$425,000 requested for the third year of this program, and withhold recommendation pending receipt from the commission of the required report.

STATE LANDS COMMISSION—Continued**Management of Long Beach Operations and Future
Management of Point Conception**

We recommend that prior to budget hearings the State Lands Commission report on how it proposes to manage the exploration and development of Point Conception.

Two recent events affecting the management of the Long Beach Unit have an important bearing on how the commission proposes to manage a major new leasing program at Point Conception. The events involve an audit of THUMS and a reorganization of the commission's staff.

Long Beach Operations Audit. Last year, we noted that the State Lands Commission had entered into a \$200,000 contract for an operational audit of THUMS (the consortium of five oil companies that operates the East Wilmington oil field in the Long Beach Unit for the City of Long Beach and the state). The audit was transmitted to the commission in April 1981.

The audit generally concluded that the operations of THUMS were conducted in an effective manner, but cited a significant number of areas where improvements should be made in the relationships between THUMS, the City of Long Beach, and the State Lands Commission. It also suggested ways to better protect the state's financial interest in the Long Beach Unit.

A major area in need of improvement, according to the audit, is the overall planning and management of the Long Beach Unit, which is jointly shared by the city, the state, and THUMS. In general, the audit found no systematic planning for development of the field, and consequently, no adequate basis to evaluate progress or to develop improvements in oil and gas production.

As we noted in our discussion on Long Beach oil production, the largest portion of the state's oil and gas revenue comes from tidelands granted to the City of Long Beach under a net profits arrangement. The state, through the State Lands Commission, manages its economic interest in the Long Beach Unit primarily through its review and approval authority over the unit's budget and operating plan of development. This work is primarily conducted by the Long Beach operations staff.

In response to the audit, the commission entered into another \$200,000 contract during the current year to develop an integrated management information system. The purpose of this system is to secure common data for the three agencies to use in agreeing on development planning, operations and fiscal accounting. This work is proceeding under the direction of a Joint Steering Committee, involving commission staff, the city, and THUMS. We believe that implementing the audit findings is important to improving the management of the Long Beach operations.

We recognize that the three-party arrangement at Long Beach is unique to that unit, and probably would not be duplicated at Point Conception. Because the commission is proposing that Point Conception also be leased on a net-profits basis similar to the Long Beach lease, it is important, nevertheless, that any shortcomings in the arrangements at Long Beach be avoided at Point Conception. In effect, the audit has outlined problems to be avoided in the development of the new leasing program.

Staff Reorganization. Although the details of the proposal were not available at the time this analysis was prepared, the Long Beach operations staff (58.1 personnel years in 1982-83) is being consolidated with the staff which has been administering the state's other leasing operations as well as developing the Point Conception leasing program (70.5 personnel years in 1982-83). The latter activities have not involved the same degree of technical responsibility for exploration and production that the Long Beach operations staff has exercised. This type of skill, however, will be needed in the management of Point Conception.

In the past, we have expressed concern that the commission's staff conducting the Point Conception exploratory program did not have a sufficient number of personnel and adequate technical skills to manage the proposed program. Such exploratory oil drilling involves a high degree of judgement, and at best runs the risk of expensive dry holes. Another difficulty is that experienced petroleum geologists and exploratory personnel are in short supply throughout the world and are not likely to be recruited by the commission.

Given our previous concerns, the staff reorganization is encouraging. The reorganization, however, should be explained to the Legislature so that the Legislature can be assured that the commission has the staff skills needed to execute effectively any exploratory program it proposes at Point Conception.

For these reasons, we recommend that prior to budget hearings the commission report on (a) how it will manage Point Conception to protect the state's interest and to avoid problems in net profits leasing arrangements such as those identified in the THUMS audit and (b) how the recent reorganization relates to the management of the proposed Point Conception program.

Revert Funding for Owens Dry Lake Solar Pond Project

We recommend reversion of \$1 million appropriated by Item 356-301-890, Budget Act of 1981 from the Energy Account, Energy and Resources Fund, for construction of the Owens Dry Lake solar pond project because matching funds have not been obtained. We further recommend that the \$1 million be transferred to the General Fund in order to increase the Legislature's fiscal flexibility in allocating limited state resources to high priority state needs.

The Budget Act of 1981 appropriated \$1 million from the Energy and Resources Fund to the State Lands Commission for construction of a 300-kilowatt solar salt pond demonstration project at Owens Dry Lake, Inyo County, to generate electricity. The Legislature understood that the total project costs were estimated at \$2 million and that matching funds of \$1 million would have to be secured by the commission.

The commission has been seeking other funding sources for the non-state share of the project. A contribution of \$750,000 has been promised from the Los Angeles Department of Water and Power (DWP). The remaining funding has not been obtained, however, and the project is not proceeding.

Meanwhile, funds for a feasibility study and working drawings for the five-megawatt Salton Sea solar pond project have been provided by the California Energy Commission, the federal Department of Energy and the Southern California Edison Company. Last year we recommended approval of the Salton Sea project in lieu of the Owens Dry Lake project

STATE LANDS COMMISSION—Continued

because the former has greater commercial significance. We continue to recommend funding for the Salton Sea project, as discussed in Item 3360-001-189.

Because the necessary matching funding for the Owens Dry Lake project has not been obtained, we recommend reversion of the \$1 million. We also recommend that this amount be transferred to the General Fund, for a net increase to the General Fund of \$1 million. Transferring these funds to the General Fund would increase the Legislature's flexibility in allocating limited state resources among high priority state programs at a time when the amount available appears to be inadequate to continue the existing program.

**Resources Agency
SEISMIC SAFETY COMMISSION**

Item 3580 from the General Fund and the Federal Trust Fund

Budget p. R 105

Requested 1982-83	\$943,000
Estimated 1981-82.....	1,366,000
Actual 1980-81	621,000
Requested decrease (excluding amount for salary increases) \$423,000 (-31.0 percent)	
Total recommended reduction	None

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3580-001-001—Support		General	\$374,000
3580-001-890—Support		Federal	310,000
Chapter 1046, Statutes of 1980		General	259,000
Total			\$943,000

GENERAL PROGRAM STATEMENT

The 17-member Seismic Safety Commission was established to improve earthquake safety in California by providing a consistent policy framework for earthquake-related programs administered by 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 the Strong Motion Instrumentation Program. Existing law calls for the commission to cease operations in January 1986.

The commission has eight authorized positions in the current year. In addition, 15 positions were administratively established for the Southern California Earthquake Preparedness Project.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$374,000 from the General Fund and \$310,000 from the Federal Trust Fund for support of Seismic Safety Commission activities in 1982-83. Because \$259,000 will be available in the budget year as a result of an appropriation made by Ch 1046/80, the budget shows expenditures of \$943,000 in 1982-83. This is a decrease of \$423,000, or 31.0 percent, from estimated current year expenditures. This does not make allowance, however, for any salary or staff benefit increases that may be approved for the budget year.

Table 1 summarizes the funding changes proposed for the commission in 1982-83. It shows net baseline reductions of \$423,000, which reflect a decrease of \$109,000 in General Fund support, a reduction of \$64,000 in anticipated federal funds and a decrease of \$250,000 for the development of an earthquake education program for schools and communities. The education program was funded from the Environmental License Plate Fund on a one-time basis in 1981-82.

Table 1
Seismic Safety Commission
1982-83 Budget Changes
(in thousands)

	<i>General Fund</i>	<i>Federal funds</i>	<i>Environmental License Plate Fund</i>	<i>Totals</i>
1981-82 Expenditures, Revised	\$742	\$374	\$250	\$1,366
Baseline Adjustments:				
Merit salary adjustment and price increases	13	—	—	13
Restore one-time cuts:				
Two percent unallotment	7	—	—	7
Section 27.10, Budget Act of 1981 (in-state travel)	7	—	—	7
Five percent baseline cut	-20	—	—	-20
adjustments to limited-term programs	-116	-64	-250	-430
1982-83 Expenditures, Proposed	633	310	—	943
Change 1982-83 over 1981-82:				
Amount	-109	-64	-250	-423
Percent	-14.7%	-17.1%	-100.0%	-31.0%

The General Fund reduction of \$109,000 is the net result of a \$116,000 decrease in funding for the limited term Southern California Earthquake Preparedness Project established by Ch 1046/80 and a 5 percent baseline reduction (\$20,000), partially offset by increases totaling \$27,000.

Five Percent Baseline Reduction

A reduction of \$20,000 has been made in the Seismic Safety Commission's baseline budget pursuant to the administration's directive that state operations of certain General Fund agencies be reduced 5 percent. The commission is deleting one senior engineer position, for a savings of \$47,000, and increasing consulting services by \$27,000 for a net savings of \$20,000. This will allow the commission to retain an outside consultant to partially replace the services lost through the position reduction.

SEISMIC SAFETY COMMISSION—Continued**Activities to be Undertaken in 1982-83**

The specific activities which the commission proposes to undertake in 1982-83 include (1) completion of work for the Governor's Emergency Task Force on Earthquake Preparedness, (2) completion of the Southern California Earthquake Preparedness Project (Ch 1046/80), (3) development and implementation of earthquake education programs for schools and communities (Ch 785/81), (4) implementation of earthquake hazard reduction and prediction programs, and (5) ongoing efforts in providing advice, information and assistance.

Chapter 1046, Statutes of 1980

Chapter 1046, Statutes of 1980 (AB 2202) requires the commission to initiate, with the assistance and participation of other state and federal government agencies, a comprehensive program to prepare the state for responding to a major earthquake prediction. The act appropriated \$750,000 as initial funding for the three-year program. Total federal funds of \$800,000 are also anticipated in support of this program.

To fulfill the requirements of Chapter 1046, the commission established the Southern California Earthquake Preparedness Project. Table 2 summarizes the expenditures associated with this project over the three-year period.

Table 2
Seismic Safety Commission
Southern California Earthquake Preparedness Project
(in thousands)

	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Totals</i>
Expenditures:				
General Fund.....	\$116	\$375	\$259	\$750
Federal funds.....	<u>116</u>	<u>374</u>	<u>310</u>	<u>800</u>
Totals.....	\$232	\$749	\$569	\$1,550

The program has been implemented on a prototypical basis in a five-county metropolitan area in southern California. An Earthquake Safety Policy Advisory Board has been established by the commission to develop a comprehensive prediction preparedness and response plan for the area. A staff of 15 was administratively established in the current year to conduct the work of the board. The budget proposes 13 positions in the budget year to continue this work. The positions are for a limited term, and will be abolished on June 30, 1983, at the conclusion of the project.

**Resources Agency
DEPARTMENT OF FISH AND GAME**

Item 3600 from the General
Fund and various special
funds

Budget p. R 108

Requested 1982-83	\$58,246,000
Estimated 1981-82.....	52,915,000
Actual 1980-81	45,117,000
Requested increase (excluding amount for salary increases) \$5,331,000 (+10.1 percent)	
Total recommended reduction	\$2,348,000
Recommendation pending	\$185,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3600-001-001—Nongame Species and Environmen- tal Protection Programs		General	\$5,180,000
3600-001-140—Nongame Species and Environmen- tal Protection Programs		California Environmental Li- cense Plate	2,365,000
3600-001-190—Habitat Improvement Research		Resources Account, Energy and Resources	6,196,000
3600-001-200—Department of Fish and Game, Pri- mary Funding Source		Fish and Game Preservation	43,405,000
3600-001-940—Salmon Restoration Project Grants, Kelp Restoration		Renewable Resources In- vestment	1,100,000
3600-001-890—Various Programs		Federal Trust	(10,850,000)
Total			\$58,246,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | |
|---|--------------------------|
| | <i>Analysis
page</i> |
| 1. License Fees and Commercial Fishing Taxes. Recommend enactment of legislation increasing various categories of license fees and tax rates to compensate for inflation and provide adequate revenue to finance funding increases for wildlife management and commercial fishing programs. | 606 |
| 2. <i>Wildlife Area Projects. Reduce Item 3600-001-190 by \$1,348,000.</i> Recommend reduction to delete funding from the Energy and Resources Fund for specified wildlife habitat projects because this work should be financed through the Fish and Game Preservation Fund. | 609 |
| 3. <i>Commercial Fishing Projects. Reduce Item 3600-001-190 by \$850,000 and Item 3600-001-940 by \$150,000.</i> Recommend reduction to delete funding from the Energy and Resources Fund and the Renewable Resources Investment Fund for new projects because this work should be financed by commercial fishing revenues. | 610 |
| 4. <i>Wild and Scenic Rivers Fisheries Studies. Reduce Item 3600-001-001 by \$250,000; increase Item 3600-001-200 by the same amount.</i> Recommend source of support for fisheries studies on wild and scenic river system be shifted from Gen- | 611 |

DEPARTMENT OF FISH AND GAME—Continued

- eral Fund to Fish and Game Preservation Fund because this work benefits commercial and sport fishing interests.
- 5. Streambed Alteration Permits. Recommend enactment of legislation making streambed alteration permit program self-supporting (potential General Fund savings: A minimum of \$559,000 annually). 612
 - 6. Toxic Substances Monitoring. Recommend department annually publish in its fishing license handbook (1) the Department of Health Services advisory concerning consumption of striped bass caught from the Delta; and (2) information on the level of toxic substances in fish species which exceed federal guidelines for protection of wildlife and human standards for health. 613
 - 7. Long Beach Rent Increase. Defer recommendation of \$185,000 requested for rent increase at Long Beach regional headquarters because this facility is scheduled for demolition and replacement rental costs are not known. 617
 - 8. Transfer of Savings. Recommend that the savings resulting from our recommendations on Item 3600-001-190—\$2,198,000 and Item 3600-001-940—\$150,000—be transferred from the Energy and Resources Fund and the Renewable Resources Investment Fund respectively to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide. 618

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 establishes the Fish and Game Commission, which is composed of five members appointed by the Governor. The commission sets policies to guide the department in its activities, and regulated 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.

The department has 1,593 personnel-years authorized for the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$58,246,000 from various funds for support of the Department of Fish and Game in 1982-83. This is \$5,331,000, or 10.1 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 \$74,719,001 from all sources for support programs in 1982-83—an increase of \$4,231,000, or 6 percent, over estimated current year expenditures from all sources. Budget year total expenditures are financed from the following sources:

- 1. Fish and Game Preservation Fund (Item 3600-001-200) \$43,405,000
- 2. General Fund (Item 3600-001-001) 5,180,000
- 3. Resources Account, Energy and Resources Fund (Item 3600-001-190) 6,196,000

4. California Environmental License Plate Fund (Item 3600-001-140)	2,365,000
5. Renewable Resources Investment Fund (Item 3600-001-940)	1,100,000
6. Chapter 1104/79	153,000
7. Federal Trust Fund.....	10,850,000
8. Reimbursements	5,470,000
Total.....	\$74,719,000

Significant Budget Changes

Table 1 summarizes the department's budget, by funding source and program, and identifies the significant changes proposed for 1982-83. These changes are discussed in detail below:

Workload and Administrative Changes. The department's funding request for 1982-83 reflects a \$180,000 increase in General Fund support to restore two one-time reductions in current-year expenditures: (1) \$104,000 which was unallotted by the Department of Finance during the current year, pursuant to a 2 percent reduction in General Fund supported state operations and (2) a \$76,000 reduction in General Fund travel pursuant to Section 27.10 of the 1981 Budget Act.

The \$1,309,000 increase in Fish and Game Preservation Fund expenditures reflects a funding shift due to the expected loss of (1) \$970,000 in federal support for unit wildlife biologists, and (2) \$339,000 in federal support for commercial fisheries research and development. In addition, the department has proposed an increase of \$244,000 in Environmental License Plate Fund support to offset the loss of federal rare and endangered species funds.

Other changes shown as workload adjustments in the budget year reflect the completion of various one-time projects during 1981-82, including (1) dredging of Buena Vista Lagoon (\$1,000,000), (2) improvement work for the Suisun Marsh (\$98,000), (3) repair of levees at the Grizzly Island Wildlife Area and earthquake damage at the Hot Creek Hatchery (\$611,000), and (4) acquisition of a new single-engine Cessna 182 aircraft (\$102,000). Funds for these projects will not be needed in 1982-83.

A \$232,000 decrease in the level of ongoing contract studies reimbursed by the State Water Resources Control Board and a \$977,000 reduction in the amount budgeted for salmon habitat improvement work contracted to the Department of Water Resources are also shown as workload adjustments.

Five Percent Reduction. The budget reflects a \$272,000 reduction in General Fund expenditures during 1982-83 for nongame species and environmental protection work throughout the department's programs. This decrease results from the 5 percent reduction in General Fund baseline expenditures directed by the Department of Finance. It will be achieved by eliminating approximately 10 staff positions, including four wardens in the Wildlife Protection program. The 5 percent reduction affects only the department's nongame and environmental protection activities because only this work is financed from the General Fund.

Significant Program Changes and Increases. This category of changes includes new initiatives and spending proposals for 1982-83. It is significant that most of these augmentations would be financed from outside

Table 1
Department of Fish and Game Proposed
Program Changes by Fund
 (in thousands)

	<i>Fish and Game Preservation Fund</i>	<i>General Fund</i>	<i>Energy and Resources Fund</i>	<i>Other Funds^a</i>	<i>Federal Funds</i>	<i>Reimburse- ments</i>	<i>Totals</i>
1981-82 Base Budget (Revised)	\$39,689	\$5,097	\$4,745	\$3,384	\$12,131	\$5,442	\$70,488
1. Workload and Administrative Adjustments							
a. Restoration of current-year reductions		180					180
b. Activities transferred from federal to state funding	1,309			244 ^b	-1,553		—
c. Buena Vista Lagoon dredging			-500	-500			-1,000
d. Suisun Marsh improvement		-45	-98				-143
e. Facility repair	-611						-611
f. Aircraft purchase	-102						-102
g. SWRCB contract studies						-232	-232
h. Salmon habitat improvement			-997				-997
2. 5 percent reduction in nongame and environmental protection activities (General Fund)		-272					-272
3. Significant Program Changes							
a. Wildlife areas staff increase	107						107
b. Habitat improvement—state lands			2,000				2,000
c. Salton Sea mitigation studies			110				110
d. Artificial reef construction			500				500
e. Kelp restoration project				150			150
f. San Francisco Bay shellfish habitat improvement			100				100
g. Abalone fishery enhancement			250				250
h. Carmel River management plan				50			50
i. Vehicle replacement	260						260
j. Significant Natural Areas program, computer equipment				59			59
4. Merit Salary Adjustments, Price Increases, Miscellaneous Minor Changes	2,753	220	86	231	272	260	3,822
Total Changes 1982-83	<u>3,716</u>	<u>83</u>	<u>1,451</u>	<u>234</u>	<u>-1,281</u>	<u>28</u>	<u>4,231</u>
Total Proposed 1982-83 Budget	\$43,405	\$5,180	\$6,196	\$3,618	\$10,850	\$5,470	\$74,719

^a Includes Environmental License Plate Fund and Renewable Resources Investment Fund.

^b Reflects redirection of funding from capital outlay to support to offset loss of federal funds for Rare and Endangered Species Program.

funding sources, such as the Energy and Resources Fund, and not from the Fish and Game Preservation Fund, which is the department's primary source of support. The more significant of these new projects and expenditures are:

1. \$107,000 for additional staffing at three new wildlife areas recently acquired by the department in Siskiyou, Del Norte and Mono Counties (Fish and Game Preservation Fund).
 2. \$2 million to finance 19 habitat development and improvement projects at existing state wildlife areas and ecological reserves (Energy and Resources Fund).
 3. \$110,000 for the first year of a five-year study on the biology of Salton Sea sport fisheries and the impact of various pending energy and water development projects (Energy and Resources Fund).
 4. \$500,000 for construction of an artificial offshore reef in southern California to provide additional habitat for ocean sport and commercial fisheries (Energy and Resources Fund).
 5. \$150,000 to evaluate the feasibility of reintroducing giant kelp in the ocean off Los Angeles Harbor to improve both recreational and commercial fishing (Renewable Resources Investment Fund).
 6. \$100,000 to develop new shellfish habitat in San Francisco Bay and identify areas where a potential for growing oysters exists (Energy and Resources Fund).
 7. \$250,000 for enhancement of the abalone fishery in southern California by planting abalone to augment natural populations (Energy and Resources Fund).
 8. \$59,000 to purchase additional computer equipment for the Significant Natural Areas Program authorized pursuant to Ch 776/81 (Environmental License Plate Fund).
 9. \$50,000 to assist the Monterey Peninsula Water Management District in the development of a management plan for the Carmel River (Renewable Resources Investment Fund).
 10. \$260,000 to augment the department's existing budget for replacement of automotive vehicles (Fish and Game Preservation Fund).
- The budget also requests \$2,365,000 from the Environmental License Plate Fund (ELPF) to continue the existing Significant Natural Areas Program, the Instream Flow Analysis Team, and the Environmental Services Program.

Budget Changes, By Funding Source

Increases in General Fund expenditures for support of nongame and environmental protection activities total \$83,000, or 1.6 percent of 1981-82 expenditures from this source. The increase reflects (1) a \$272,000 decrease in support for nongame and environmental protection programs pursuant to the 5 percent reduction (mentioned above), and (2) \$355,000 in price increases to cover higher costs for salaries, staff benefits and operating expenses in the remaining programs.

The budget requests a total of \$6,196,000 from the Energy and Resources Fund (ERF) to support new initiatives in 1982-83 and to continue projects started during the current year. The total funding request from ERF is \$1,451,000, or 31 percent, higher than estimated current year expenditures. In addition to the new expenditures identified above, the budget provides \$3,150,000 from ERF to continue three initiatives started during 1981-82. These consist of:

- \$2 million to finance salmon and steelhead habitat improvement work

DEPARTMENT OF FISH AND GAME—Continued

through stream clearance projects performed by the California Conservation Corps (\$1 million), and replacement of spawning gravels along the Sacramento River, under the direction of the Department of Water Resources (\$1 million).

- \$1 million for additional wildlife habitat projects on national forestlands in California administered by the U.S. Forest Service.
- \$150,000 to finance the second year of a two-year Wildlife/Habitat Relationship program, which finances contract work with universities or qualified graduate studies.

The department is also requesting \$1,100,000 from the Renewable Resources Investment Fund (RRIF) to (1) provide an additional \$900,000 for grants to nonprofit organizations and political subdivisions for salmon and steelhead rehabilitation projects authorized pursuant to Ch 344/81, and (2) finance several new work projects previously identified. Another \$153,000 is proposed for administration of salmon and steelhead stream clearance projects from funds appropriated pursuant to Ch 1104/79. The total 1982-83 funding request from RRIF reflects an increase of \$203,000, or 19.3 percent, over estimated current-year expenditures from this source.

Employee Housing Rental Rates

The department's schedule of reimbursements for 1982-83 indicates that it expects to receive \$126,000 in rent and utilities payments from its employees who occupy 122 department-owned housing units at DFG field facilities. Rents for this state-owned housing currently range from about \$85 to \$120 per month, including utilities. The department has not increased rent levels for several years.

In the 1980 Budget Act, the Legislature added control language directing the Board of Control to revise its rental structure for state-owned housing to reflect market values. The board, however, refused to comply with this legislative directive.

In our analysis of the Department of Personnel Administration's (DPA) budget (Item 8380), we recommend that the Legislature (1) direct DPA to adjust, effective July 1, 1982, rental rates paid by employees for state-owned housing to reflect market values, and (2) add a new control section to the Budget Bill reducing the support appropriations of all state agencies having rental housing by a total of \$2.2 million (\$1.9 million General Fund) to reflect the additional reimbursements these agencies would receive as a result of rental adjustments. If this recommendation is approved by the Legislature and implemented, we estimate that it would reduce the support appropriation needed for the Department of Fish and Game by \$125,000.

Status of Fish and Game Preservation Fund

Implementation of recently enacted legislation will have a significant impact on the Fish and Game Preservation Fund in 1982-83.

1. Pursuant to Ch 855/78, the department is authorized to administratively increase fees for a variety of sport fishing and hunting licenses. Prior to 1978, license fee increases required separate enabling legislation. Chapter 855, however, allows certain, but not all, license fees to be increased annually, based on an inflation factor determined by the Department of Finance. As a result, new fishing license fee increases became effective January 1, 1982. A new schedule of hunting license fees will take effect on

July 1, 1982. The old and new license fees are shown in Table 2.

The new schedule increases the cost of a typical resident fishing license (including the inland water, trout and salmon stamps) from \$11.50 to \$12.50. This reflects an increase of 39 percent since 1979, when the average license cost \$9. The proceeds from the sale of resident fishing licenses produce more revenue to the Fish and Game Preservation Fund than any other activity.

The new schedule is expected to generate \$1,187,000 in additional revenue during the last half of the current year (January 1, 1982-June 30, 1982), and \$2,833,000 in additional revenue during the budget year.

Table 2
Department of Fish and Game
Licenses Subject to Indexing Provisions of Chapter 855

License Category	1978 Base	Fee Schedule		Percent Increase of 1982 Over 1981
		1981	1982	
Resident Fishing	\$5.00	\$5.75	\$6.25	8.7%
Nonresident Fishing.....	20.00	22.75	24.75	8.8
Nonresident Fishing (10-day)	8.00	9.00	10.00	11.1
Pacific Ocean (3-day)	4.00	4.50	5.00	11.1
Inland Water Stamp	2.00	2.25	2.50	11.1
Trout and Salmon Stamp	3.00	3.50	3.75	7.1
Striped Bass Stamp.....	N/A	N/A	3.50	New Fee
Field Trials Permit.....	5.00	5.75	6.25	8.7
Resident Hunting	10.00	11.50	12.50	8.1
Junior Hunting (Resident).....	2.00	2.25	2.50	11.0
Nonresident Hunting.....	35.00	40.00	43.50	8.8
Special Nonresident.....	5.00	5.75	6.25	8.7
Resident Deer tag (one deer)	3.00	3.50	3.75	7.1
Nonresident Deer tag (one deer)	25.00	28.50	31.00	8.8
Resident Deer tag (two deer)	5.00	9.25	10.00	8.1
Nonresident Deer tag (two deer)	35.00	62.25	74.50	19.7

2. Pursuant to Ch 582/81, anglers who sport fish for striped bass are required, effective January 1, 1982, to purchase a striped bass stamp for \$3.50 in addition to fishing license. Proceeds from the sale of this new stamp will be used by the department to improve the striped bass fishery. The new stamp is expected to generate \$800,000 in additional revenue during the last half of 1981-82, and \$1.5 million during the budget year.

Administrative license fee increases discussed above, plus the new striped bass stamp, will raise the total cost of a resident striped bass fishing license to \$16, an increase of 39 percent in one year.

The additional revenues from the new license fee schedule and the striped bass stamp will help finance the \$3.7 million increase in support expenditures from the Fish and Game Preservation Fund during 1982-83 plus capital outlay projects costing \$2.4 million.

3. Chapter 69/81 repealed provisions authorizing the department to issue free sport fishing licenses to senior citizens, and eliminated the requirement that the General Fund reimburse the Fish and Game Preservation Fund for the loss of revenue attributable to the free licenses. Repeal of this provision resulted in a \$546,000 savings to the General Fund in 1981-82. Some of the persons who would have received free licenses may now be purchasing licenses at full price, and thereby contribute revenue to the Fish and Game Preservation Fund.

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On July 1, 1981, the Fish and Game Preservation Fund had an accumulated surplus of \$8,314,000. The budget estimates that the fund will have a surplus of \$6,840,000 on July 1, 1982, and \$4,946,000 on July 1, 1983. These estimates, however, do not make allowances for (1) any budget year salary increase for state employees or (2) any increase in license fees which may become effective on January 1, 1983. In addition, approximately \$3 million must be retained as a reserve for cash flow purposes.

The additional revenue produced from any new fee increases in 1983 cannot be estimated at this time; it would depend on the inflation factor determined by the Department of Finance pursuant to Ch 855/78. The cost of the 6.5 percent cost-of-living increase for department employees during the current year was \$1,974,000. Of this amount, \$1,674,000 was financed by the Fish and Game Preservation Fund. In the budget year, each 1 percent increase in state employee salaries and benefits would increase costs to the fund by \$330,000. Because no percentage for salary increases is proposed in the budget for 1982-83, the impact of any such increase on the fund cannot be estimated at this time. Based on the budget as submitted, there is no spendable surplus in the fund.

Special License Fees and Commercial Fish Taxes Should Be Increased

We recommend enactment of legislation increasing various categories of license and permit fees, as well as commercial fishing taxes, to (1) reflect the effect of inflation on department costs; and (2) provide the department with adequate revenue to properly finance major funding increases proposed for wildlife management and commercial fishing programs during 1982-83.

As previously mentioned, Chapter 855 authorizes the department to increase the fees charged for various categories of licenses and permits for sport fishing and hunting as necessary to compensate for inflation. Under Chapter 855, however, only 16 licenses and permits are indexed to the rate of inflation. There is no provision to adjust fees charged on 34 other categories of licenses issued by the department, such as those relating to commercial fishing, for the effects of inflation. These license fees, as well as existing commercial fishing tax rates, are established by statute and can only be revised by enactment of legislation.

Table 3 shows the 34 categories of licenses and permits, along with the current level of fees for each category and the year in which the fees were last increased. A comparison of Table 3 with Table 2 gives some indication of the extent to which special license fees and commercial fishing taxes have fallen behind the fees charged on sport fishing and hunting licenses.

Our analysis indicates that the revenues produced by commercial fishing taxes and a variety of license fees established by statute are inadequate to cover the costs of the programs and activities that they were designed to finance. This has two undesirable consequences:

1. It requires sport fishing and hunting licensees to subsidize (through their license and permit fees which are indexed) commercial fishing programs.
2. It causes the department to seek funding for commercial fisheries programs from outside sources, such as the Energy and Resources Fund and the Renewable Resources Investment Fund. To the extent these funding sources must be used to support commercial fishing programs that could appropriately be used to support other high-priority state programs, the Legislature has less flexibility in responding to the needs of the state.

Table 3
Department of Fish and Game License
and Permit Fees Established by Statute

<i>License Category</i>	<i>Existing Fee</i>	<i>Date of Last Fee Increase</i>
Commercial Fisherman	\$40	1978
Commercial Salmon Stamp.....	10	1978
Commercial Salmon Permit	5	1978
Boat Registration	125	1978
Commercial Passenger Fish Boat	40	1978
Fish Breeder	30	1980
Fish Broker and Importer.....	125	1978
Fish Canner.....	190	1978
Fish Importer	5	1957
Kelp License	15	1978
Live Fresh Water Bait	25	1977
Mariculture	30	1978
Oyster	30	1980
Lobster Permit.....	125	1978
Abalone-Crew Member	100	1976
Abalone-Diver	200	1976
Wholesale Fish Dealer	65	1978
Commercial Hunting Club	100	1977
Falconry License	25	1977
Duck Stamp	5	1977
Antelope Permit	35	1977
Private Pheasant Club (under 500 acre).....	75	1967
Private Pheasant Club (over 500 acre).....	100	1967
Migratory Bird Feeding.....	25	1957
Migratory Bird Shooting	50	1977
Scientific Collector	10	1977
Scientific Collector-Student	5	1977
Resident Hunting and Fishing Guide	25	1974
Nonresident Hunting and Fishing Guide	100	1974
Resident trapping	10	1974
Nonresident trapping	25	1974
Junior Trapping	5	1974
Fur Buyer	50	1979
Fur Agent	25	1979
Dredge Permit	5	1975
Dredge Permit (inspection required)	75	1975

Commercial Fishing Program Expenditures Exceed Revenues. Table 4 shows that expenditures for commercial fishing programs in both the current and budget years are expected to exceed revenues by more than \$2 million. The deficit is financed primarily through outside appropriations from the Energy and Resources Fund and the Renewable Resources Investment Fund. A lesser amount is financed from a carry-over of commercial license and tax revenues collected in prior years.

For 1982-83, the department estimates it will spend a total of (1) \$677,000 from the Renewable Resources Fund and (2) \$1,220,000 from the Energy and Resources Fund to finance a variety of new initiatives and capital outlay projects benefiting the commercial fishing industry. These expenditures also support several programs, such as salmon habitat improvement, which were started in the current year and are continued in 1982-83. These new initiatives and special programs would not require

DEPARTMENT OF FISH AND GAME—Continued

Table 4
 Department of Fish and Game
 Comparison of Expenditures and Revenues
 For Commercial Fishing Programs

<i>Expenditures</i>	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>
1. Wildlife Protection (Law Enforcement)	\$1,757,000	\$1,843,000	\$1,932,000
2. Andromous Fisheries.....	2,303,000	4,440,000	3,949,000
3. Marine Resources.....	2,441,000	2,670,000	3,126,000
4. Environmental Services.....	51,000	55,000	60,000
5. Administration	236,000	245,000	301,000
6. Capital Outlay.....	20,000	132,000	199,000
Total	\$6,808,000	\$9,385,000	\$9,567,000
<i>Revenues</i>			
1. Fish and Game Preservation Fund.....	\$4,670,000	\$4,725,000	\$4,718,000
2. Federal Funds.....	1,483,000	1,729,000	1,401,000
3. Reimbursements.....	847,000	930,000	935,000
Totals	\$7,000,000	\$7,384,000	\$7,054,000

outside funding if license fees and taxes paid by the commercial fishing industry were increased to reflect inflation since they were last revised.

Other Programs. Although the department has not specifically proposed major funding increases in 1982-83 for programs relating to the regulation of (1) commercial hunting clubs, (2) migratory bird shooting, (3) collection of wildlife for scientific purposes, (4) hunting and fishing guides, (5) commercial trapping, (6) fur dealers, and (7) dredging, our analysis indicated that costs for these activities have also increased since license fees were last raised. This is due to the effect of inflation on employee salaries and operating costs. Consequently, license fees in these categories should also be increased.

The principle behind the indexing provisions of Chapter 855 was to protect the department from the effect of inflation on continuing programs relating to sport fishing and hunting. It recognizes that the department's costs for providing an ongoing level of service will increase over time, due to factors beyond its control. This principle also applies to those programs supported by license fees and commercial fishing taxes that are not covered by Chapter 855.

While extending the indexing provisions of Chapter 855 to *all* categories of license fees and taxes may not be appropriate, we believe that some increases are required for the budget year, particularly given the major increases in expenditures from outside funding sources proposed to support programs that in the past have been supported by license/tax revenues. Accordingly, we recommend that legislation be enacted providing appropriate increases in license and permit fees, and commercial fishing taxes. If such legislation is enacted during the budget year, it would reduce the need to fund increases in expenditures from the Energy and Resources Fund and Renewable Resources Investment Fund which are proposed for 1982-83 and may be required on a continuing basis in 1983-84 and beyond.

Inappropriate Source of Funding for Habitat Improvement

We recommend a reduction of \$1,348,000 in Item 3600-001-190 to delete funding for specified habitat improvement projects on department wildlife areas because this work should be financed through the Fish and Game Preservation Fund.

The budget proposes an expenditure of \$2 million from the Resources Account, Energy and Resources Fund (ERF), to finance 20 habitat improvement projects for wildlife areas, sanctuaries and ecological reserves administered by DFG. Information concerning the location, acreage and cost of the individual projects is shown in Table 5. Most of these holdings are managed primarily to provide habitat for waterfowl and deer. Six of the areas operate during the duck hunting season as public shooting areas, and a fee is charged for day-use hunting. Others provide open-space for wildlife, or rare and endangered species.

Table 5
Department of Fish and Game
Habitat Improvement on State Wildlife Areas
and Ecological Reserves
1982-83

Wildlife Area	Acreage	Day-Use Fee		Primary Habitat Use	Cost Improvements Budgeted
		Yes	No		
Butte Valley (Siskiyou County)	13,200	pending		waterfowl	\$206,000
Lake Earl (Del Norte County)	4,450		X	waterfowl	40,000
Tehama (Tehama County)	44,000		X	deer	15,000
Surprise Valley (Modoc County)	420		X	deer	19,250
Honey Lake (Lassen County)	5,000	X		waterfowl	100,000
Cinder Flats (Shasta County)	720		X	waterfowl	24,500
Antelope Valley (Sierra County)	4,400		X	deer	31,000
Apricum Hill Rare Plant/Soil En- clave (Amador County)	38		X	rare plants	12,000
Gray Lodge (Butte County)	7,500	X		waterfowl	273,000
Grizzly Island (Solano County)	10,600	X		waterfowl	396,000
Hill Slough (Solano County)	1,112		X	waterfowl	27,250
Petaluma Marsh (Sonoma County)	1,950	X		waterfowl	100,000
Bair Island (San Mateo County)	801		X	various	100,000
Toy Property (Marin County)	53		X	nongame species	14,000
Elkhorn Slough Estuarine Sanctu- ary ^a (Monterey County)	170		X	various	281,000
Los Banos (Merced County)	3,207	X		waterfowl	23,000
Mendota (Fresno County)	2,680	X		waterfowl	33,000
Cottonwood (Merced County)	6,000		X	deer/ upland game	60,000
Camp Cody (San Bernardino County)	1,300		X	various	125,000
Little Antelope/Slinkard Valley (Mono County)	10,800		X	various	120,000
					<u>\$2,000,000</u>

^a Ecological Reserve

DEPARTMENT OF FISH AND GAME—Continued

The work proposed in these projects includes:

- Development of water control and management structures, such as levees and wells.
- Restoration of areas that have been degraded by recent winter storms or poor land use practices.
- Rehabilitation of public-use facilities and access roads.
- Boundary determinations, and construction of fencing where necessary.

Many of the properties scheduled for this work were originally purchased by either the department or Wildlife Conservation Board using proceeds from general obligation bonds approved by the electorate in prior years. These include: (1) the State Beach, Park, Recreational and Historical Facilities Bond Act of 1974, and (2) the Nejedly-Hart State Urban and Coastal Bond Act of 1976. Other acquisitions have been financed from the Environmental License Plate Fund.

These acquisitions were made on the premise that the department would assume responsibility for the operation and maintenance of the properties, using resources available in its primary funding source—the Fish and Game Preservation Fund. As a consequence, we believe it is not appropriate to use ERF funding to finance the work.

Of the \$2 million requested from ERF, we recommend approval of \$652,000 for habitat improvement work at the following areas:

- Apricum Hill Rare Plant/Soil Enclave—\$12,000
- Bair Island Wildlife Area—\$100,000
- Toy Property (part of Petaluma Marsh Wildlife Area)—\$14,000
- Elkhorn Slough Estuarine Sanctuary—\$281,000
- Camp Cody Wildlife Area—\$125,000
- Little Antelope/Slinkard Valley Wildlife Area—\$120,000

Our analysis of these projects indicates that the primary use of the property is for nongame or rare and endangered species. As a consequence, it would not be appropriate to finance this work from the Fish and Game Preservation Fund, given the restrictions imposed by Ch 855/78.

The balance requested from the ERF—\$1,348,000—would be used for projects primarily benefitting deer or waterfowl. Since the benefits from the projects will accrue directly to sportsmen, these projects should be financed with revenues from hunting and fishing licenses, plus any day-use fees charged at wildlife management areas. If there is not sufficient revenue in the Fish and Game Preservation Fund from these sources to cover the costs of these projects, the needed revenue can be obtained by raising fees for day-use and appropriate license categories, as we recommend.

Several of the projects proposed for support from the Energy and Resources Fund are similar to projects that in the past have been financed from duck stamp revenues. We note that neither duck stamp fees nor day-use fees for state wildlife areas have been increased since 1977. Because sufficient money is not available in the Fish and Game Preservation Fund to finance the program in 1982–83, if and when sufficient revenue is available, the projects not recommended for funding in 1982–83 can be financed from that source.

Commercial Fishing Program Increases Inappropriate

We recommend deletion of (1) \$850,000 from Item 3600-001-190, (Energy and Resources Fund); and (2) \$150,000 from Item 3600-001-940

(Renewable Resources Investment Fund), which is requested for new projects benefiting the commercial fishing industry, because this work should be financed from the Fish and Game Preservation Fund.

The department has requested \$1 million from the Energy and Resources Fund and Renewable Resources Investment Fund to finance the following new projects within the marine resources program.

- Construction of an artificial reef at an undesignated location off the southern California coast to provide additional habitat for ocean sport and commercial fisheries (\$500,000).
- Enhancement of the abalone fishery in southern California through planting of laboratory-reared abalone to augment natural populations (\$250,000).
- Studies to examine the feasibility of reintroducing giant kelp in the ocean near Los Angeles Harbor to improve both recreational and commercial fishing (\$150,000).
- Inventory and development of new shellfish habitat in San Francisco Bay (\$100,000).

The abalone and San Francisco Bay shellfish proposals are both multi-year projects that would require further appropriations in future years.

All four of the projects directly benefit the interests of the commercial fishing industry, and to a lesser degree the ocean sport fisheries. As such, it is inappropriate to finance this work from sources other than the Fish and Game Preservation Fund. To the extent the department does not have enough money in the Fish and Game Preservation Fund to support these projects it is partially because license fees and taxes paid by the commercial fishing industry have not been increased since 1978. At current levels, these fees and taxes are not producing sufficient revenues to cover ongoing costs for programs benefiting this industry.

If legislation is enacted adjusting commercial fishing license fees and taxes, as we recommend above, the new projects can be financed from the added revenue deposited in the Fish and Game Preservation Fund.

Wild and Scenic River Fisheries Studies

We recommend that \$250,000 be transferred from Item 3600-001-001 (General Fund) to Item 3600-001-200 (Fish and Game Preservation Fund), to properly budget the cost of wild and scenic rivers fisheries studies and to comply with the provisions of Ch 855/78.

Last year, the Legislature deleted \$334,000 which was requested from the General Fund for support of the Waterways Management Planning Program, pursuant to the California Wild and Scenic Rivers Act (Ch 1259/72). This program had been underway for several years to (1) classify rivers as "wild," and "scenic," or "recreational;" (2) prepare and submit management plans for these rivers to the Legislature; and (3) administer these rivers to protect scenic, recreational, fishery and wildlife values without unreasonably limiting compatible timber harvesting, grazing and other uses.

Although the Legislature deleted funding for the Waterways Management Program in the Department of Fish and Game, it appropriated \$250,000 from the General Fund to the department for new "fisheries studies" on streams contained within the wild and scenic rivers system. For 1982-83, the Department of Fish and Game has requested an additional \$250,000 from the General Fund to continue wild and scenic rivers fisheries studies initiated during the current year.

The previous studies conducted under the Waterways Management

DEPARTMENT OF FISH AND GAME—Continued

Planning Program were multidisciplinary and viewed protection of the wild and scenic rivers from a broad perspective. Consequently, General Fund support for these studies was appropriate. The present studies primarily benefit the sport anglers and commercial fishermen, and as a consequence should be financed from the Fish and Game Preservation Fund, not the General Fund. These studies consist of (1) salmon and steelhead fishery resource investigations and (2) development of recommendations for long-term management and habitat improvement projects for the South Fork Trinity and the Eel River system. The department indicates that the South Fork Trinity evaluation is being conducted in conjunction with the U.S. Forest Service model steelhead stream rehabilitation project, which is a 30-year program. The Eel River investigation is expected to require a minimum of five years to complete.

Continued financing for these studies from the General Fund is inappropriate and would conflict with provisions of Ch 855/78, which states that the General Fund should be used only for nongame programs and environmental protection purposes. Accordingly, we recommend that the \$250,000 in General Fund support requested for these studies be deleted, and that funding be provided by increasing the amount appropriated from the Fish and Game Preservation Fund.

Streambed Alteration Permits

We recommend enactment of legislation making the department's streambed alteration permit program substantially self-supporting, for a potential savings to the General Fund up to \$559,000 annually.

Existing provisions of the Fish and Game Code prohibit public agencies and private parties from proceeding with projects that would substantially alter the bed, channel, or bank of any river, stream, or lake, without (1) first notifying the Department of Fish and Game (DFG) of such activity, and (2) executing an agreement with DFG containing measures to mitigate the adverse environmental impacts of the projects and to protect fish and wildlife. These agreements are commonly referred to as streambed alteration permits. For projects such as construction of bridges or culverts associated with logging operations subject to the Forest Practice Act, a timber harvest plan (THP) submitted to the Department of Forestry may be substituted for the permit, if certain information is provided in the THP.

Currently, all of the department's costs for administration of streambed alteration permits are charged to the General Fund. This method of funding is required pursuant to provisions of Ch 855/78, which provides that all department nongame and environmental protection activities be paid from the General Fund or sources other than the Fish and Game Preservation Fund. According to its annual cost accumulation report, the department spent \$559,133 during 1980-81 for support of activities related to streambed alteration permits. The current General Fund cost for the streambed alteration permit program is probably even higher in the current year, due to price and salary increases authorized by the Legislature. It will increase further to the extent salary and price increases are approved for the budget year.

Continued full support from the General Fund for this activity would not be necessary if the department were authorized to charge fees to cover appropriate costs. Charging fees has the advantage that it places the

cost of protecting the state's rivers, streams and lakes on the persons proposing projects affecting these resources, rather than on the general taxpayer.

Since 1978, the department has issued approximately 4,100 permits per year for streambed alteration projects. Of this amount, 2,617 permits were issued for projects proposed by private parties, and 711 permits were issued to public agencies. Assuming persons submitting timber harvest plans were exempted from any fee requirement, the department would need to charge an average of \$168 per permit to cover current costs for the program. We believe this amount is not excessive when compared to (1) other fees charged by local governments for building permits and zoning change requests, and (2) the potential damage that could be caused by a streambed alteration project, such as siltation and destruction of fish and wildlife and their habitat.

Placing the department's streambed alteration permit program on a substantially self-supporting basis would result in General Fund savings of more than \$559,000 per year. These savings could be redirected to minimize or avoid proposed reductions in other state programs which are dependent on the General Fund. Accordingly, we recommend that urgency legislation be enacted providing the Department of Fish and Game with the authority to support all of its streambed alteration permit costs through fees except in the case of timber harvest plan operations involving streambeds, which should pay fees to the Department of Forestry as part of the timber harvest plan.

Toxic Substances Monitoring Program

We recommend that the department be directed to include the following in its fishing license handbook:

- (1) *Information from the Department of Health Services advisory concerning contamination of striped bass caught in the Sacramento-San Joaquin Delta, and similar advisories that may be issued in the future; and*
- (2) *Information on the amount of toxic substances or pesticides found in various fish and invertebrate species which are analyzed in the Toxic Substances Monitoring Program, whenever the amount detected exceeds either or both of (1) the Environmental Protection Agency or the National Academy of Sciences guidelines for protection of wildlife, and (2) the U.S. Food and Drug Administration standards for human health.*

For 1982-83, the department's budget includes \$159,440 in reimbursements from the State Water Resources Control Board (SWRCB) for continuation of the Toxic Substances Monitoring (TSM) program. The program has been conducted by the department's pollution laboratory at the Nimbus fish hatchery since it began in 1976. It involves laboratory analysis of tissues from fish, clams and crayfish which are collected from 28 California rivers and waterways, known as the "primary network" streams. Supplemental analyses are also conducted on fish collected from other streams.

The specimens are analyzed for (1) selected trace metals such as mercury and cadmium, and (2) synthetic compounds, such as the pesticides toxaphene and DDT. The results of the surveys are compiled and published in an annual report prepared for the State Water Resources Control Board. This information is used by the board to develop "action plans" for (1) determining the source or point of discharge of the toxic substances found, and (2) taking remedial action.

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Standards Used. Two standards are used to gauge the significance of toxicant levels detected in organisms analyzed by the TSM program. The U.S. Food and Drug Administration (FDA) has established tolerance levels for toxic substances in fish flesh that is used for human consumption. The Environmental Protection Agency (EPA) and the National Academy of Sciences (NAS) have established guidelines on maximum concentrations for certain toxicants in order to protect predator species. A third set of standards for polychlorinated biphenals (PCB's) has been established by the United States-Canadian Joint Commission on the Great Lakes.

Because some toxic agents become concentrated in aquatic food chains, the TSM program assumes that consumption by predators of organisms having high concentrations of toxicants will cumulatively increase the level of toxic substances in the food chain. Accordingly, the EPA/NAS guidelines have been established not only to protect the health of the organisms containing the material, but also to protect predator species. The measurement of any toxicants in excess of these guidelines suggests a contamination adversely affecting the health of both the food supply and the predator. For this reason the EPA/NAS guidelines are generally more restrictive than the FDA standards, and thresholds for exceeding the EPA/NAS guidelines are lower than the FDA standards.

1980 Program Findings. Results from the 1980 monitoring studies are summarized in Table 6. The data indicate that the fish and invertebrate species for certain streams contain concentrations of mercury, toxaphene, DDT and PCBs which approached or exceeded the EPA/NAS guidelines for the protection of fish and wildlife.

Although no U.S. Food and Drug Administration (FDA) tolerances for human consumption were exceeded in the 1980 data, mercury levels found in fish collected from several streams approached the standards. The department has stated, however, that more recent studies of white catfish and sturgeon collected from the Sacramento-San Joaquin Delta show amounts of mercury well above the FDA standard of 1 part per million (ppm).

The department's 1980 TSM report indicates that total DDT concentrations in catfish from the San Joaquin, Alamo, and New Rivers equalled or exceeded the EPA/NAS guideline. Toxaphene levels exceeding this standard were detected in catfish from six streams: Sacramento, San Joaquin, Alamo, and New Rivers, Colusa Drain, and Reclamation Slough. PCBs occurred in organisms from five rivers: Sacramento, American, San Joaquin, Santa Ana, and New. Although the amounts detected did not exceed the EPA/NAS tolerance level of 0.5 parts per million, they all approached or equalled 0.1 ppm, the recommended guideline for PCB concentrations by the International Joint Commission (IJC) on the Great Lakes.

Previous Year Studies. The TSM studies in previous years have indicated both violations of FDA standards for certain fish species from primary network streams and concentrations which approached, but did not exceed the standard. For example:

1. In 1976, the TSM program reported finding DDT present in concentrations exceeding the FDA standard of 5 ppm in fish from the Alamo River. Other 1976 samples reported concentrations of 4.7 ppm for fish taken from the New River. For mercury, the 1976 study indicated that the FDA standard of 1 ppm was exceeded in fish examined from the Yuba

Table 6
Department of Fish and Game
Toxic Substances Monitoring Program
Summary of Values Which Approached or
Exceeded Recommended Guidelines
(1980 data)

<i>Stream</i>	<i>Toxicant</i>	<i>Amount^a</i>	<i>NAS/EPA Guideline</i>	<i>FDA Standard</i>	<i>Fish</i>
<i>Primary Network:</i>					
1. Yuba River	mercury	0.48	0.5	1.0	smallmouth bass
2. Feather River	mercury	0.64	0.5	1.0	smallmouth bass
3. American River	mercury	0.88	0.5	1.0	largemouth bass
	PCB	0.09	0.1	2.0	largemouth bass
4. Sacramento River	mercury	0.44	0.5	1.0	white catfish
	toxaphene	0.10	0.1	5.0	white catfish
	PCB	0.09	0.1 ^b	2.0	white catfish
5. San Joaquin River	DDT	1.7	1.0	5.0	white catfish
6. San Lorenzo River	mercury	0.48	0.5	1.0	sculpin
7. Santa Ana River	PCB	0.10	0.1	2.0	green sunfish
8. Alamo River	DDT	2.0	1.0	5.0	channel catfish
	toxaphene	2.1	0.1	5.0	channel catfish
9. New River	DDT	0.98	1.0	5.0	channel catfish
	toxaphene	0.6	0.1	5.0	channel catfish
<i>Supplemental Surveys</i>					
1. Kings River	mercury	0.43	0.5	1.0	largemouth bass
2. New River	toxaphene	0.50	0.1	5.0	channel catfish
		0.70	0.1	5.0	(3 size ranges)
		0.90	0.1	5.0	
3. Clear Lake:					
Lower Lake	mercury	0.73	0.5	1.0	largemouth bass
Clearlake Oaks	mercury	0.73	0.5	1.0	largemouth bass
4. Colusa Drain	toxaphene	0.20	0.1	5.0	brown bullhead
	PCB	0.35	0.1	2.0	(sample a)
	mercury	0.58	0.5	1.0	brown bullhead
	toxaphene	0.10	0.1	5.0	(sample b)
	PCB	0.33	0.1	2.0	(sample b)
5. Reclamation Slough.....	toxaphene	0.30	0.1	5.0	channel catfish
	PCB	0.18	0.1	2.0	channel catfish
	DDT	1.4	1.0	5.0	brown bullhead
	toxaphene	0.4	0.1	5.0	brown bullhead
	PCB	0.35	0.1	2.0	brown bullhead

^a Parts per million (ppm).

^b Although the EPA/NAS guideline for PCBs is 0.5 ppm, the TSM program evaluates its findings on the basis of 0.1 ppm guideline recommended by the International Joint Commission (IJC).

River. Fish sampled from the Russian River had mercury present in concentrations of 0.95 ppm, which is just under the FDA tolerance level.

2. Fish sampled from the Yuba River in 1977 were found to have concentrations of mercury that exceeded the FDA standard. Mercury was also present in concentrations of 0.87 ppm in fish from the Klamath River.

3. In 1978, the TSM program reported finding mercury in nongame fish sampled from the Eel River in amounts over the FDA standard. Game fish analyzed from the Yuba and Sacramento Rivers were found to have mercury present in concentrations approaching (0.72 and 0.83 ppm, respectively), but not exceeding this standard.

The 1980 TSM report generally updates and confirms the findings of studies from previous years. The amounts detected in recent years have

DEPARTMENT OF FISH AND GAME—Continued

diminished somewhat, and do not appear to present a direct hazard to human health. However, they continue to show that toxic substances are persistently found in amounts which exceed the EPA/NAS guidelines for protection of wildlife species. In addition, two toxicants which have been demonstrated to be carcinogenic, PCB and toxaphene, are being found. The continued presence of such substances indicates that the health of the wildlife species is being harmed.

DFG Does Not Use Toxic Data. The department has been conducting the toxic substance monitoring program for six years. We have been unable to find any instances during this time when the department has acted on the information for purposes of either protecting the wildlife affected or advising those buying fishing licenses and permits of the dangers involved. The department's position is that protecting those who consume these species is the responsibility of the Department of Health Services (DHS). The department's position with respect to the protection of wildlife species affected by toxicants and advising license-buyers regarding health of these species is not clear.

Our analysis indicates that even when DHS has taken action to alert the public to a health hazard resulting from toxic substances in wildlife, DFG has not relayed these advisories to anglers. In 1971-72, the Department of Health Services studied the contamination of large striped bass in the Sacramento-San Joaquin Delta that might constitute a threat to human health because of the concentration of mercury in the fish flesh. Thereafter, DHS issued the following advisory for human consumption of striped bass:

- Individuals should not eat more than one meal per week of striped bass from the Bay-Delta fishery if the fish exceeds four pounds.
- Pregnant women and young children should not consume *any* striped bass from the Bay-Delta area.

Although this health advisory was issued 10 years ago and is still in effect according to DHS, we were unable to find any evidence that the Department of Fish and Game has passed this information on to license-buyers.

Recommended Legislative Action. Each year the Department of Fish and Game publishes a handbook for distribution to anglers at the time they purchase a fishing license. This publication contains various fishing regulations, such as daily bag limits, open seasons in different parts of the state, and areas where waters are closed to fishing. The department also has traditionally included information on the membership of the Fish and Game Commission, the location of ecological reserves, and other non-regulatory matters.

The department of Fish and Game is responsible for (1) research on the amount of toxicants in fish species sampled from various streams and rivers in California, (2) selling licenses for the public to take fish from these waters for sport purposes (3) the continued health of the fishing resource. As such, we believe it should inform the license-buyers of:

- Any human health advisories formally issued by DHS; and
- Toxic substances found which exceed tolerance levels either for human consumption (the FDA standard) or protection of wildlife (the EPA/NAS guideline).

Disclosure of information concerning toxicants in excess of the EPA/NAS guidelines is appropriate because the public, and particularly the

license-buyer, may not wish to fish for species where a significant level of contamination is present. Requiring disclosure of information on toxicants in fish species would also be consistent with the Governor's recently announced "right to know" policy on toxic substances.

Accordingly, we recommend that the department be directed to publish as part of its license handbook information on (1) any existing or new health advisories issued by DHS, including the advisory on mercury in striped bass, and (2) the most recent data compiled under the Toxic Substances Monitoring program on game fish species it licenses the public to take.

Long Beach Headquarters Scheduled for Demolition

We withhold recommendation on \$185,000 requested for a rent increase at the department's regional headquarters in Long Beach because the structure now occupied is scheduled to be demolished during the budget year.

The department has requested \$185,000 in operating expense money to cover a 173 percent rent increase for its regional headquarters facility in Long Beach. This facility is a two-story building which provides office space for 120 professional and clerical employees, plus a marine biology laboratory. The building is located on shorefront property owned by the City of Long Beach.

In May 1980, the department's lease with the City of Long Beach expired. The city however, agreed to renew the lease until June 30, 1982, and increased the rent from \$9,000 to \$25,000 per month. During the current year, the department covered this increase by using other operating money. The request for an additional \$185,000 is based on the current rental rate extended through the full 1982-83 fiscal year.

Long Beach has agreed to renew the department's lease only through June 30, 1982, because the city is including the location within a 4.5 acre redevelopment project. The Department of General Services indicates that the city council recently awarded a new 66-year lease for construction of a \$40 million office building and marine terminal complex in 1982. This complex will consist of four, four-story buildings containing 250,000 square feet of luxury office space, a parking garage and a restaurant. Because the department's facility is scheduled to be demolished during Phase I of the redevelopment project, on September 14, 1981, General Services advised the Legislature pursuant to Section 28.2 of the Budget Act, that new office space was being sought for the Department of Fish and Game.

At the time this analysis was prepared, a new site for the department's regional headquarters had not yet been located. As a consequence, it is not known whether rental costs at a new location will be more or less than the amount budgeted.

Prior to recommending approval of the department's \$185,000 request, the department should advise the Legislature of its plans to relocate and the costs for the move. The Legislature will then be able to determine whether the amount requested is adequate. If the rent at the new location is higher, the proper amount can be provided. By budgeting the proper amount for rent to begin with, the Legislature will have more control over the department's expenditure program, since it will then not be necessary for the department to redirect funds away from other legislatively-authorized activities or programs. Consequently, we withhold recommendation on the department's request for rent, pending clarification of its needs.

DEPARTMENT OF FISH AND GAME—Continued

Transfer to General Fund

We recommend that the savings resulting from our recommendations on Item 3600-001-190—\$2,198,000 and Item 3601-101-940—\$150,000 be transferred from the Energy and Resources Fund and the Renewable Resources Investment Fund respectively to the General Fund in order to increase the Legislature’s flexibility in meeting high-priority needs state-wide.

We recommend reductions amounting to \$2,348,000 in the Department of Fish and Game’s support budget from the Energy and Resources Fund and the Renewable Resource Investment Fund. Approval of these reductions would leave unappropriated balances in these special funds where they would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purposes accounts limits the Legislature’s options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendations be transferred to the General Fund.

DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY AND REVERSION

Item 3600-301 and 3600-495 from the California Environmental License Plate Fund; Energy and Resources Fund, Resources Account; and the Fish and Game Preservation Fund.

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Requested 1982–83	\$6,648,000
Recommended approval	4,251,000
Recommended reduction	75,000
Recommendation pending	\$2,322,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	<i>Analysis page</i>
1. Rebudgeting of frozen capital outlay funds. Recommend that prior to budget hearings, the Department of Finance identify any additional funds needed for projects which were frozen in the current year and are proposed for rebudgeting in 1982–83.	619
2. Ecological Reserves—Land Acquisition and Development. Withhold recommendation on Items 3600-301-140(a) and (b), pending receipt of additional information regarding development and maintenance of ecological reserves.	620
3. Modernize Nimbus Fish Hatchery—Working Drawings. Withhold recommendation on Item 3600-301-190(a), pending receipt of preliminary planning documents and a justification for phasing this project.	623

4. *Minor Capital Outlay. Reduce Item 3600-301-200(b) by \$75,000.* Recommend deletion of one unjustified project. 624
5. New Region III Office—Construction. Withhold recommendation on Item 3600-301-200(d), pending receipt of additional information. 625

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$6,648,000 from various funds for eight major capital outlay projects, program planning, and various minor capital outlay projects for the Department of Fish and Game. Specifically, \$506,000 is requested from the California Environmental License Plate Fund, \$3,735,000 is requested from the Energy and Resources Fund, Resources Account and \$2,407,000 is requested from the Fish and Game Preservation Fund. Table 1 summarizes the 1982–83 capital outlay program by funding source.

Table 1
Department of Fish and Game
1982–83 Capital Outlay Program
Item 3600-301
(in thousands)

<i>Fund/Project</i>	<i>Budget Bill Amount^a</i>	<i>Analyst's Proposal</i>
A. California Environmental License Plate Fund		
Ecological reserves—land acquisition	\$456 a	pending
Ecological reserves—development	50	pending
Subtotals	\$506	pending
B. Energy and Resources Fund, Resources Account		
Modernize Nimbus Fish Hatchery	\$197 w	pending
Big Springs Hatchery	200 p	\$200
Rare and endangered species—land acquisition	3,135 a	3,135
Bolsa Chica Wetlands—development and restoration	203 p	203
Subtotals	\$3,735	pending
C. Fish and Game Preservation Fund		
Project planning	\$40	\$40
Minor capital outlay	648	573
Hot Creek Hatchery—replace ponds	100 w	100
Region III office	1,619 c	pending
Subtotals	\$2,407	pending
Totals	\$6,648	pending

^a Phase symbols indicate: a—acquisition; c—construction; p—preliminary plans, and w—working drawings.

Rebudgeting of 1981–82 Capital Outlay Funds Frozen by Executive Order

We recommend that prior to budget hearings, the Department of Finance indicate the amount of additional funds needed to allow projects frozen in the current year to proceed.

The budget proposes rebudgeting of project funds which were approved by the Legislature in the 1981 Budget Act.

Executive Order B-87-81 instructed the State Public Works Board to defer allocation of certain capital outlay funds, resulting in a freeze on capital outlays. The budget proposes to revert the frozen funds under Item 3600-495 and rebudget the same amount for 1982–83. The budget, however, does not include additional funds to account for any inflationary

**DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY
AND REVERSION—Continued**

cost increase associated with the delay imposed by the freeze. Consequently, we recommend that prior to legislative hearings on the budget, the Department of Finance verify that the requested amounts are adequate for the rebudgeted project.

**A. California Environmental License Plate Fund
Ecological Reserves—Acquisition and Development**

We withhold recommendation on Items 3600-301-140(a) and (b), pending receipt of additional information regarding funding for development and maintenance of ecological reserves.

Item 3600-301-140 requests \$456,000 for land acquisition and \$50,000 for development of ecological reserves by the Department of Fish and Game.

The ecological reserve program seeks to preserve California's native wildlands and provide habitats for endangered animal species. Specific acquisition projects are identified by the department and ranked on a priority basis. Revenues for this program are derived from the sale of personalized license plates.

The department has identified seven land acquisition projects for the budget year. These proposed acquisitions have been ranked in priority order by the department. In the event any site cannot be acquired, the department will attempt to purchase the next site on the priority list. The department's description of each project, in priority order, follows:

1. *South Fork Ecological Reserve (3,200 acres, Kern County)*. This proposed acquisition, which is along the south fork of the Kern River, includes a wide flood plain which supports a continuous broad willow and cottonwood riparian zone. This zone is believed to be the largest contiguous cottonwood-willow forest still existent in California, and is one of only two sites in the Sierra Nevada range known to support the rare California yellow-billed cuckoo.

2. *By Day Creek Ecological Reserve (160 acres, Mono County)*. This three-quarter mile stretch of By Day Creek contains very productive aquatic and riparian habitats which are currently undergoing degradation due to sheep grazing pressure in the area. The creek contains the only known Walker River strain of Lahotan cutthroat trout, and is considered a critical habitat for this federally listed endangered species. The area also supports a diverse wildlife population with many game and nongame species.

3. *Fort Mojave Ecological Reserve (160 acres, San Bernardino County)*. The proposed reserve is located one mile west of the Colorado River, adjacent to the Fort Mojave Indian Reserve. This area consists of a mature willow-cottonwood-mesquite plant community which supports 90 percent of the known breeding population of the endangered elf owls in California. The preservation of this breeding area is considered necessary to maintain the species population in California.

4. *Rim of the World Ecological Reserve (3 acres, San Bernardino County)*. This area, which is near Lake Arrowhead, contains essential breeding, denning, and foraging habitat for the rare southern rubber boa. This high-density boa area is currently planned for clearing and development which would further reduce preferred habitat for the species and continue the decline of the population.

5. *San Sebastian Marsh Ecological Reserve (2,080 acres, Imperial County)*. This lush desert wetland, which is located in the Salton Sink, provides ideal habitat for the endangered desert pupfish, and is one of only two natural systems in the Salton Sink where this species occurs. The area is also critical to the desert's numerous wildlife species.

6. *Salt Creek Ecological Reserve (2,560 acres, Riverside County)*. This proposed acquisition is located on the northeast shore of the Salton Sea. The lush marsh riparian system supports the desert's numerous wildlife inhabitants. The creek also provides excellent habitat for the only species native to the Salton Sea, the endangered desert pupfish.

7. *Rancho Dos Palmas Ecological Reserve (1,371 acres, Riverside County)*. The large desert area of the Rancho, which actually lies below sea level, has many seeps and springs which support lush riparian and marsh growths, including five oases. These areas are key to the survival of many desert wildlife species, and preservation is essential to maintain a viable desert eco-system.

Funding Problems for Development and Maintenance of Acquired Reserves

The Department of Fish and Game is responsible for overseeing and maintaining property acquired by the Wildlife Conservation Board, either on behalf of the department or through the board's own funding authority. These functions traditionally have been funded from the Fish and Game Preservation Fund.

The department is proposing to use \$2,000,000 in the budget year from the Energy and Resources Fund (ERF) for development and maintenance of 19 wildlife habitat and ecological reserve areas which were acquired in previous years. The department indicates that existing funding sources are inadequate to develop and maintain its holdings at a level which the department believes is desirable. While the ERF is an appropriate funding source for the *acquisition* of wildlife areas, it is not an appropriate funding source of funds for *ongoing maintenance* work. This issue is addressed in more detail in our analysis of Item 3600-001.

Given the problems the department is having maintaining lands already under its responsibility, it is not clear how it will be able to maintain the proposed acquisitions within existing funding sources. Prior to budget hearings, the department should identify the maintenance and operating costs associated with the proposed acquisitions, and indicate how it plans to finance these costs. Until this issue is resolved, no further acquisition should be made. Consequently, we withhold recommendation on this request until the department provides the requested information.

B. Energy and Resource Fund, Resources Account

The budget proposes \$3,735,000 from the Energy and Resources Fund (ERF), Resources Account, for four capital outlay projects for the Department of Fish and Game. The proposal includes rebudgeted funds for three projects that were appropriated for the current year and were subsequently frozen. The funds appropriated in the 1981 Budget Act are proposed for reversion under Item 3600-495. In addition, the department is also requesting a new appropriation for work at the Nimbus Fish Hatchery.

Rebudgeted Projects

We recommend approval of Items 3600-301-190(b), (c) and (d).

The budget includes \$3,538,000 under Items 3600-301-190(b), (c), and (d), for three planning and acquisition projects. Funds for these projects

**DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY
AND REVERSION—Continued**

were appropriated in the 1981 Budget Act, but are proposed for reversion under Item 3600-495. The budget proposes that these funds be appropriated for 1982-83 so that the projects can proceed in the budget year. This proposal is summarized in Table 2 and a description of each project follows.

Table 2
Department of Fish and Game
Rebudgeted Capital Outlay Projects
(in thousands)

Project	1981-82		1982-83	
	Budget Act Appropriation ^a	Amount Expended/ Transferred to OSA	Amount Reverting	Budget Bill Amount
Big Springs Hatchery.....	\$200 p	—	\$200	\$200
Rare and endangered species—land acquisition.....	3,500	\$365	3,135	3,135
Bolsa Chica Wetlands—development and restoration	212 ^b pw	10	202	203
Totals	\$3,912	\$375	\$3,537	\$3,538

^a Phase symbols indicate: p—preliminary plans; w—working drawings.

^b Partial reappropriation of Item 524, Budget Act of 1980.

Big Springs Hatchery—Preliminary Plans. The budget proposes \$200,000 for the preparation of preliminary plans for the Big Springs Hatchery. The project includes site development and construction of rearing and adult ponds, a fish ladder, and a diversion dam and intake structure. Also included are a spawning building and hatchery building, five residences, and a shop-office-garage-freezer building. The 1981 Budget Act appropriated \$200,000 for preliminary plans but these funds are proposed for reversion. This request would restore the funds and allow the project to proceed in 1982-83.

Rare and Endangered Species—Land Acquisition. The 1981 Budget Act included an appropriation of \$3,500,000 for the Department of Fish and Game to acquire habitats for the preservation of rare and endangered species. The department expended \$365,000 of this money in the current year for the acquisition of the Blue Ridge Condor habitat in Tulare County (596 acres). The Budget Bill proposes to revert the remaining \$3,135,000. This item would restore the funds and allow the remainder of the acquisitions to proceed in 1982-83.

Bolsa Chica Wetlands, Development and Restoration—Preliminary Plans. This project would expand the existing coastal ecological reserve by restoring 85 acres of basin area to tidal influence. This would leave only 15 acres of the 300-acre state land as unrestored marsh. Because of oil company activity inside the reserve, restoration of the entire state property is not possible. The project includes construction of new levees and tidal gates, raising of existing roads and removal of abandoned oil wells. The 1980 Budget Act appropriated \$1 million from the ERF for this project. The department expended \$3,000 of this money in 1980-81. The 1981 Budget Act reappropriated \$212,300 of the remaining balance for the purpose of developing environmental studies, preliminary plans, and working drawings for the restoration work. The department has expended

\$10,000 of this money in 1981-82. The remaining funds (\$202,000) are reverted under Item 3600-495. This request would restore the funds and allow the project to proceed in 1982-83.

Given the Legislature's previous action on these three projects, we recommend approval. However, the Department of Finance should indicate whether or not the proposed amounts are adequate for the projects to proceed, given the one-year delay in the implementation of the projects.

Reversion of Appropriations in the 1981 Budget Act

We recommend approval of Item 3600-495.

As shown in Table 2, the unencumbered balance of three appropriations for capital outlay in the 1981 Budget Act are proposed for reversion under this item. The amount to be reverted totals \$3,537,000. The amount associated with each project, however, is rebudgeted under Item 3600-301-190. Thus, reversion of the 1981 Budget Act amounts would not result in the cancellation of the projects.

Modernize Nimbus Fish Hatchery—Working Drawings

We withhold recommendation on Item 3600-301-190(a), working drawings, Nimbus Fish Hatchery, pending receipt of preliminary planning documents and a justification for phasing this project.

The budget proposes \$197,000 under Item 3600-301-190(a) for preparation of working drawings to modernize the Nimbus Fish Hatchery. The project includes demolition of existing earth rearing ponds, holding and nursery ponds, and spawning facilities. New holding and gathering ponds, 66 concrete rearing ponds, a spawning building and an equipment and storage building would be constructed. The project also includes related piping and site development work. The estimated future cost of this work is \$6,942,000.

The department indicates that this is phase I of a two phase project. The second phase will include the construction of 30 additional ponds and bird screens and related pavement work. The estimated total cost for phase II is \$2,700,000.

Previous Funding for the Project. The 1981 Budget Act appropriated \$118,000 for the preparation of preliminary plans for this project. Preliminary plans for phase I were also partially funded by \$45,000 from Ch 1104/79 (SB 201). Chapter 1104 appropriated \$315,000 to the Department of Fish and Game from the Renewable Resources Investment Fund (which the statute created) for planning and working drawings for the expansion of Nimbus Hatchery and other projects. The OSA project schedule indicates that preliminary plans for this project will be completed in March 1982.

Reduced Project Scope. This project as approved by the Legislature last year did not include a phasing of the work necessary to expand the Nimbus Hatchery. Rather, the appropriation of \$118,000 was for the preparation of preliminary plans for a complete project. It is not clear why the department has chosen to divide this project into two phases.

We withhold recommendation on this project, pending receipt of both the preliminary plans and justification from the department for a two phase project.

**DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY
AND REVERSION—Continued**

**C. Fish and Game Preservation Fund
Project Planning**

We recommend approval of Item 3600-301-200(a), project planning.

Item 3600-301-200(a) proposes a blanket appropriation of \$40,000 from the Fish and Game Preservation Fund for project planning. These funds would be allocated to the Office of State Architect to develop schematic budget packages for 1983-84 capital outlay proposals. Funds for this purpose have traditionally been provided each year for allocation to projects approved by the Department of Finance. The proposed amount would provide plans for projects costing about \$2.7 million to construct. The amount is reasonable and consistent with past legislative appropriations for planning, and we recommend approval.

Minor Capital Outlay

We recommend that Item 3600-301-200(b) be reduced by \$75,000 because one project is not justified.

The budget proposes \$648,000 under Item 3600-301-200(b) for 10 minor capital outlay projects for the Department of Fish and Game. The proposed funds would be used for minor improvements at various hatchery facilities. Table 3 summarizes the department's request.

**Table 3
Department of Fish and Game
1981-82 Minor Capital Outlay
(in thousands)**

<i>Project/Location</i>	<i>Budget Amount</i>
Construct fish trays and ladder—Irongate Hatchery.....	\$58
Improve entrance road—Darrah Springs Hatchery	20
Construct hatchery building and repair ponds—Merced River Facility	60
Install well and pump—Los Banos Wildlife area	40
Residence repairs—Mendota Wildlife area	75
Construct pump station and leach field—Fillmore Hatchery.....	10
Install drainage system and repair roadways—Fillmore Hatchery	95
Replace one residence—Hot Creek Hatchery	71
Construct public restrooms—Mt. Whitney Hatchery	20
Rebuild access road—Fillmore Hatchery	149
Total	<u>\$648</u>

Except for the project to repair residences at Mendota Wildlife area, the department has provided adequate justification for the minor capital outlay program. Consequently, we recommend approval of nine projects and recommend deletion of the Mendota project for the reasons discussed below.

Residence Repairs—Mendota Wildlife Area. The department's minor capital outlay proposal includes \$75,000 for residence repairs at Mendota Wildlife area. This money would be used to replace roofs and garage doors on five residences, and to construct five carports. The department indicates that: the metal roofs are starting to leak and need to be resealed and sealed; the garage doors are broken and need to be replaced; and the five carports are needed because the garages are too small for modern cars.

Our analysis indicates that the roof and garage door work is maintenance and should be funded from the department's support and operations budget. The carport construction would be minor capital improvements. The department, however, has not provided an adequate justification or cost estimate. For these reasons, we recommend that these funds be deleted.

Hot Creek Hatchery, Replacement of Hatchery Ponds—Working Drawings

We recommend approval of Item 3600-301-200(c), working drawings, Hot Creek Hatchery, replacement of ponds.

The budget proposes \$100,000 under Item 3600-301-200(c) for working drawings to replace the existing dirt ponds at Hot Creek Hatchery with standard concrete raceway ponds. The proposed work, which is identified as phase I of the Hot Creek work, includes the demolition of the existing ponds and piping at Hot Creek and the construction of 40 new ponds. Two pond aerators, 2 fish crowders, 1 forklift, and 24 pond feeders would also be provided. The department anticipates requesting \$1,959,000 in 1983-84 for the completion of this phase. Phase II of the Hot Creek Hatchery work will involve replacement of two deteriorating hatchery buildings with one new building. While both phases of the work will improve the Hot Creek facilities, the two phases are not dependent on each other. Funding of phase I does not commit the state to the phase II work.

The department states that erosion has destroyed the raceway action of the present dirt ponds. Replacement with concrete raceways will allow for more efficient use of labor and fish feed, increase production, and reduce the cost per pound of fish produced.

We recommend that the project be approved. We note, however, that the department's proposal includes items of equipment which have not been adequately justified. The estimated future cost of the project includes funds to provide one forklift and 24 pond feeders. Given that Hot Creek Hatchery is already fully operational, the need for these items is not clear. Any subsequent funding proposal should either delete these items or provide a detailed justification of need.

New Region III Office—Construction

We withhold recommendation on Item 3600-301-200(d), construction, Region III office, pending receipt of additional information.

Item 3600-301-200(d) requests \$1,619,000 for the construction of a new office for Region III, to be located on state-owned land in Napa. Adequate storage space would be provided so that this office can serve as a distribution center for other facilities in the region.

The department's current regional headquarters is located in one of the domiciliary buildings at the Veterans Home in Yountville. The Veterans Home is planning on remodeling this space for use by home members, and Fish and Game has been notified that it will have to relinquish the facility in the near future.

The 1981 Budget Act appropriated \$87,750 for the preparation of preliminary plans and working drawings for the new region office. The project consists of the construction of a 15,136 gross square foot single-story office facility and related site improvements, with sufficient space for 46 employees and 10 state vehicles. While we have received an updated estimate for this project, preliminary plans have not been completed. The OSA indicates that these documents should be available prior to budget hear-

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ings. Consequently, we withhold recommendation on this project, pending receipt of this information.

Projects by Descriptive Category

In the A-pages of our *Analysis*, we discuss the capital outlay funding problems resulting from the distribution of tidelands oil revenue in 1982-83. To aid the Legislature in resolving these problems, we have divided those projects which our analysis indicates are justified into the following categories:

1. Critical fire/life safety and security projects—includes projects to correct life threatening conditions.
2. Projects needed to meet code requirements—includes projects that do *not* involve life threatening conditions.
3. Essential utility, site development and equipment—includes projects needed to make new buildings usable or continue usability of existing buildings.
4. Meet existing instructional capacity needs in higher education—includes projects that are critical, and for which no alternatives are available other than reducing enrollments.
5. Improve program efficiency or cost effectiveness—includes new office buildings, alterations, etc.
6. Energy conservation projects—includes projects with a payback period of less than five years.
7. Energy conservation projects—includes projects with a payback period greater than five years.

Table 4 shows how we categorize the projects funded by this item that our analysis indicates are warranted.

Table 4
Major Projects by Descriptive Category
Item 3600-301-190
Department of Fish and Game

<i>Category 1 Item Number/Project Title</i>	<i>Analyst's Proposal</i>
1. None	
2. None	
3. None	
4. None	
5. (b) Big Springs Hatchery	\$200
(c) Rare and endangered species—land acquisition	3,135
(d) Bolsa Chica Wetlands—development and restoration	203
6. None	
7. None	
Total	\$3,538

Department of Fish and Game
WILDLIFE CONSERVATION BOARD

Item 3640 from the Wildlife
Restoration Fund

Budget p. R 129

Requested 1982-83	\$456,000
Estimated 1981-82.....	414,000
Actual 1980-81	296,000
Requested increase (excluding amount for salary increases) \$42,000 (+10.2 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Wildlife Conservation Board was created in 1947. It acquires property to protect and preserve wildlife and to provide fishing, hunting and recreational access facilities.

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

The board 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 Nejedly-Hart State, Urban and Coastal Bond Act of 1976, (2) Budget Act appropriations to the Department of Fish and Game from the Environmental License Plate Fund and the Energy and Resources Fund specifically for acquisition of ecological reserves and habitat for rare and endangered species. The board has nine authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$456,000 from the Wildlife Restoration Fund to support the Wildlife Conservation Board in 1982-83. This is \$42,000, or 10.2 percent, above 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 1982-83 (\$27,539) is for 1.5 positions. These positions will be funded by the Department of Water Resources through the first six months of the budget year. During the balance of the year, these positions will undertake capital outlay work, and will be supported from the Wildlife Restoration Fund. The remainder of the requested increase in support funds (\$14,461) is for the higher cost of merit increases, staff benefits and equipment.

In previous years, part of the cost for certain projects was reimbursed by the federal government, primarily from the Federal Land and Water Conservation Fund. Federal funding from this source was terminated by the federal government during 1981.

WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY

Item 3640-301 from the Energy
and Resources Fund, Re-
sources Account

Budget p. R 131

Requested 1982-83	\$4,000,000
Recommendation pending	\$4,000,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Acquisition of Wildlife Habitat Lands. Withhold recommendation on Item 3640-301-190 pending receipt of additional information. Further recommend that any approved funds be subject to Section 8.00 of the Budget Act.

ANALYSIS AND RECOMMENDATIONS**Acquisition of Wildlife Habitat Lands**

We withhold recommendation on Item 3640-301-190, pending receipt of additional information. We further recommend that any approved funds be subject to Section 8.00 of the Budget Act.

The budget proposes \$4,000,000 from the Resources Account, Energy and Resources Fund (ERF), for the acquisition of wildlife habitat lands by the Wildlife Conservation Board. The proposed acquisitions would include wetlands and habitats for upland wildlife and endangered species.

A total of \$17,544,000 in possible acquisitions has been identified by the board. The board indicates that it cannot identify specific parcels for acquisition because the board can only deal with willing sellers. Approximately one-half of the funds would be used for land acquisition for rare and endangered species. The remaining funds would be used for acquisition of riparian and big game habitats.

The Department of Fish and Game is responsible for overseeing and maintaining property acquisitions made by the board, either on behalf of the department or through the board's own funding authority. These functions traditionally have been funded from the Fish and Game Preservation Fund. The department is proposing to use \$2,000,000 in the budget year from the ERF for development and maintenance of 19 wildlife habitat and ecological reserve areas which were acquired in previous years. The department indicates that existing funding sources are inadequate to develop and maintain holdings at a level which it feels is desirable.

While the ERF is an appropriate funding source for the acquisition of wildlife areas, the Legislature did not intend that it be used as a source of funds for ongoing maintenance work. This issue is addressed more fully under our analysis of Item 3600, support for the Department of Fish and Game.

Given the problems the department is having in maintaining land currently under its responsibility, it is not clear how it will be able to maintain the proposed acquisitions within existing funding sources. Prior to budget hearings, the board and the department should identify the development and maintenance costs associated with the proposed acquisitions, and indicate how they plan to finance these costs. Until this issue is resolved, no further acquisitions should be made. Consequently, we withhold recommendation on this item until the board and the department provide the requested information.

Review of Acquisitions. The Budget Bill proposes that these funds be appropriated in accordance with the provisions of the Wildlife Conservation Law of 1947. If this were done, the funds would be *continuously appropriated* to the board, and there would be no further review of either the projects or expenditures.

We recommend that any approved funds be treated in the same manner as appropriations for other state acquisitions. This would result in the funds being available for acquisition purposes for three years and subject to Public Works Board approval as specified in Section 8.00. Consequently, we recommend deletion of the following language under Item 3640-301-189:

“ . . . in accordance with the provisions of the Wildlife Conservation Law of 1947.”

WILDLIFE CONSERVATION BOARD—REAPPROPRIATION

Item 3640-490 from the State,
Urban, and Coastal Park Fund

Budget p. R 131

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on Item 3640-490 for reappropriation of funds for acquisition of coastal and interior wetlands and riparian habitat, pending receipt of additional information.

The Budget Bill proposes reappropriation until June 30, 1983 of the following two acquisition projects approved for the Wildlife Conservation Board and funded from the State, Urban, and Coastal Park Fund (bonds).

1. Item 510(a), Budget Act of 1978—coastal wetlands, acquisition.
2. Item 510(c), Budget Act of 1978—interior wetlands and riparian habitat, acquisition.

The funds which are proposed for reappropriation were reappropriated for one year by the 1981 Budget Act for acquisition and development purposes. The budget shows these funds as being spent fully in the current year. The board, however, indicates that it will not be able to either encumber or spend all the funds this year. The board believes that an estimated \$4,212,000 will need to be reappropriated.

Moreover, under the provisions of the 1976 Bond Act which created the State, Urban, and Coastal Park Fund, the unencumbered balances of the funds under the bond program are to be totaled on July 1, 1983, and the Secretary of the Resources Agency is required to submit a new expenditure program covering these funds for inclusion in the 1984-85 budget. Consequently, any unencumbered funds in these appropriations on July 1, 1983, may be used for other types of projects authorized by the Bond Act (such as park acquisitions/development, coastal recreation, grants to local government).

Development/Maintenance Cost Problems. Acquisitions under this program are maintained by the Department of Fish and Game with monies from the Fish and Game Preservation Fund (FGPF). Under Items 3600-001 and 3640-301, we discuss the funding problems of the FGPF and the problem the department is having maintaining acquired properties. Given these problems, we withhold recommendation on this item until

WILDLIFE CONSERVATION BOARD—REAPPROPRIATION —Continued

the department and the board identify the development and maintenance costs associated with the proposed acquisitions and indicate how they intend to fund these costs.

Resources Agency

DEPARTMENT OF BOATING AND WATERWAYS

Item 3680 from the General
Fund and special funds

Budget p. R 133

Requested 1982-83	\$19,808,000
Estimated 1981-82.....	24,245,000
Actual 1980-81	17,802,000
Requested decrease (excluding amount for salary increases) \$4,437,000 (-18.3 percent)	
Total recommended reduction	None

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3680-001-001—Support		General	\$269,000
3680-001-516—Support		Harbors and Watercraft Re- volving	2,755,000
3680-101-190—Local Assistance, Beach Erosion Control		Resources Account, Energy and Resources	585,000
3680-101-516—Local Assistance, Boating Facilities		Harbors and Watercraft Re- volving	16,199,000
Total			\$19,808,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Budget Bill Language. Recommend adoption of Budget Bill language in Item 3680-101-516 making the encumbrance of funds for construction of project at Eureka contingent on the completion and approval of environmental impact report.

GENERAL PROGRAM STATEMENT

The Department of Boating and Waterways (a) constructs boating facilities for the state park system and State Water Project reservoirs, (b) makes loans to public and private marina operators to finance the development of small craft marinas and harbors, (c) makes grants to local agencies for boat launching facilities, boating safety, and law enforcement, (d) coordinates boating education programs, and (e) 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.

The department has 63.4 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$19,808,000 from various funds to the Department of Boating and Waterways for support and local assistance in 1982-83. This is a decrease of \$4,437,000, or 18.3 percent, from estimated current year expenditures of state funds. Expenditures by the department will increase by the amount of any salary or staff benefit increases approved for the budget year.

Table 1 summarizes the proposed 1982-83 budget changes by fund.

Table 1
Department of Boating and Waterways
Proposed Budget Changes
1982-83
(dollars in thousands)

	<i>General Fund</i>	<i>Harbors and Watercraft Revolving Fund</i>	<i>Energy and Resources Fund</i>	<i>Federal Trust Fund</i>	<i>Reim- bursements</i>	<i>Total</i>
1981-82 Base Budget (Revised)	\$267	\$21,123	\$2,855	\$5	\$15	\$24,265
A. Changes in Loan and Grant Programs						
1. Loans for Marina Development						
(a) To Public Agencies	—	-3,100	—	—	—	-3,100
(b) To Private Operators	—	-1,000	—	—	—	-1,000
2. Grants to Local Government						
(a) For Boat Launching Facilities ..	—	1,541	—	—	—	1,541
(b) For Boating Safety and Law En- forcement	—	325	—	—	—	325
(c) For Beach Erosion Control.....	—	—	-2,220	—	—	-2,220
B. Miscellaneous Adjustments	2	65	-50	-5	—	12
Total 1982-83 Changes	<u>\$2</u>	<u>-\$2,169</u>	<u>-\$2,270</u>	<u>-\$5</u>	<u>—</u>	<u>-\$4,442</u>
1982-83 Proposed Budget	\$269	\$18,954	\$585	0	\$15	\$19,823

The major changes shown in Table 1 include (a) a reduction of \$2,220,000 in beach erosion control expenditures from the Energy and Resources Fund, (b) a reduction of \$4,100,000 in loans for public and private marina development from the Harbors and Watercraft Revolving Fund, and (c) an increase of \$1,866,000 in grants to local governments for boat launching facilities and boating safety, also from the Harbors and Watercraft Revolving Fund.

Total revenues to the department in 1982-83 are estimated at \$16,928,000. The principal sources of these revenues are (a) \$7,800,000 in boater gasoline taxes, transferred from the Motor Vehicle Fuel Account, (b) \$2,938,000 in boater registration fees, (c) \$2,700,000 in interest from the Surplus Money Investment Fund, and (d) \$2,577,000 in interest and principal repayments from previous loans made to local agencies. The department indicates that the proposed reduction in 1982-83 expenditures from the Harbors and Watercraft Revolving Fund is due to a reduction in the amount available for expenditure in that fund.

The budget shows a June 30, 1983 accumulated surplus of \$1,009,000 in the fund. Based on past experience, we believe this surplus estimate is greatly understated. We will provide an independent estimate of the surplus at the time of the budget hearings.

DEPARTMENT OF BOATING AND WATERWAYS—Continued**DEPARTMENT SUPPORT**

The department proposes an expenditure of \$2,755,000 from the Harbors and Watercraft Revolving Fund for support in 1982-83 (Item 3680-001-516). This is an increase of \$65,000, or 2.4 percent, over estimated current-year expenditures. Our analysis indicates that the proposed amount is appropriate.

BEACH EROSION CONTROL

The objective of the Beach Erosion Control Program is to mitigate coastal erosion and develop shoreline protection measures. The program involves cooperative efforts with federal, state and local agencies.

Staff for the Beach Erosion Control Program is supported from the General Fund (Item 3680-001-001). For 1982-83, the department requests \$269,000 for staff support, an increase of \$2,000, or 0.7 percent, above estimated current year expenditures.

Alameda Beach Project

The budget proposes an appropriation of \$585,000 from the Resources Account in the Energy and Resources Fund (Item 3680-101-190) to complete a local beach replenishment project which was undertaken in the current year in conjunction with the East Bay Regional Park District and the City of Alameda. During the current year, state funding of \$1,355,000 was provided from the Energy and Resources Fund and \$600,000 was provided from local funds.

The project is proceeding on schedule, and we therefore recommend approval of the \$585,000 proposed for the second year.

GRANTS AND LOANS

The budget requests \$16,199,000 from the Harbors and Watercraft Revolving Fund (Item 3680-101-516) for grants and loans for various local boating projects and for boating safety and enforcement. The specific allocations are shown in Table 2.

Table 2
Small Craft Harbor Loans
1982-83

<i>Project</i>	<i>Status</i>	<i>Amount</i>
1. Balboa Yacht Basin Marina, Newport Beach	New	\$2,500,000
2. Diesel Street Marina, Oakland	Final Phase	600,000
3. Downtown Shoreline Marina, Long Beach	Final Phase	600,000
4. Martinez Marina, Martinez	New	300,000
5. Santa Cruz Harbor, Santa Cruz	New	600,000
6. Unspecified Planning.....	—	100,000
7. Cabrillo Beach Marina, Port of Los Angeles.....	Final Phase	4,000,000
8. Spud Point, Bodega Bay	Continuing	1,400,000
9. Emergency Storm Repairs	—	100,000
Total		\$10,200,000

Our review indicates that these projects are justified.

Loans for Public Marina and Harbor Development

The budget proposes \$10,000,000 in loans to fund seven marina and harbor development projects which are being undertaken by local agencies, \$100,000 for statewide planning, and \$100,000 for emergency storm repairs. Environmental impact statements for the projects have been completed, and approval has been secured from the appropriate state agencies. The specific projects to be funded are shown in Table 2.

Grants for Launching Facilities Development

The budget proposes \$3,283,000 in grants to local government for construction of boat launching ramps, restrooms, and parking areas. All of the necessary environmental documentation for the projects has been completed, except as noted below. The specific projects to be funded are shown in Table 3.

Table 3
Launching Facility Grants
1982-83

<i>Project</i>	<i>Status</i>	<i>Amount</i>
1. Big Bear Lake	Improvements	\$270,000
2. Discovery Park	Improvements	85,000
3. East Bay	New Facility	105,000
4. Elkhorn	New Facility	100,000
5. Eureka	New Facility	350,000
6. Floating Restrooms (Statewide)	New Facility	150,000
7. Launching Facility Repairs (Statewide)	Improvements	100,000
8. Lake Morena	New Facility	350,000
9. Lake San Antonio	New Facility	500,000
10. Morro Bay	Improvements	313,000
11. Moss Landing	New Facility	375,000
12. Oceanside	Improvements	55,000
13. Shelter Cove	New Facility	280,000
14. Vallejo	Improvements	250,000
Total		\$3,283,000

Our review indicates that these projects are justified.

Budget Bill Language

We recommend adoption of Budget Bill language making the encumbrance of funds for the Eureka project contingent on the completion and approval of an environmental impact report.

The department indicates that as of January 26, 1982, an environmental impact report (EIR) for the budgeted local assistance project in Eureka had not been completed or approved. The EIR should be completed and approved before funds are encumbered. Consistent with the actions of the Legislature in prior years, we recommend adoption of the following Budget Bill language in Item 3680-101-516:

"provided, that none of the funds specified in category (a) for the Eureka project may be encumbered unless and until the environmental impact report for the project has been completed and approved."

Grants for Boating Law Enforcement

The department requests \$2,716,000 to provide grants for local boating safety and enforcement programs in 32 jurisdictions where nonresidents use boats extensively. This is an increase of \$325,000, or 13.5 percent, over estimated current-year expenditures.

The grants are calculated on the basis of a formula provided in the

DEPARTMENT OF BOATING AND WATERWAYS—Continued

Harbors and Navigation Code (Section 663.7). Actual payments are based on expenditure claims filed with the department on a quarterly basis. The grants are consistent with applicable law and we recommend their approval.

**DEPARTMENT OF BOATING AND WATERWAYS—
CAPITAL OUTLAY**

Item 3680-301 from special funds Budget p. R 142

Requested 1982-83	\$1,010,000
Recommended approval	932,000
Recommended change in funding source	78,000
Net recommended approval	1,010,000

ANALYSIS AND RECOMMENDATIONS

The budget proposes three appropriations totaling \$1,010,000 for Department of Boating and Waterways capital outlay projects in 1982-83. Funds would be derived from three special funds, as follows:

Item 3680-301-190—Resources Account, Energy and Resources Fund	\$78,000
Item 3680-301-516—Harbors and Watercraft Revolving Fund.....	563,000
Item 3680-301-742—State Urban and Coastal Park Fund....	369,000

Resources Account, Energy and Resources Fund (Item 3680-301-190)

(a) Kopta Slough, Woodson Bridge SRA.....	\$24,700
(b) Carrizo Wash, Picacho SRA.....	25,900
(c) Taylor Lake, Picacho SRA	27,400

We recommend that (1) Item 3680-301-190 be deleted and (2) the \$78,000 requested in this item be provided under Item 3680-301-516, because the Harbors and Watercraft Revolving Fund, rather than the Energy and Resources Fund, is the more appropriate funding source for boating facility projects.

The Governor's Budget requests \$78,000 from the Energy and Resources Fund (ERF) to construct overnight boating facilities at three sites.

Our analysis indicates that these projects are justified. In our judgment, however, the ERF is not the appropriate funding source for these projects. The department's Harbors and Watercraft Revolving Fund was established to finance projects of this type, and the fund contains sufficient money for this purpose. Accordingly, we recommend that the source of funds be shifted from the ERF to the Harbors and Watercraft Revolving Fund. This would be consistent with the action taken by the Legislature in enacting the 1981 Budget Act.

Harbors and Watercraft Revolving Fund (Item 3680-301-516)

(a) Project planning	\$25,000
(b) Minor capital outlay	403,000
(c) Lake Elsinore launching ramp	135,000

We recommend approval of (a), (b) and (c) as budgeted.

Schedules (a) and (b) finance planning work and minor capital outlay projects (boarding floats, launching ramps, and minor miscellaneous improvements) proposed by the Department of Boating and Waterways from the Harbors and Watercraft Revolving Fund. Projects are proposed for (1) Bidwell State Park, (2) Lake Tahoe, (3) Oroville Lake, (4) Millerton Lake, (5) Spud Island, (6) Russian River, and (7) unspecified emergency boat ramp repairs or extensions. Schedule (c) finances a boat ramp at Lake Elsinore. The proposed projects meet criteria established for minor capital outlay funding, and our analysis indicates they are reasonable in scope and cost.

(d) Kopta Slough, Woodson Bridge SRA	\$24,700
(e) Carrizo Wash, Picacho SRA	25,900
(f) Taylor Lake, Picacho SRA	27,400

We recommend that an additional \$78,000 be appropriated from Item 3680-301-516 for three projects, because the Harbors and Watercraft Revolving Fund, rather than the Energy and Resources Fund, is the more appropriate funding source. This is consistent with our recommendation on Item 3680-301-190, above.

State Urban and Coastal Park Fund (Item 3680-301-742)

(a) Project planning	\$25,000
(b) Minor capital outlay	344,000

We recommend approval.

This item finances planning work and minor capital outlay projects (boarding floats, launching ramps, and minor miscellaneous improvements) proposed by the Department of Boating and Waterways from the State, Urban, and Coastal Park Fund. Projects are proposed for (1) Harbor Cove, (2) Perris Lake (two projects), (3) Pyramid Lake, (4) San Luis Reservoir, and (5) unspecified emergency boat ramp repairs and extensions. The proposed projects meet criteria established for minor capital outlay funding, and appear to be reasonable in scope and cost.

**Resources Agency
CALIFORNIA COASTAL COMMISSION**

Item 3720 from the General
Fund and special funds

Budget p. R 143

Requested 1982-83	\$7,747,000
Estimated 1981-82.....	7,063,000
Actual 1980-81	7,141,000
Requested increase (excluding amount for salary increases) \$684,000 (+9.7 percent)	
Recommendation pending	\$165,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3720-001-001—Support		General	\$6,609,000
3720-001-140—Support		Environmental License Plate	158,000
3720-101-001—Local Assistance		General	580,000
3720-111-001—Legislative Mandates		General	400,000
3720-001-890—Support		Federal Trust	(975,000)
3720-101-890—Local Assistance		Federal Trust	(720,000)
Total			\$7,747,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. New Computer Mapping. Defer recommendation on \$165,000 requested in Item 3720-001-001 for development of a new computer mapping system, pending report setting forth details of proposal and indicating which state agency can best carry it out.

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GENERAL PROGRAM STATEMENT

The California Coastal Commission implements the state's coastal management program, as provided in the California Coastal Act. The two major components of this program are the preparation of local coastal programs (LCPs) and the regulation of development in each of the 67 local jurisdictions in the coastal zone.

The commission has 15 members, consisting of 6 public members, 6 local elected officials, and 3 ex-officio members representing state agencies.

The commission has its headquarters in San Francisco, and has five district offices located in key coastal areas. In the current year, the commission has 198 authorized personnel-years.

ANALYSIS AND RECOMMENDATIONS

The budget proposes state expenditures totaling \$7,747,000 by the California Coastal Commission in 1982-83. Of this amount, \$7,589,000 is from the General Fund and \$158,000 is from the California Environmental License Plate Fund. The request represents a decrease of \$684,000, or 9.7 percent, below estimated current year expenditures. This, however, makes no allowance for the cost of any increase in salary or staff benefits that may be approved for the budget year.

The General Fund request of \$7,589,000 consists of the following components:

- a. \$6,609,000 for state operations. This is an increase of \$1,002,000 over the current year amount, and primarily reflects: an increase of \$643,000 to replace federal funding; an increase of \$154,000 for energy planning studies; price increases and miscellaneous changes; and a decrease of \$298,000 to achieve the 5 percent reduction required of many General Fund agencies by the Department of Finance (\$179,000 in personal services and \$119,000 in operating expenses).
- b. \$580,000 for local assistance.
- c. \$400,000 for legislative mandates.

The General Fund portion of the commission's budget is \$724,000, or 10.5 percent higher than estimated current year expenditures.

Total expenditures, including those from federal funds and reimbursements, are proposed at \$9,482,000, a decrease of \$2,317,000, or 19.6 percent, below estimated current year total expenditures. The decrease in total expenditures is primarily due to a \$3,002,000 reduction in federal funds. Of this reduction, \$602,000 reflects the loss of all but \$95,000 of federal coastal energy impact program (CEIP) funds. The remainder—\$2,400,000—reflects a reduction in federal funds from the Office of Coastal Zone Management (OCZM).

The budget for 1982-83 includes \$1,600,000 in federal OCZM grant funds. The commission has been notified by OCZM that this money will be the state's final grant under the program, and that the state is unlikely to receive any other federal funds in FFY 83. The budget proposes to spend the \$1,600,000 as follows:

- a. \$160,000 to be passed through to the San Francisco Bay Conservation and Development Commission.
- b. \$1,440,000 for direct expenditure by the commission. Of this amount, \$720,000 will be spent for commission operations and \$720,000 will be spent for local coastal program development and implementation, as required by the California Coastal Act.

Program Changes

Table 1 summarizes significant program changes in the 1982-83 budget. Some of the more important changes are as follows:

Regulation of Development. The budget requests \$389,000 from the General Fund to restore most of a \$632,000 reduction in federal coastal zone management funds. These funds would be used to regulate development in the coastal zone. Despite the restoration, staffing for this program will still be reduced by approximately 17.8 personnel-years.

Local Coastal Program Completion. The budget proposes a net increase of \$254,000 from the General Fund to offset a \$516,000 reduction in federal OCZM funds that previously supported the review of local coastal programs (LCPs). Due to the slow LCP completion rate, the LCP work-

CALIFORNIA COASTAL COMMISSION—Continued

load will continue through the budget year. The commission, however, anticipates a 9.0 personnel-year reduction in staff for this program element as some LCPs are completed.

Local Permit Issuance. Cn 1173/81 enables local government, instead of the coastal commission, to issue most development permits before completion of local coastal programs. The budget proposes \$400,000 from the General Fund for local start-up costs for issuing these development permits. This is an increase of \$40,000 over estimated current year expenditures.

Energy Planning and Permit Staff. Prior to 1981-82, the commission's energy planning and permit staff (5.4 personnel-years) was financed from a coastal energy impact program (CEIP) grant. This grant has been discontinued. The commission requests that the 5.4 positions temporarily established in the current year to carry out the duties previously funded from the CEIP grant be permanently established in 1982-83, at a General Fund cost of \$154,000. Activities to be undertaken in the budget year consist of (a) review of state permits for exploratory drilling in state waters off the Santa Barbara coast due to lifting of the State Lands Commission's drilling moratorium on state leases, and (b) review of federal exploration and development plans in federal waters to assure consistency with the California Coastal Act.

Table 1
California Coastal Commission
Proposed Program Changes by Fund
1982-83
(in thousands)

	<i>Environmental License</i>				<i>Totals</i>
	<i>General Fund</i>	<i>Plate Fund</i>	<i>Federal Funds</i>	<i>Reimburse-ments</i>	
1981-82 Current Year (Revised)	\$6,865	\$198	\$4,697	\$39	\$11,799
A. Program Changes					
1. Permits and appeals.....	429 ^a	—	-632	—	-203
2. Local coastal planning.....	254	—	-1,596 ^b	—	-1,342
3. Statewide planning	80 ^c	—	90	—	170
4. San Francisco Bay Conservation and Development Commission grant (Item 3820)	—	—	-262	—	-262
5. Coastal access program	—	-40	—	—	-40
B. Workload Changes					
1. Energy planning.....	9 ^d	—	-602 ^e	—	-593
2. Administration.....	—	—	—	1	1
C. Administrative Changes					
1. Legislative mandates	-8	—	—	—	-8
2. Price increases.....	201	—	—	—	201
3. Five-percent reduction	-298	—	—	—	-298
4. Miscellaneous.....	57	—	—	—	57
Total 1982-83 Budget Changes	\$724	-\$40	-\$3,002	\$1	-\$2,317
Total 1982-83 Proposed Budget.....	\$7,589	\$158	\$1,695	\$40	\$9,482

^a This increase consists of \$389,000 for permits and \$40,000 for permit assistance.

^b Of this amount, \$1,080,000 is a reduction in local assistance LCP grants and \$516,000 is a reduction in state operations.

^c Includes a legal counsel position established in the current year with federal EPA funds.

^d Energy planning and permit staff cost increase.

^e Coastal Energy Impact Program funds.

State Compliance with National Objectives. The budget allocates \$317,000 of its federal OCZM grant to comply with the federal Coastal Zone Management Act. This act requires that an increasing portion of each federal grant be spent on "activities that will result in significant improvement being made in achieving the coastal management objectives." The commission proposes to spend this money on special studies and on expansion of its data processing capabilities.

Coastal Access Program. The budget proposes \$158,000 from the California Environmental License Plate Fund to continue the commission's public access program at a slightly lower level.

State Use of Computer Mapping Undefined

We defer recommendation on \$165,000 requested in Item 3720-001-001 for the Coastal Commission to develop a new computer mapping system. We further recommend that the commission and the Department of Finance report prior to budget hearings on (a) the commission's staff, equipment, and program needs for the mapping and (b) the extent to which state agencies currently performing computer mapping services can either provide assistance to the commission or directly perform the mapping.

In order to comply with federal directives to improve the commission's overall program, the budget proposes to allocate \$165,000 of federal OCZM funds to purchase a mini-computer, a digitizer, and a line printer (\$105,000), and related data processing services (\$60,000). The funds are to develop an "interactive graphics system" (computer mapping) at the commission to improve its review and enforcement of LCPs and coastal permits.

This budget request is based on a preliminary study by the commission which recommends that a pilot project be conducted with the Department of Water Resources (DWR). We understand that DWR has agreed to assist the commission, but the details of the assistance have not been worked out.

The commission has not provided sufficient information to justify its request. For example, it is not clear what the commission proposes to do, what the commission's long-term needs are for this system, or how the system will be integrated with the activities of local governments which issue permits and enforce the LCPs. We therefore are unable to determine whether the equipment requested is appropriate or whether the commission's staff is capable of carrying out the proposal. Because 1982-83 is the last year in which federal OCZM funds will be available, and no other federal funds are anticipated, the commission also needs to identify what effect this proposal will have on future state operating expenditures.

The commission should identify its program needs more precisely. In addition, the Department of Finance should review the capabilities of other state agencies with computer mapping systems, specifically the Department of Water Resources and the Department of Conservation, to determine (a) which agency can best provide assistance to the commission, and (b) what assistance can and should be provided. We recommend that this information be provided to the Legislature prior to budget hearings.

CALIFORNIA COASTAL COMMISSION—Continued**OVERVIEW OF PERMIT TRANSFER AND LCP STATUS****Expediting Permit Transfer**

The 1981 Budget Act contains language stating legislative intent that (a) the transfer of authority for issuing coastal permits from the commission to local governments should be expedited, and (b) all local coastal programs should be completed no later than July 1, 1982. In order to accelerate the transfer of permit authority from the state commission to local governments, the Legislature enacted Ch 1173/81, which became effective January 1, 1982.

Chapter 1173 authorized the state commission to delegate responsibility for issuing development permits to local coastal governments prior to completion of the local coastal program (LCP). The local coastal program, as defined in the Coastal Act, consists of a land use plan (LUP), zoning ordinances, zoning maps, and any other implementing devices needed to carry out the plan. The original coastal legislation authorized the transfer of the permit authority to local governments after commission certification of the entire LCP. Chapter 1173 continues this provision but also authorizes the transfer of the permit authority to local governments four months after the commission's certification of the land-use plan (LUP).

Seven jurisdictions have been issuing permits under the transfer provision contained in the original act. At the time this analysis was written, no local governments had indicated their intent to assume the permit authority under the expedited process, although the commission has formally notified local governments of the change made by Chapter 1173.

The transfer of the permit authority under Chapter 1173 is not automatic, but is contingent on certain local actions taking place during the four months after commission certification of the LUP. If these events do not occur, the original coastal legislation still enables the jurisdiction to defer assumption of the permit authority until the entire local coastal program is certified.

The new law does not appear to provide any clear program advantage or time savings to jurisdictions that have already made substantial progress on their LUPs or have begun work on their implementing ordinances. The new law does not exempt local governments from eventually preparing the implementing ordinances to carry out the plan. Local governments must still prepare, and the commission must still certify, the ordinances to carry out the plan.

According to Coastal Commission estimates, approximately one-half of the 67 jurisdictions covered by the program may eventually use the option under Chapter 1173. The other half are expected to assume the permit authority after certification of their entire plan.

In anticipation of this expedited permit transfer, the commission's 1982-83 budget contains a reduction in permit staff of about 17 personnel-years in 1982-83. This would leave 52 positions to handle the remaining permit workload. This staffing reduction reflects not only the uncertainties regarding workload stemming from Chapter 1173, but the loss of federal funds and the shortage of General Fund money as well.

Costs of Permit Transfer are Minor. The actual costs per jurisdiction of assuming the permit authority under Chapter 1173 appear to be modest. Experience to date with the seven jurisdictions that have been issuing permits indicates that the start-up costs ranged from approximately \$4,000

-\$25,000 per jurisdiction to pay for minimal staff training and procedural tasks, such as permitting maps, forms and checklists. Local governments costs for issuing permits under Chapter 1173 should be no higher than the start-up costs of jurisdictions that are already issuing permits.

The Budget Act of 1981 appropriated \$1.5 million for local permit start-up costs. The commission now anticipates that only \$360,000 of this amount will be needed in the current year. While this estimate is more realistic than previous commission estimates, we believe it probably is still too high. The 1982-83 budget proposes \$400,000 for start-up costs. The \$400,000 would provide \$7,272 per jurisdiction, based on Coastal Commission projections that approximately one-third of the 67 jurisdictions will start issuing permits during 1982-83. This amount appears to be reasonable.

Any *ongoing* costs for issuing permits under Chapter 1173 or under the procedures contained in the original coastal act, would be eligible for reimbursement as a mandated cost under Item 3720-111-001. The amount budgeted for these reimbursements is \$400,000, the same amount provided for in the current year. Once again it is difficult to estimate the amount needed for this mandate. The \$400,000, however, appears reasonable at this time, although further experience with the program may indicate a need for an increase.

LCPs Will Not be Completed During the Current Year

The Coastal Act required that the state certify all local coastal programs by July 1, 1981. In the 1981-82 budget, the commission estimated that 37 out of 67 jurisdictions would meet the statutory deadline. As of the July 1 deadline, however, only 19 jurisdictions had certified LCPs.

Various policy and procedural reasons explain why LCP completion has been slow to date. Some are: (a) difficulty in resolving major land use issues, such as affordable housing, public access, wetlands preservation, or urban/rural boundaries, (b) geographically segmenting the coastal zone into more planning areas, (c) litigation over the Coastal Act, (d) public participation requirements, and (e) state and local staffing changes.

Currently it appears that completing the LUPs and LCPs will continue into the budget year and possibly beyond. The proposed budget reflects this continuing workload for reviewing plans, and requests additional state funds in the amount of \$445,000 to partially offset the loss of federal funds in the budget year.

Land Use Issues Will Continue After LCPs are Certified

Although the Coastal Act requires LCPs to indicate the kinds, locations, and intensities of land uses, the LCPs produced to date vary in their level of specificity and ability to resolve land use conflicts.

One reason specificity in land-use plans is difficult to obtain is that the Coastal Act itself provides little guidance regarding when one policy, such as wetlands preservation, should yield to other policies, such as those involving further development in already urbanized areas. Consequently, the policies are often vaguely, and perhaps inconsistently, applied throughout the coast in response to local conditions. Furthermore, some certified LCPs contain only general policy statements that public access or preservation of agriculture should be encouraged, but contain no detail as to how this will be done. In other cases, the LUPs or LCPs are more detailed and may even outline actual projects to carry out the relevant Coastal Act policy.

Solutions to many of the conflicts over land use in the coastal zone are

CALIFORNIA COASTAL COMMISSION—Continued

not easily resolved by the planning and regulatory tools available to the commission. Some issues involve inland areas as well as coastal boundaries. Other issues involve matters outside the jurisdiction of the commission that nevertheless directly impact the coastal zone. Others involve the inability of various state and local agencies with jurisdiction in the coastal zone to join together to resolve complex problems. Finally, lack of knowledge about coastal zone problems, such as beach erosion, sometimes makes definitive planning impossible.

One example of a complex land use conflict is the proposed restoration of the Los Cerritos wetlands in Long Beach. The local coastal program of the City of Long Beach has been certified, with the exception of the Los Cerritos wetland area. This area has not been certified because of a disagreement between the city and the state over the extent of the area to be preserved. The Coastal Conservancy, the city, the Coastal Commission, the Department of Fish and Game, interested citizens, and the affected landowners have been working since March 1980 to determine what development can be allowed in the area that will be compatible with Coastal Act policies for preserving wetlands. One proposed solution is to permit portions of the wetlands to be filled in exchange for restoring an equivalent amount of wetland area offsite.

The Buena Vista lagoon in Carlsbad is another example. Runoff from upland development *outside* the coastal zone where the commission has no jurisdiction has increased the siltation. As a result, last year the Department of Fish and Game requested, and the Legislature approved, \$1 million to remove the silt and restore the lagoon. The adopted LCP covering this area has not addressed this problem. Even if the problem had been addressed, it is doubtful that the LCP could have presented an effective solution because it would have had to involve several local jurisdictions both inside and outside the coastal zone. In addition, primary responsibility for siltation control lies with the State Water Resources Control Board, which implements the federal "208" areawide planning for nonpoint source water quality management (including siltation). Yet, the board has not directly participated in the LCP.

State Agency Coordination Needed

In order for the commission and local governments to complete LCPs, greater attention needs to be paid to coordinating the activities and responsibilities of the commission and other state agencies in Sacramento.

Coordination is needed to reconcile the Department of Boating and Waterways efforts to develop and improve recreational boating facilities and alleviate shortages in such facilities with the Coastal Commission's policy to encourage space at those facilities for commercial fishing.

Unresolved problems include the longer term questions of the capacity of the state and local agencies to operate and manage new public accessways and expanded park areas. Lack of technical knowledge is exemplified by the difficulties of designing beach erosion control projects that can be included in LCPs.

The Coastal Commission, in cooperation with the State Coastal Conservancy, the Office of Planning and Research, the Department of Parks and Recreation and other agencies, has begun to tackle some of these issues, but much work remains to be done. A more programmatic approach is needed with more direction and involvement from the Coastal Commission and the Resources Agency.

Solving these problems will require a continuing commitment of state funding for the commission's planning work. Perhaps more changes may be needed in the Coastal Act to facilitate the appropriate level or type of state agency involvement. It is also probable that achieving solutions to many of these problems will become more complex and difficult as more LCPs are completed and local governments begin to assume authority to issue permits based either on incomplete plans or plans that will require further coordination with state agencies.

CALIFORNIA COASTAL COMMISSION—REVERSION

Item 3720-495 to the General Fund

Budget p. R 149

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item requests reversion of the unencumbered balance of the appropriation provided by Ch 855/77. Chapter 855 appropriated \$1,212,000 from the General Fund to the Coastal Commission for Liquid Natural Gas (LNG) terminal siting studies, and \$1,668,000 to the Coastal Commission and the Public Utilities Commission for initial operating costs associated with LNG terminal siting.

The work authorized by Chapter 855 has been completed, and no further expenditures will be necessary. We recommend therefore that the unencumbered balance of the appropriation—\$24,345—be reverted to the General Fund.

Resources Agency

STATE COASTAL CONSERVANCY—SUPPORT, CAPITAL OUTLAY, AND REAPPROPRIATION

Items 3760, 3760-301 and 3760-490 from special funds

Budget p. R 152

Requested 1982-83	\$25,383,000 ^a
Estimated 1981-82.....	17,990,000
Actual 1980-81	3,902,000
Requested increase (excluding amount for salary increases) \$7,393,000 (+ 41.0 percent)	
Total recommended reduction	\$2,000,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3760-001-721—Support		Parklands	\$1,668,000
3760-101-190—Local Assistance		Energy and Resources	500,000
3760-101-721—Local Assistance		Parklands	9,100,000
3760-301-140—Capital Outlay		Environmental License Plate	115,000
3760-301-190—Capital Outlay		Energy and Resources	2,000,000
3760-490—Reappropriations		Various	(12,000,000) ^a
Total			\$25,383,000

^a Reappropriations of \$12 million are shown in the 1982-83 expenditures because prior year appropriations included blocks of funding which exceeded the conservancy's needs for those years.

**STATE COASTAL CONSERVANCY—SUPPORT, CAPITAL
OUTLAY, AND REAPPROPRIATION—Continued**

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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|---|------------|
| <p>1. <i>Land Trust Program. Delete \$2 million in Item 3760-301-190.</i> Recommend deletion of \$2 million requested from the Energy and Resources Fund for Big Sur Preservation and Land Trust program because the project is not defined and money is available to finance this program in the Parklands Fund. Further recommend that the \$2 million in savings be transferred to the General Fund to increase the Legislature's fiscal flexibility in meeting high priority state needs.</p> | <p>647</p> |
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GENERAL PROGRAM STATEMENT

Chapter 1441, Statutes of 1976, established the State Coastal Conservancy in the Resources Agency. The activities of the conservancy are unique and without precedent in state government.

The conservancy is authorized to acquire land, undertake projects, and award grants for the purposes of: (1) preserving agricultural land and significant coastal resources, (2) consolidating subdivided land, (3) restoring wetlands, marshes, and other natural resources, (4) developing a system of public accessways, and (5) improving coastal urban land uses, such as waterfronts. In general, the projects must conform to California Coastal Act policies, and must be approved by both the conservancy governing board and the Coastal Commission.

The conservancy's jurisdiction coincides with the coastal zone boundaries of the California Coastal Commission. An exception is the San Francisco Bay and Suisun Marsh area, where the conservancy has jurisdiction and the Coastal Commission does not.

The conservancy board consists of the Chairperson of the Coastal Commission, the Secretary of the Resources Agency, the Director of Finance, and two public members. The conservancy's headquarters is located in Oakland.

In the current year, the conservancy has 35 authorized personnel-years.

ANALYSIS AND RECOMMENDATIONS

The budget proposes six appropriations and reappropriations totaling \$25,383,000 from various special funds and bond funds for the conservancy in 1982-83. Of this total, \$1,668,000 is requested for support, \$15,100,000 is requested for local assistance, and \$8,115,000 is requested for capital outlay. This is an increase of \$7,393,000, or 41.0 percent, over estimated current year expenditures. Staff support is proposed at the current-year level of 35 personnel-years. The support expenditures will increase by the amount of any salary or staff benefit increase approved for the budget year.

Table 1 displays the conservancy's program for the budget year by fund.

Table 1
State Coastal Conservancy
Proposed Programs by Fund
1982-83

A. Support (Item 3760-001-721)	Parklands	(\$1,668,000)
B. Local Assistance		
1. Urban access grants (Item 3760-101-190) ..	Energy and Resources	500,000
2. Unspecified wetlands, access, and urban waterfront grants (Item 3760-101-721)	Parklands	9,100,000
3. Unspecified Reappropriation (Item 3760-490)	Parklands	6,000,000
Subtotal		(\$15,100,000)
C. Capital Outlay		
1. Land Trust Acquisitions (Item 3760-301-140)	Energy and Resources	2,000,000
2. Unspecified Reappropriation (Item 3760-490)	Parklands	6,000,000
3. Tijuana Estuary Interpretive Center (Item 3760-301-140)	Environmental License Plate	50,000
4. Sensitive Habitat Signs (Item 3760-301-140)	Environmental License Plate	65,000
Subtotal		(\$8,115,000)
Total, All Funds		\$25,383,000

The proposed expenditure increase reflects (a) the appropriation of \$9,100,000 in bond funds, which is the remaining balance authorized by the Parklands Act of 1980 for local assistance grants, and (b) reappropriation of the current-year unexpended balances in the Parklands Fund for both local assistance (\$6,000,000) and capital outlay (\$6,000,000).

Conservancy Unlikely to Commit the Full Amount Requested

The Budget Act of 1981 intentionally appropriated more funds to the conservancy than it could expend in the current year. Based on the conservancy's experience to date, we estimate that this will also occur in the budget year if the full amount of the request is appropriated. Thus, we expect that the conservancy will carry over a substantial unobligated balance into 1983-84. The conservancy has consistently requested that the Legislature appropriate more than what it can reasonably expect to commit. This is because the conservancy does not believe that it can identify its projects sufficiently in advance for scheduling in the budget.

Parklands Fund Project Status

The Legislature appropriated \$15 million to the conservancy in 1981-82 from the Parklands Fund for local assistance grants to (a) expedite preparation and implementation of local coastal programs under the Coastal Act and (b) provide grants for projects in the San Francisco Bay area. During the first six months of the current year, the conservancy encumbered \$1.9 million for 18 public access grants in the coastal zone and San Francisco Bay; \$647,000 for three wetlands enhancement projects; and \$143,000 for one urban waterfront restoration project. Thus, encumbrances against the \$15 million totaled \$2.7 million in the first half of 1981-82.

During this same period, the conservancy has encumbered \$1.5 million

STATE COASTAL CONSERVANCY—SUPPORT, CAPITAL OUTLAY, AND REAPPROPRIATION—Continued

of its \$8 million capital outlay appropriation for a lot consolidation project that is being undertaken jointly with the Santa Monica Mountains Conservancy (Malibu Lakes). The unused balances from these two appropriations would be reappropriated for use in the budget year, as discussed above.

Program Changes

Table 2 shows the proposed program changes, by fund, for 1982–83. The most significant change is the termination of expenditures from the State Coastal Conservancy Fund. This reflects the assumption in the budget that all remaining funds appropriated by Item 520.1 of the Budget Act of 1978 for support and capital outlay will be expended by the end of the current year. The Parklands Fund has become the primary funding source for the conservancy in the budget year.

Table 2
State Coastal Conservancy
Proposed Program Changes
1982–83
(in thousands)

	<i>Coastal Conservancy Fund^a</i>	<i>Parklands Fund^b</i>	<i>Environ- mental License Plate Fund</i>	<i>Energy and Resources Fund</i>	<i>State Parks and Recreation Fund</i>	<i>Total</i>
1981–82 Current Year (Revised)	\$3,751	\$11,767	\$392	\$2,000	\$80	\$17,990
A. Workload Adjustments						
1. State Operations	-927	901	—	—	—	-26
2. Aliso Trail Grants	—	—	-342	—	—	-342
3. Urban Waterfront Report.....	—	—	-50	—	—	-50
4. Land Trust Grants	—	—	—	-1,000	—	-1,000
5. San Dieguito Acquisition	—	—	—	-500	-80	-580
6. Unspecified Local Assistance.....	—	6,100	—	—	—	6,100
7. Unspecified Capital Outlay	-2,824	4,000	—	—	—	1,176
8. Urban Access Grants	—	—	—	-500	—	-500
B. Program Changes						
1. Urban Access Grants	—	—	—	500	—	500
2. Land Trust Grants	—	—	—	2,000	—	2,000
3. Sensitive Habitat Signs	—	—	65	—	—	65
4. Tijuana Estuary Center.....	—	—	50	—	—	50
Total Proposed Changes	<u>-3,751</u>	<u>\$11,001</u>	<u>-277</u>	<u>\$500</u>	<u>-\$80</u>	<u>\$7,393</u>
Total Proposed Budget	—	\$22,768	\$115	\$2,500	—	\$25,383

^a Includes support and capital outlay.

^b Includes support, capital outlay, and local assistance.

Budget year requests for funding from the Energy and Resources Fund and the California Environmental License Plate Fund include the following:

1. \$2,000,000 from the Resources Account in the Energy and Resources Fund (ERF) to continue the conservancy's work with nonprofit land trusts. This is \$1,000,000 more than current-year expenditures from the same source. The \$2,000,000 is proposed for the Big Sur Preservation and Land Trust Program.

2. \$500,000 from ERF for unspecified urban access grants—the same amount provided in the current year.

3. \$115,000 from the Environmental License Plate Fund for (1) the design and construction of approximately 600 signs to identify unspecified accessways and wetlands (\$65,000), and (2) the construction of an "interpretative center" for displaying information on the ecology of the Tijuana Estuary (\$50,000) as part of a joint California Coastal Commission-State Coastal Conservancy project to restore the Tijuana Estuary in San Diego.

ERF Funding for Big Sur Not Justified

We recommend deletion of \$2 million from the Energy and Resources Fund in Item 3760-301-190 for the Big Sur Preservation and Land Trust Program because the details of the project have not been defined and sufficient funds are available from the Parklands Fund of 1980 to finance this project. We further recommend that the \$2 million be transferred to the General Fund to increase the Legislature's fiscal flexibility in addressing high-priority state needs.

The conservancy has undertaken a major program to preserve the 70-mile Big Sur coast in Monterey. It proposes to implement a policy in the Monterey County local coastal land use plan, prepared pursuant to the Coastal Act, that no new development at Big Sur be permitted in public viewing areas (viewsheds) along Highway 1. The conservancy is evaluating three methods to preserve this "viewshed": (1) a transfer of development credits program (TDC), under which development credits from parcels within the viewshed are transferred to nearby areas suitable for increased development, (2) the purchase of parcels for eventual transfer to other public agencies, and (3) the purchase and consolidation of parcels into larger lots. The Coastal Conservancy, Big Sur Land Trust, or other nonprofit or public agencies would carry out portions of the project.

The conservancy estimates total costs for this project to be \$4.5 million. Of this amount, the conservancy estimates \$2 million will be encumbered in the current year from the local assistance grant portion of the Parklands Fund, and up to \$500,000 may be encumbered for land trust grants from the conservancy's \$1 million ERF appropriation for land trusts in the current year.

To fund the remaining project costs, the conservancy is requesting \$2 million in Item 3760-301-190. Although the Budget Bill does not earmark the proposed funds for the Big Sur program, we understand that the conservancy's intent is to acquire parcels at Big Sur with assistance from the Big Sur Land Trust. Budget language in this item would permit the conservancy to also provide local assistance grants to nonprofit organizations from this capital outlay appropriation. Presumably, the nonprofit organization would purchase land in the viewshed and the conservancy would then purchase the land from the trust. The conservancy, however, has not identified the specific parcels to be acquired or the advantages of having a nonprofit land trust purchase the property for it.

Our analysis indicates that the \$2 million from ERF is not justified. There is sufficient money to finance the project in the conservancy's own primary funding source—the Parklands Fund of 1980. To date, only \$1.5 million of the \$8 million authorized from the Parklands Fund for capital outlay has been encumbered. The budget estimates that \$2 million will be expended at the end of the current year. As noted above, the budget proposes that the remaining \$6 million be reappropriated for 1982-83 in Item 3760-490. This reappropriation would provide sufficient money to finance the Big Sur program.

In the event that the money is needed only for local assistance, there

STATE COASTAL CONSERVANCY—SUPPORT, CAPITAL OUTLAY, AND REAPPROPRIATION—Continued

is also sufficient funding available in Item 3760-101-721 or in the reappropriation in Item 3760-490 from the Parklands Fund (a total of \$15,100,000 in 1982-83).

For these reasons, we recommend deletion of the proposed funding, for a savings to ERF of \$2 million. Adoption of this recommendation would not prevent the conservancy from completing the project. Rather, it would require the conservancy to fund the project's costs from the funding source set up for this purpose—the Parklands Fund.

We further recommend that the \$2 million be transferred to the General Fund. This would provide fiscal flexibility to the Legislature in meeting high priority state needs at a time when sufficient funds to continue existing programs are not available.

Resources Agency

DEPARTMENT OF PARKS AND RECREATION

Item 3790 from the General Fund and various funds

Budget p. R 157

Requested 1982-83	\$119,599,000
Estimated 1981-82	192,013,000 ^a
Actual 1980-81	87,445,000 ^a
Requested decrease (excluding amount for salary increases) \$72,414,000 (-37.7 percent)	
Total recommended reduction	\$9,729,000
Recommendation pending	\$5,641,000

^a Expenditures from the 1964 Park Bond Fund for department support and from the General Fund, Off-Highway Vehicle Fund and State Parks and Recreation Fund for local assistance grants are not included to facilitate comparison of expenditures.

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3790-001-001—Department Support		General	\$71,903,000
3790-001-140—Department Support		Environmental License Plate	302,000
3790-001-190—Department Support		Resources Account, Energy and Resources	733,000
3790-001-263—Department Support		Off-Highway Vehicle	3,800,000
3790-001-392—Department Support		State Parks and Recreation	7,691,000
3790-001-516—Department Support		Harbors and Watercraft, Revolving	351,000
3790-011-011—Department Support		Fee Revenues	202,000
3790-011-062—Maintenance of Park Roads		Highway Users Tax Account, Transportation Tax	(1,500,000)
3790-021-001—Department Support		Fee Revenues	5,870,000
3790-101-190—Local Assistance Grants		Resources Account, Energy and Resources	12,500,000
3790-101-721—Local Assistance Grants		1980 Park Lands, Bond	14,113,000
3790-101-733—Local Assistance Grants		1974 State Beach, Park Recreation and Historical Facilities Bond	176,000
3790-101-742—Local Assistance Grants		1976 Urban and Coastal Bond	1,958,000
Subtotal State Appropriation			\$119,599,000

Federal Funds		
3790-001-890—Department Support	Federal Trust	(2,978,000)
3790-101-890—Local Assistance Grants	Federal Trust	(343,000)
Total		\$122,920,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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| 1. Withhold recommendation on Item 3790-021-001, pending receipt of information from the department on specific steps it plans to take in order to achieve an increase of \$5,870,000 of state park revenues during the budget year. Recommend that prior to budget hearings, the department submit this information to the Legislature. | 654 |
| 2. Recommend Legislature (1) adopt Budget Bill language directing the department to (a) improve the revenue yield from its concession operations and (b) secure a portion of revenues from commercial operations on state park system property that is administered under agreements with local governments, (2) add a control section to the Budget Bill directing the Department of General Services to transfer substantially completed state park system acquisitions to the Department of Parks and Recreation for management, and (3) require the department to submit budgets for all major nonprofit corporations in the state park system as part of its budget for 1982-83. | 656 |
| 3. Recommend reduction of \$1,706,000 and 113.4 positions in reimbursements to eliminate contingency budgeting. | 660 |
| 4. Recommend department report prior to budget hearings on why its use of less-costly temporary help during the summer months is decreasing in proportion to the use of permanent staff. | 660 |
| 5. <i>Off-Highway Vehicle Plan. Reduce Item 3790-001-263 by \$414,000.</i> Recommend deletion of \$414,000 and two positions for development of a statewide Off-Highway Vehicle Plan because existing staff levels will be adequate until department resolves serious problems that are blocking expansion of the Off-Highway Vehicle program. | 661 |
| 6. Withhold recommendation on \$302,000 in Item 3790-001-140 from the Environmental License Plate Fund for a state park resources exhibit at the Museum of Sciences and Industry in Los Angeles because it may be more appropriate to place this exhibit in the Multicultural Center project proposed under Item 3790-301-721 | 661 |
| 7. <i>Interpretive Development. Reduce Item 3790-001-001 by \$46,000.</i> Recommend deletion of \$46,000 to convert three General Fund temporary help positions to permanent positions in the department's interpretive development program because workload is declining and insufficient justification for the request has been provided. | 662 |

DEPARTMENT OF PARKS AND RECREATION—ContinuedAnalysis
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| 8. <i>Park Operations. Reduce Item 3790-001-001 by \$715,000.</i> Recommend reduction of \$715,000 and 23.5 new positions and withhold recommendation on \$156,000 and 6.5 new positions from the General Fund for patrol of new acquisitions, operation of new park facilities and collection of state park entrance fees because sufficient justification for the new positions has not been provided. | 662 |
| 9. <i>Equipment Purchases. Reduce Item 3790-001-001 by \$719,000.</i> Recommend reduction of \$719,000 from the General Fund for new equipment purchases because the department has not provided adequate justification for the increase in this category of expenditure. | 665 |
| 10. Recommend department, prior to budget hearings, submit to the Legislature complete project descriptions and financial evaluations for each of the proposed new and amended concession contracts, and an update on the status of its contract with Bazaar del Mundo. | 666 |
| 11. Withhold recommendation on \$700,000 and 2.8 personnel years from the Resources Account in the Energy and Resources Fund for an increase in natural resource preservation projects because the department has not provided sufficient justification. | 667 |
| 12. <i>Urban Fishing Grants. Reduce Item 3790-101-190 by \$7.5 million.</i> Recommend deletion of \$7.5 million from the Resources Account of the Energy and Resources Fund for urban fishing grants because the department has not demonstrated the technical feasibility of the program. | 668 |
| 13. <i>Outside Consulting Services. Reduce Item 3790-001-001 by \$335,000.</i> Recommend reduction of \$335,000 from the General Fund for outside consulting services because the department has not provided sufficient information to justify the proposed services. | 668 |
| 14. Recommend savings resulting from our recommendation on Item 3790-101-190—\$7,500,000 be transferred from the Resources Account in the Energy and Resources Fund to the General Fund. | 669 |

GENERAL PROGRAM STATEMENT

The Department of Parks and Recreation is the steward of the state parks system. It is responsible for acquiring, developing, preserving, interpreting, and managing the use of the outstanding natural, cultural, and recreational resources in the state park system. New programs and projects are undertaken with the advice or approval of the nine-member California State Park and Recreation Commission.

In addition, the department administers state and federal grants to cities, counties and special districts to provide parks and open space throughout the state. Since 1976, emphasis has been given to acquisition and development of local and regional parks in urban areas.

The state parks system consists of 266 units, including 34 units administered by local and regional park agencies. These units contain approximately 1.1 million acres with over 240 miles of ocean and bay frontage and 675 miles of lake, reservoir and river frontage. Over 70 million park visitations are anticipated during 1982-83.

In the current year, the department has 2,749 personnel years.

ANALYSIS AND RECOMMENDATIONS

The Budget Bill proposes thirteen appropriations from state funds totaling \$119,599,000 for support of the Department of Parks and Recreation and for local assistance grants in 1982-83. Support expenditures will increase above the level shown in the budget by the amount of any salary and staff benefit increases approved for the budget year.

The budget proposes total expenditures from all sources for the department's support and local assistance programs amounting to \$132,484,000. Financing for these expenditures is expected to come from the General Fund, special funds, reimbursements and federal funds. Table 1 details the proposed program changes, by funding source. The table shows that total expenditures from all sources are proposed to be \$90,029,000 below the current year level. The decrease in total expenditures proposed for the budget year is misleading because it reflects the following major changes:

- A \$99,434,000, or 77 percent, decrease in grants to local park agencies financed primarily from bond funds. Most of the decrease is illusory. It results from the department's practice of showing all appropriations for grants in the current year plus any carryover from prior years as being fully expended in the current year. In reality, there will probably be a large carryover of unexpended funds from the current year to the budget year.
- A \$7,952,000, or 10 percent, increase in state park operations, financed primarily from an increase in state park fees.
- A \$672,000, or 20 percent, increase for state park resource preservation, financed from the Resources Account in the Energy and Resources Fund (tideland oil revenues).
- A \$556,000, or 38.5 percent, increase in state park planning, financed primarily from off-highway vehicle funds.

Park Bond Debt Service Increases General Fund Costs

The budget shows General Fund expenditures for support of the department totaling \$77,975,000 in 1982-83. This is only part of the cost, however, incurred by the state for support of the state's park system. In addition, the Department of Finance indicates that \$58,400,000 in General Fund costs will be incurred in 1982-83 for interest on and redemption of general obligation bonds which have been issued to fund the department's capital outlay and local assistance programs since 1964. Thus, the total General Fund cost of operating the department and its program is \$136,375,000.

The \$58.4 million in debt service costs consists of \$31.6 million for bond redemptions and \$26.8 million for interest payments.

The sale of \$125 million of unissued park bonds during the next three to four years will produce further increases in the department's costs for annual debt service. Furthermore, the most recent sale of park bonds at an interest rate of 10.8 percent makes it evident that the interest component of the department's debt service will be substantially higher than was estimated at the time the bonds were approved by the Legislature and the electorate.

Table 1
Department of Parks and Recreation
1982-83 Proposed Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Environ- mental License Plate Fund</i>	<i>Energy and Resources Fund</i>	<i>Off- Highway Vehicle Fund</i>	<i>State Parks and Recreation Fund</i>	<i>1974, 1976 and 1980 Park Bond Funds</i>	<i>Other</i>	<i>Federal Trust Fund</i>	<i>Total</i>
1981-82 Base Budget, Revised	\$75,333	\$1,910	\$10,000	\$10,500	\$7,333	\$98,095	\$8,967	\$10,375	\$222,413
A. Workload and Program Changes									
1. Statewide Parks and Recreation Planning									
a. Develop Off-Highway Vehicle Plan	—	—	—	414	—	—	—	—	414
2. Development of the State Park System									
a. Reduce Prenegotiation Planning	—	—	—	—	—	—	-613 *	—	-613
b. Resources Exhibit at Los Angeles Museum of Science and Industry	—	302	—	—	—	—	—	—	302
3. State Park System Operations									
a. New acquisition and development staffing ..	(2,135) ^b	—	—	—	—	—	—	—	(2,135) ^b
b. Development of Off-Highway Vehicle Areas	—	—	—	335	—	—	—	—	335
c. Recreational Vehicle camping at day-use areas	—	—	—	—	263	—	—	—	263
d. Increased Equipment Replacement	—	—	—	—	490	—	—	—	490
e. Special Repairs and External Mandates	20	—	—	—	129	—	—	—	149
f. Increased Unemployment Insurance claims ..	468	—	—	22	66	—	—	—	556
4. Resource Preservation									
a. Dune and Coastal Bluff Stabilization	—	—	700	—	—	—	—	—	700

5. Assistance to Public and Private Recreational Agencies									
a. Increased Urban Fishing grants.....	—	—	1,500	—	—	—	—	—	1,500
b. Increased Roberti-Z'berg Open-Space and Recreational grants	—	—	1,000	—	—	—	—	—	1,000
c. Reduced Local Assistance (includes cost of grant administration)	—	-1,890	—	-7,679	—	-81,848	—	-7,123	-98,540
B. Baseline and Miscellaneous Changes									
1. Restore 1981-82 Budget Reductions	1,683	—	—	—	—	—	—	—	1,683
2. Five percent reduction	-3,735	—	—	—	—	—	—	—	-3,735
3. Replace five percent reduction	(3,735) ^b	—	—	—	—	—	—	—	(3,735) ^b
4. Increase appropriated revenue.....	5,870	—	—	—	—	—	—	—	5,870
5. Miscellaneous adjustments	-1,664	-20	33	208	-590	—	1,561 ^c	69	-403
Total 1982-83 Budget Changes	<u>\$2,642</u>	<u>-\$1,608</u>	<u>\$3,233</u>	<u>-\$6,700</u>	<u>\$358</u>	<u>-\$81,848</u>	<u>\$948</u>	<u>-\$7,054</u>	<u>-\$90,029</u>
Totals, 1982-83 Proposed Budget	<u>\$77,975</u>	<u>\$302</u>	<u>\$13,233</u>	<u>\$3,800</u>	<u>\$7,691</u>	<u>\$16,247</u>	<u>\$9,915</u>	<u>\$3,321</u>	<u>\$132,484</u>

^a Reimbursement.

^b Does not affect total because this augmentation is funded out of the increase in "appropriated revenue" shown under Baseline and Miscellaneous changes.

^c \$12 from the Harbors and Watercraft Revolving Fund and \$1,549 in reimbursements (dollars in thousands).

DEPARTMENT OF PARKS AND RECREATION—Continued**Replacement of General Fund Support With Fee Revenues**

We withhold recommendation on Item 3790-021-001, pending review of the specific steps the department plans to take in order to increase state park revenues by \$5,870,000 during the budget year. We further recommend that the department advise the Legislature, prior to budget hearings, of its plans for achieving the increase.

In preparing the 1982-83 budget, the administration directed many General Fund agencies to reduce their baseline expenditures by 5 percent. The Department of Parks and Recreation was one of the departments subject to this reduction.

In order to avoid a 5 percent reduction in its expenditures and at the same time secure a substantial increase in funding for its support budget for 1982-83, the department is proposing (a) a \$71,903,000 appropriation in Item 3790-001-001, which is the department's baseline budget after the Governor's 5 percent (\$3,735,000) reduction is applied, (b) two appropriations of operating revenues totaling \$6,072,000 and (c) a control section that would make loan funds available to support its operations in 1982-83. The two appropriations of operating revenues and the control section are as follows:

- Item 3790-011-001 would appropriate \$202,000 of increased revenues resulting from an increase in parking fees from \$2 to \$3 at state beaches operated by the department in Santa Barbara, Ventura, Los Angeles, Orange and San Diego Counties. It is not clear why this increase is not included in Item 3790-021-001 (see below).

- Item 3790-021-001 would appropriate up to \$5,870,000 of any increase in state park user fees and concession revenues which exceed \$20,830,000 in 1982-83. Budget language included in this item prohibits any expenditure of revenues in excess of \$26,700,000.

- Control Section 11.00 proposes an appropriation up to \$5,870,000 from the unencumbered balance in the State Parks and Recreation Fund for a loan to the department to meet cash flow needs in carrying out its budget program. The loan must be repaid with state park revenues generated in 1982-83 or, if such revenues are not sufficient, with the first available revenues in 1983-84.

The proposed appropriation of operating revenues and the associated budget item and control section language constitute a complex budgeting arrangement which raises questions about the relative priority of various programs operated by the state, and presents several programmatic and technical difficulties.

1. *The budget suggests that a program's relative priority within the budget can be measured by the amount of revenue it raises.* The exemption given the Department of Parks and Recreation from the 5 percent expenditure limitation imposed by the administration on most other General Fund agencies results solely from the fact that the department has the capacity to produce additional General Fund revenues. If funding for K-12 education, environmental protection programs, or welfare payments were based on the amount of revenue produced by these programs, they probably would not exist. In our judgment, the ability to produce General Fund revenues does not necessarily represent a good measure of the expenditure priority of an agency's programs to the people of California. While the budget also applies this principal to the Franchise Tax Board

and other tax-collecting agencies, these situations are altogether different from Department of Parks and Recreation. In the case of the tax collecting agencies, application of the 5 percent reduction might have forced cuts in other agencies' programs because the cut would have reduced General Fund revenues by an amount exceeding the savings.

2. *The proposed increase in operating revenues merely reverses a downward trend in these revenues, relative to operating costs.* During the past 12 years, the department has suffered a decline in the ratio of its revenues to operating costs. In 1967-68 the department recovered 46 percent of state park operation and maintenance costs from fees and concession revenues. Since that time, there has been a steady decline in the revenue-to-cost ratio—to 28 percent in the current year. The department is proposing to reverse this trend next year and increase revenues to 31 percent of operating costs, but below where it would have been had the department adjusted its revenues to keep pace with increases in its costs.

3. *It is unlikely that the department can achieve the revenue target.* The department's revenue goals may be overly optimistic judging from (1) the difficulties it has had in the past in raising fees (2) the long-term contract limitations on concession rentals which are included in the existing contracts with concessionaires and (3) the recent downturns in the economy and employment.

4. *The proposed appropriation of revenue increases will be difficult to administer.* This is because it requires additional budgeting and accounting controls. Furthermore, Item 3790-021-001 will have to be adjusted by the Legislature along with Item 3790-001-001 for any changes in the budget the Legislature may make which affect expenditures from the revenue increase.

5. *The base for determining "increased revenue" is too low.* The current year revenues that would be used as the base for determining the amount of "increased revenues" (\$5,870,000) that the department will be allowed to expend next year is \$20,830,000. The budget, however, shows on page R-168 that current year revenues are estimated to be \$22,257,000. The reason for this discrepancy is not apparent. The effect, however, is to give the department a head start of \$1,427,000 in achieving its revenue goal for next year. If the revenue estimate in the budget is valid, which it appears to be, the higher figure should be the basis for calculating the amount in Item 3790-021-001.

6. *Control Section 11 is not consistent with other parts of the Governor's Budget.* The budget on page R-169 proposes appropriations of \$19,937,000 from the Parks and Recreation Fund and shows a budget-year ending balance of only \$170,000. The loan authorized in Section 11, thus, would over appropriate the fund and put it in a deficit position.

7. *Control Section 11 defeats the purpose of Item 3790-021-001* by allowing the department to start spending the revenue increase on July 1, 1982 even though it may not realize the increase until later or even if it does not realize the full increase.

8. *There is no guarantee that the General Fund will benefit from an increase in fee revenue.* Section 11 provides that if the loan from the Parks and Recreation fund is not repaid by July 1, 1983, the first park system revenues received in 1983-84 must be used to pay off the loan. However, according to existing law, the first \$7 million of park system revenues each year is deposited in the Parks and Recreation Fund. If the next revenues to the Fund are used to repay the loan, the General Fund

DEPARTMENT OF PARKS AND RECREATION—Continued

will, in effect, be repaying the loan on behalf of the department because these revenues would otherwise go into the General Fund.

9. *No details are available on how the department will achieve the \$5,870,000 revenue increase in Item 3790-021-001.* Lacking such information we are unable to evaluate the extent to which the revenue increase can be achieved.

In view of these considerations, we withhold recommendation on Item 3790-021-001 pending receipt of more complete information from the department. We recommend that, prior to budget hearings, the department provide this information so that the Legislature will know how the department intends to achieve its revenue goals.

Although we are not able to make a recommendation on the proposal as a whole at this time, we offer the following preliminary comments. We believe that the Department of Parks and Recreation should be given an incentive to concentrate on increasing its revenues so that these revenues keep pace with operating costs. This concept, however, could be applied even if the department had been subject to a five percent reduction, as other departments were. In any event, we believe that all expenditure increases should be fully justified on their merits, regardless of whether the funding comes from new or old money. As discussed later in this analysis, we have concluded that several proposed expenditure increases are not justified, and should not be approved for funding from any source.

Secondly, we believe that if the intent underlying Item 3790-021-001 is to be realized, the language in this Item should be amended to appropriate only the increase in revenues that are actually realized. This will make Control Section 11 unnecessary. In any event, we conclude that Section 11 is not desirable, and in our analysis of control sections, we recommend that Section 11 be deleted.

State Park Revenues are Being Diverted to Other Purposes

We recommend that the Legislature (1) adopt Budget Bill language directing the Department of Parks and Recreation to (a) improve the revenue yield from its concession operations and (b) secure a portion of revenues from commercial operations on state park system property that is administered under agreements with local governments (2) add a control section to the Budget Bill directing the Department of General Services to transfer substantially completed state park system acquisitions to the Department of Parks and Recreation for management and (3) require the department to submit 1982-83 budgets for all major non-profit corporations in the state park system as part of its budget for 1982-83.

As noted above, the Department of Parks and Recreation has committed itself to an extensive effort to secure additional revenues from fee increases and proposes to add more concessions for revenue purposes. Our analysis indicates, however, that the department has not acted with equal vigor to assure that revenues which properly should go to the state for support of the state park system are not diverted to other entities or used for other purposes. We have found that large sums of revenues from state park operations are, in fact, being diverted in this manner. The details of our findings are set forth in a report entitled "A Review of the Department of Parks and Recreation's Concession Program in the State Park System" (Report No. 82-3, January 1982).

As described in this report, revenue diversions occur in connection with

(1) properties managed by the Department of General Services, (2) properties managed by local governments, (3) properties managed by non-profit corporations, and (4) properties managed by the Department of Parks and Recreation.

Properties Managed by the Department of General Services. The Department of General Services manages 61 leases and concessions on approximately 85,000 acres which it has acquired for the state park system as the state's agent, at a cost exceeding \$200 million. The department, however, has not transferred the properties to the Department of Parks and Recreation.

The leases are primarily for agricultural, grazing, residential, and commercial purposes. Included in these leases are a full service restaurant at Topanga State Beach and one at Old Town San Diego State Historic Park. General Services also administers leases at Candlestick Point State Recreation Area south of San Francisco which provide large parking areas for Candlestick Stadium.

In 1980-81, rental receipts totaling approximately \$820,000 were collected by the Department of General Services from these leases and deposited in the Property Management Account in the General Fund. Under existing law, all monies deposited in the account are continuously appropriated to the Department of General Services to meet statewide property management and maintenance costs. A substantial portion of these costs are not incurred for activities associated with the state park system.

The amount of rent retained by General Services will increase by about \$1 million annually, beginning in 1983-84, because 294 mobile home leases at Crystal Cove State Park recently have been added to the residential properties administered by General Services on behalf of the Department of Parks and Recreation. (The department paid \$32.6 million to acquire this park and beach in 1979.) Assuming future inflationary increases of 6 percent annually, General Services will receive revenues from these leases totaling \$33.6 million during the next 18 years. None of the revenues will be reported as state park revenues, nor will any of the revenues be deposited in the General Fund.

There are no programmatic or statutory reasons why all state park properties managed by General Services should not be transferred immediately to the Department of Parks and Recreation for incorporation in the state parks system. In our report, we recommended that legislation be enacted to accomplish this transfer. Pending enactment of this legislation, we recommend that the Legislature adopt the following language under Control Section 8.40.

“Provided that the Department of General Services shall transfer all properties acquired for the state park system, on which acquisition is substantially completed, to the Department of Parks and Recreation for addition to the state park system no later than August 1, 1983.”

Adoption of this language will assign full responsibility to the Department of Parks and Recreation for managing all state park system properties and will increase General Fund revenues by \$820,000 in the budget year. In 1983-84 the increase in revenue to the General Fund will be more than \$1.8 million.

The costs to the Department of Parks and Recreation of managing this property are not known, but provision for these costs should be made in the department's budget.

Properties Managed by Local Agencies. The City of Santa Monica, Los Angeles County and Los Angeles City administer substantial amounts of

DEPARTMENT OF PARKS AND RECREATION—Continued

state property under operating agreements with the department. Pursuant to these agreements the local governments retain all of the operating revenue. Included among these properties are El Pueblo de Los Angeles, several major restaurants along the coastline and the Sand and Sea Club—a large, private club that has *exclusive* use of three acres of state-owned beach at Santa Monica since 1959. Our analysis indicates that local agencies will retain and expend about \$1 million of concession revenues and \$2 million of parking fees collected on state park properties during the current year.

Properties Managed by the Department of Parks and Recreation. Our review of the Department of Parks and Recreation's management of concessions contracts found two major deficiencies. First, rents have not generally kept pace with the growth in concessionaire's revenues. Since 1970-71, the gross revenues of concessions operated under contracts administered by the Department of Parks and Recreation have increased from \$9 million to \$31.6 million, a 250 percent increase. During the same period, however, rental payments made by concessionaires to the department have increased from \$705,000 to \$1,513,000, slightly more than 100 percent. As a result, the average percentage of the concessionaires' gross sales paid to the state as rent has dropped from 8 percent to about 4.8 percent.

Our analysis indicates that revenues to the General Fund from concessions would have been at least \$1 million more in 1980-81 if rental payments had simply kept pace with concessionaires' gross sales during the past 10 years. It would seem that the department should have been able to maintain the ratio of rents to gross sales at the 8 percent level achieved in 1970-71. Other government agencies, such as the County of Los Angeles, have been able to achieve rent-to-sales ratios of 10 percent during this 10-year period.

Second, variations in rental rates have created serious inequities within the concession program, and cause General Fund revenues to be far less than they should be. There is a wide variation in rental rates under various concession agreements. On the one hand the Ogden Food Service at Hearst San Simeon State Historic Monument pays rent that is just under \$1 million annually, or about 40 percent of its \$2.5 million in gross receipts. At the other end of the spectrum, the Bazaar Del Mundo at Old Town San Diego Historic Park has been paying \$3,600 per year or less than 1 percent on gross sales of \$10 million. Although the Legislature last year directed that this amount be increased significantly, at the time this analysis was prepared, negotiations to revise the contract had not been consummated in accordance with the legislative directive.

Properties Managed by Nonprofit Corporations. The Department of Parks and Recreation contracts with two major non-profit corporations to manage units of the state park system.

The *Pacific Grove-Asilomar Operating Corporation* manages, develops, operates, and maintains conference facilities at the Asilomar State Conference Grounds on the tip of the Monterey Peninsula. The property was acquired by the department in 1953. Since 1969, the operation has been managed by a department-appointed board of directors pursuant to a concessions agreement between the department and the corporation. The conference facilities provide sleeping, dining and meeting room accommodations.

In accordance with the concessions agreement, the entire costs of operating Asilomar and constructing any capital improvements are financed

from Asilomar's revenues. The state provides no financing for this unit.

In 1980-81, Asilomar had revenues of \$5,375,640, from which it paid operation and maintenance costs of \$4,165,620, leaving a net revenue of \$1,210,020 (22.5 percent of sales). Since 1969, Asilomar has expended approximately \$9.3 million of accumulated net revenues for capital improvements. In 1980-81, a second expansion program was undertaken that will add \$9 million in new facilities by 1986. The expansion would bring Asilomar's total capital investment to more than \$18 million.

Asilomar's operating and capital improvement budgets are approved by the Department of Parks and Recreation annually. The facility's revenues and expenditures, however, are not shown in the Governor's Budget and are not in the annual Budget Act.

The department may at any time determine that the corporation has funds which are in excess of Asilomar's needs, and may direct that the excess be transferred to the General Fund. We could find no evidence, however, that any surplus has been declared by the department and transferred to the General Fund.

In February 1975, the department signed a one-year concessions contract with the *Columbia City Hotel Nonprofit Corporation* for development, management, operation, and maintenance of the City Hotel in the historic town of Columbia. The Columbia City Hotel Nonprofit Corporation is supervised by a department-appointed board of directors.

The corporation operates under a concession contract with the department. Under this agreement, the state has no further financial obligation for developing and operating the City Hotel, and the corporation's operating costs must be financed from its revenues.

During the corporation's fiscal year ending September 30, 1981, the City Hotel had gross sales of \$761,707. From this revenue, it paid operating and maintenance costs amount to \$695,821, resulting in net revenue of \$65,886, or 8.6 percent of gross sales. The corporation has accumulated a surplus of \$174,630 from its operations. It pays no rents for the use of state property.

The foregoing provide significant evidence that the department should seek to increase its revenues by better management of its business operations with concessionaires and non-profit corporations. To promote this, we recommend the Legislature (1) adopt Budget Bill language directing the department to improve its revenue from concessions and secure a portion of revenues from commercial operations administered by local agencies on state park properties, (2) add a Control Section directing General Services to transfer completed state park acquisitions to the Department of Parks and Recreation for management, and (3) require the department to submit 1982-83 budgets for major non-profit corporations in its budget for 1982-83.

Policy Legislation Needed

The recommendations made in the foregoing section can be implemented in the Budget Bill. To solve the problems identified in our report, however, policy legislation is needed. In our report, we recommend enactment of legislation that:

1. Clarifies the authority and fiscal responsibility of the Department of Parks and Recreation over all property acquired for the state park system but not operated as part of the system.
2. Specifies the authority of the Department of Parks and Recreation to execute concessions agreements and leases.

DEPARTMENT OF PARKS AND RECREATION—Continued

3. Specifies the authority of the Department of Parks and Recreation to execute operating agreements with public agencies.

4. Authorizes the Department of Parks and Recreation to establish non-profit corporations.

Overbudgeting of Programs

We recommend a reduction of \$1,706,000 and 113.4 positions in reimbursements to eliminate contingency budgeting.

The department's budget request indicates that \$1,706,000 and 113.4 positions have been distributed across four programs as follows:

- Design and Construction Program—\$360,000 and 20 positions.
- Interpretive Development Program—\$781,000 and 42.4 positions.
- Field Operations Program—\$263,000 and 43 positions.
- Management and Administration Program—\$303,000 and 8 positions.

Our analysis indicates that there is no workload data or source of reimbursements to justify the dollars and the positions.

The department acknowledges the lack of workload justification for this request. According to the department, these funds and positions have been budgeted to add flexibility in the department's baseline budget in order to handle "anticipated" but undefined increases in workload that may arise during the budget year. Essentially, this is "slack" in the department's budget, or contingency budgeting.

We acknowledge that there is a need for some flexibility in the department's budget. Such flexibility is provided by Control Section 28, which allows the Department of Finance to authorize the expenditure of unbudgeted reimbursements when specific needs are identified. We believe it is unwise from the Legislature's standpoint to provide additional flexibility by submerging positions and dollars of the magnitude listed above in the program budgets. These resources should be identified and justified on their merits.

Lacking clear justification for these positions, we recommend a reduction of \$1,706,000 and 113.4 positions in reimbursements.

Expenditures Reduced by Cutting Temporary Help

We recommend that the department report prior to budget hearings on why the use of less-costly temporary help during the summer months is decreasing compared to the use of permanent staff.

The use of lower cost temporary help to accommodate the peak demands placed on the state park system during the summer months is more cost effective than using permanent positions which must be carried during the winter months when public use is low.

During the last five years, however, the department has chosen to achieve many of the reductions required by the budget through a reduction in temporary staff, rather than by eliminating permanent staff. As a consequence, temporary help has declined from 1,195 positions in 1978-79 to 1,037 positions in 1982-83, while permanent positions have increased from 1,832 positions to 2,032 positions. This means that the proportional use of temporary staff to permanent staff has slipped from 65 percent to 50 percent.

Given the increasing costs to the General Fund of operating and maintaining the state park system, we recommend that the department explain why the use of less-costly temporary staff during the summer months is decreasing in proportion to the use of permanent staff.

STATE PARK PLANNING**Statewide Off-Highway Vehicle Plan**

We recommend deletion of \$414,000 and two positions in Item 3790-001-263 for development of a statewide Off-Highway Vehicle Plan because serious problems are blocking expansion of this program.

The department is proposing to increase its planning program by \$414,000 in order to develop a statewide off-highway vehicle (OHV) plan. Included in the request is \$300,000 for a consulting contract and \$114,000 for two additional planning positions and associated operating expenses.

In making this request for an expansion of its OHV planning program, the department cites the need for: (1) implementing a safety program to reduce the number of accidents, (2) administering a course of instruction in the proper use of OHV's, (3) evaluating the need for an OHV education program in public schools, and (4) assisting other agencies in distributing OHV maps and information to the public.

Although the department has established six state vehicular recreation areas in the state park system, further expansion of the OHV program appears to be stalled by serious problems which have not been resolved. Growing resistance by communities and property owners to OHV parks has become a major obstacle to program expansion. This was evident when the department included funding for four OHV acquisition projects in its budget request for 1981-82. Three of the projects (Carnegie, Hollister Hills and Sycamore Canyon) met with severe community resistance and as a consequence were not approved by the Legislature. Funds for the fourth project, at Ocotillo Wells, were included in the 1981 Budget Act. This project, however, has run into opposition from the State Lands Commission. The commission holds rights to underground geothermal resources in the area which may be a valuable source of electrical power in future years. The commission's opposition has forced the department to request reversion of the project.

Because of the difficulties the OHV program is encountering, the surplus in the OHV Fund has been growing steadily. The budget for 1982-83, proposes to transfer \$8.5 million from the OHV Fund to the General Fund under Control Section 19.91, leaving the fund with a balance on June 30, 1983 of \$2.5 million.

Partially because of the difficulties that the program is experiencing, three management and planning positions were funded in the current year to establish a new unit for management of the department's OHV program. This level of staffing should be sufficient to develop plans and publications that are adequate for the OHV program until the department resolves the problems which are preventing further expansion of the program. For this reason, and because the department is unable to outline how the additional funds and positions being requested for 1982-83 would help solve its problems, we recommend deletion of \$414,000 and two positions for the proposed OHV planning effort.

State Park Resources Exhibit at the Museum of Science and Industry

We withhold recommendation on \$302,000 in Item 3790-001-140 from the Environmental License Plate Fund for a state park resources exhibit at the Museum of Sciences and Industry in Los Angeles because it may be more appropriate for this exhibit to be incorporated into the Multi-Cultural Center project proposed under Item 3790-301-721.

DEPARTMENT OF PARKS AND RECREATION—Continued

The department is requesting \$302,000 from the Environmental License Plate Fund to develop a new state park resources exhibit in the Museum of Science and Industry in Los Angeles.

The existing exhibit at the museum has not been updated for several years, and no longer presents effectively the natural resources to be found in units of the state park system. Consequently, we believe the existing exhibit should be replaced by a new exhibit using advanced audio-visual techniques. Rather than providing for a replacement of the exhibit in the Museum of Science and Industry, it may be more appropriate to incorporate the new exhibit in the department's new Multi-Cultural Center which is planned for construction adjacent to the Museum of Science and Industry. An appropriation of \$3.6 million is included in Item 3790-301-721 to construct this project.

The Multi-Cultural Center will feature a broad range of cultural exhibits and interpretive programs. The resource exhibit could be added to them. For this reason, we withhold recommendation on the \$303,000 requested for this project until the department develops a detailed proposal for the Multi-Cultural Center project.

Interpretive Development

We recommend deletion of \$46,000 in Item 3790-001-001 to convert three temporary help positions to permanent positions in the department's interpretive development program because workload is declining and no justification has been furnished for permanent positions.

The department is proposing to convert three existing temporary help positions into permanent positions in order to handle increased workload in the interpretive development program. This conversion would provide the department with 35 permanent and 3.5 temporary help positions.

The department has not provided justification for the conversion. Our review indicates that the Railroad Museum and the State Capital Museum have been essentially completed. These were the two largest and most complex interpretive development projects the department has ever undertaken. A number of smaller interpretive projects at park units such as Fort Ross State Historic Park, Angel Island State Park, Colonel Allensworth State Historic Park and China Camp State Park remain to be completed. For the most part, these are on-going projects that are progressing in stages. The Multi-Cultural Center at Coliseum Park in Los Angeles, which is proposed for funding under Item 3790-301-721, will be a complex interpretive project and thus will absorb some of the slack left following completion of the Railroad Museum. In general, however, we conclude that the overall workload in this program is declining, rather than increasing. Lacking workload justification for permanent positions, we recommend deletion of \$46,000 for conversion costs.

OPERATIONS**Operations Staff Reductions**

We recommend a reduction of \$715,000 and 23.5 new positions and withhold recommendation on \$156,000 and 6.5 positions in Items 3790-001-001 for patrol of new acquisitions, operation of new facilities and collection of state park entrance fees, because sufficient justification has not been provided for the new positions.

The budget proposes an additional \$3,859,000 and 118.7 personnel-years for the (1) patrol of new acquisitions, (2) operation of new day-use camping and boating facilities, and (3) collection of additional park entrance fees during 1982-83. Our analysis indicates that the following reductions should be made in the amount requested by the department:

Angel Island State Park-Technical—Reduce by \$44,000. The department requests \$180,776 (6.9 personnel-years and associated operating expenses) for operation and maintenance of new day-use and sewage disposal facilities at Angel Island State Park in San Francisco Bay.

We recommend deletion of \$44,000 to correct an error made in calculating the cost of personnel services.

Poppy State Preserve—Reduce by \$50,000. The department requests \$81,896 (2.46 personnel-years and associated operating expenses) for operation and maintenance of a new visitor center at this park unit in Antelope Valley.

We recommend a reduction of \$50,000 and 1.4 positions because the staffing requested is excessive. This small park unit experiences almost all of its visitations during March, April and May, when the poppy fields are in bloom. The seasonal interest in the preserve justifies operational staffing at the unit only during the short visitation period. If other periods of use occur during off-peak months, the department should seek volunteer assistance from community organizations in the nearby city of Lancaster, because these organizations were active in seeking state funds to construct the visitor center.

San Juan Bautista State Historic Park—Reduce by \$31,200. The department requests \$31,200 to maintain the recently restored Plaza Hotel in San Juan Bautista State Historic Park. The department spent \$1.25 million for restoration of the hotel which is now being used as a walk-through interpretive exhibit.

We recommend deletion of \$31,200 requested for this hotel. The Plaza Hotel appears to be larger and better suited for operation as an active hotel concession than the City Hotel in Columbia State Historic Park which is successfully operated as a hotel. Operation as a live hotel might earn revenues which could reduce the amount of General Fund support needed in future years. This revenue could also help to pay repair and maintenance costs on the hotel.

San Onofre State Beach—Withhold recommendation on \$155,841 and 6.5 positions. The department requests \$205,841 (10.2 personnel-years and associated operating expenses) to maintain new beach restrooms and provide increased life guard services at San Onofre State Beach in San Diego County.

We recommend approval of \$50,000 and 3.7 positions for maintenance of the new facilities. We withhold recommendation on the \$155,841 and 6.5 positions requested for life guard services, because our analysis indicates that the department has not provided sufficient justification for the additional positions of the Plaza Hotel.

Prior to the addition of the restrooms, the department had been providing frequent life guard patrols at this beach which is used almost exclusively by experienced surfers and only occasionally by the general public. By all indications the department can cover this unit adequately continuing to draw from 45 permanent positions and \$505,000 of seasonal blanket funds which are budgeted for the three state beach units in the Pendleton coast area. If additional life guard positions are needed, the department should provide additional justification prior to budget hearings.

DEPARTMENT OF PARKS AND RECREATION—Continued

Burleigh Murray Ranch—Reduce by \$46,145. The department requests \$46,145 (1.0 personnel-years and associated operating expenses) for patrol and maintenance of the 1,121 acre Burleigh Murray Ranch in San Mateo County. This property was gifted to the state in 1979.

We recommend deletion of the \$46,145 and 1.0 position because the department has not responded to a legislative directive contained in the *Supplemental Report to the 1980 Budget Act* that the Burleigh Murray Ranch be leased for agricultural purposes until a public use plan has been developed.

Antelope Valley Indian Museum—Reduce by \$61,488. The department requests \$61,488 (1.7 personnel-years and associated operating expenses and equipment) to operate and maintain the Antelope Valley Indian Museum in Los Angeles County. This museum, which was privately developed, was acquired by the department in 1980.

We recommend reduction of \$61,488 and 1.7 positions because the department should arrange with the County of Los Angeles or the City of Palmdale for operation and maintenance of the museum. If an arrangement with a local agency cannot be reached, a private party should be sought to live on the property, rent free, and maintain the facilities for use by interested community organizations. The property is primarily of local significance and will receive little statewide visitation. Consequently, it should be supported by local, rather than state, funds.

San Mateo County Beaches—Reduce by \$91,775. The department requests \$91,775 (three personnel-years and operating expenses and equipment) to operate and maintain three beach parcels consisting of 93 acres and 8,000 feet of ocean frontage which are presently owned and managed by San Mateo County. The county indicates it will transfer the properties to the state if the department agrees to operate and maintain the beaches for public use.

The department is unable to develop and open to public use many of those beaches and access points it has already purchased. Moreover, the Coastal Conservancy has been actively seeking local operation of state access points. Under these circumstances, we do not believe the department should take over an existing local responsibility. For this reason, we recommend deletion of \$91,775 and 3 positions.

Vallecitos Park—Reduce by \$52,600. The department requests \$52,600 (1.7 personnel-years and associated operating expenses and equipment) to operate and maintain Vallecitos Park in the Anza Borrego Desert. This 71-acre unit is presently owned and managed by San Diego County. Because of the department's current shortage of funds, it should not assume operating responsibility for a local park. We, therefore, recommend the deletion of \$52,600 and 1.7 positions.

State Beaches on the Sonoma and San Mateo Coasts—Reduce by \$230,472. The department requests \$230,472 (14.7 personnel-years and associated operating expenses and equipment) to staff new entrance stations at small state-owned beaches along the Sonoma and San Mateo Coasts as part of its effort to increase revenues. Specifically, entrance stations would be located at Goat Rock, Wrights Beach, Duncan's Landing, Portuguese Beach, Schoolhouse Beach, North Salmon, South Salmon and Bodega Head on the Sonoma Coast; and Half Moon Bay, San Gregorio, Pomponio and Pescadero State Beaches on the San Mateo Coast. According to the department, the entrance stations would be established for the

purpose of (1) collecting parking fees, (2) reducing vandalism and crime, and (3) providing increased public safety.

We recommend deletion of \$230,472 and 14.7 positions for this purpose because: (1) the collection of fees does not appear to be practical or economically feasible at many of these small beaches which offer only minimal public facilities or provide only access to the ocean, (2) the use of increased patrols may be more effective in reducing vandalism and crime at these beaches than collecting parking fees, and (3) the Legislature should establish a policy regarding collecting parking fees at the large number of small beaches which essentially provide only access to the coast.

Railtown 1897—reduce by \$107,538. The department requests \$177,538 (five personnel-years and associated operating expenses and equipment) to operate and maintain the Railtown 1897 project in Stanislaus County. The project consists of an operating steam railroad and a historic railroad roundhouse and yard. The project has not been acquired because an agreement has not yet been reached as required by Budget Bill language, to give the state permanent use of 40 miles of railroad right-of-way that is privately owned and maintained.

Assuming acquisition of the property, we recommend a reduction of \$107,538 and 3 personnel-years. Our analysis indicates that only two maintenance workers are needed to perform custodial tasks until major capital outlay repairs and restoration work are accomplished and a concessionaire has been selected to operate and maintain the railroad for excursion purposes.

Increase in Equipment Purchases

We recommend a reduction of \$719,000 in Items 3790-001-001 for new equipment purchases because adequate justification for the increase has not been provided.

The budget proposes equipment purchases of \$2,279,000 in 1982-83. This reflects an increase of \$807,000, or 55 percent, over equipment purchases in the current year. The increase consists of (1) \$317,000 for additional equipment to facilitate the patrol of new acquisitions and the operation and maintenance of new park facilities, and (2) \$490,000 for accelerated replacement of worn out and unsuitable equipment.

Our analysis indicates that the department's equipment purchases have increased approximately 6 percent per year over the last five years. This increase appears to have been sufficient to handle the growth in equipment and equipment replacement during a period in which a major expansion of the state park system has occurred.

The department has requested a 55 percent increase for next year without providing equipment schedules or justification for the increase. Therefore, we recommend a reduction of \$719,000, and approval in the reduced amount of \$1,560,000. This amount will allow for continuing a 6 percent growth in equipment purchases in the budget year.

Overview of Concessions Program

The Department of Parks and Recreation administers 140 concessions contracts. These concessions range from rowboat rentals at Benbow Lake State Recreation Area to a large complex of shops and full-service restaurants at Old Town San Diego State Historic Park. Some of these concessions are small and generate relatively little revenue. Others are big businesses, and in some cases are managed by national corporations. The

DEPARTMENT OF PARKS AND RECREATION—Continued

rent from all of these concessions is deposited directly in the state's General Fund.

As discussed earlier in this analysis, we have reviewed the department's concessions program. In a report to the Legislature summarizing our findings, we pointed out that serious management deficiencies and problems exist in the concessions program which require the attention of the Department of Parks and Recreation, the State Parks Recreation Commission and the Legislature.

The department recognizes some of the problems and deficiencies in the concessions program and is attempting to strengthen its concessions management capabilities. At the same time, however, it is also embarking on an aggressive program to develop several large new concessions at units of the state park system. These include new commercial complexes at Candlestick Point State Recreation Area, Pismo State Beach, El Pueblo de Los Angeles State Historic Park, and Hearst-San Simeon State Historic Monument.

We doubt that the department has the capability to undertake a major expansion of its concessions program before it has corrected the problems in its staffing, management policies and existing concessions contracts.

New and Renegotiated Concessions Projects

We recommend that, prior to budget hearings, the department submit to the Legislature complete project descriptions and financial evaluations for each of the new and amended concession contracts proposed in 1982-83 and an update of the contract with the Bazaar del Mundo.

Control Section 8.10 of the Budget Bill requires legislative approval of new and amended concessions contracts. Pursuant to this control section, the department has included the following concession proposals in its budget:

New Contracts to be Bid

1. Rail Town 1897—operating steam railroad
2. Lake Perris SRA—waterslide complex
3. Morro Bay SP—marina and snack shop
4. Morro Bay SP—golf course and snack shop
5. Candlestick SRA—restaurant and marina complex
6. Hearst San Simeon SHM—food service and souvenirs
7. Pismo SB/Grover City—lodge, restaurant and cocktail lounge complex
8. Richardson Grove SP—snack bar and camp store
9. Columbia SHP—Prospector's Trading Post
10. Columbia SHP—Columbia House Restaurant
11. Columbia SHP—general store
12. Santa Monica SB—"Sand and Sea Club" private club and restaurant complex
13. El Capitan SB, Gaviota SB, Refugio SB—camp supply stores and snack shops

Existing Contracts to be Amended

1. Old Town San Diego SHP—general store
2. Old Town San Diego SHP—Mexican handicraft shop
3. Old Town San Diego SHP—Mexican furniture store

4. Old Town San Diego SHP—Pannikan "Coffee" House
5. Old Town San Diego SHP—Chocolate Factory
6. El Pueblo de Los Angeles SHP—Pico-Garnier Building—restaurants, shops and cocktail lounges
7. Folsom Lake SRA—marina, and boaters supply store
8. Empire Mine Tailings—nonprofit corporation to extract gold and toxic metals from mine tailings
9. Pfeiffer Big Sur SP—lodge, restaurant and camp store complex

The department has not submitted sufficient information on the proposed new and amended concession contracts to permit an analysis of the proposals. As a consequence, we recommend that the department, prior to budget hearings, submit to the Legislature complete descriptions and financial evaluations of each of the proposed new and amended concession contracts.

Furthermore, we note that the department has not amended its contract with the Bazaar del Mundo at Old Town San Diego, as the Legislature directed it to do in the *Supplemental Report of the 1981 Budget Act*. Therefore, we further recommend that the department provide an update to the Legislature on the status of its contract with Bazaar del Mundo.

RESOURCE PRESERVATION

Major Increase in Resource Preservation is not Supported

We withhold recommendation on \$700,000 and 2.8 personnel-years in Item 3790-001-190 (Energy Account, Energy and Resources Fund) for natural resource preservation projects because the department has not provided sufficient justification for the request.

Included in the department's budget for the resource preservation program is \$2,258,000 for natural resource preservation projects throughout the state park system. This is \$679,000, or 43 percent, above the estimated level of expenditures for such projects in the current year. The program would be funded from the Resources Account in the Energy and Resources Fund.

The increase reflects a \$700,000 expansion of dune and bluff erosion control work. The department has been heavily involved in planting native grasses and installing wind fences on dunes and bluffs to control erosion along critical portions of the 200 miles of coastline occupied by state park units. These erosion control measures have been successful at some locations and only partially effective at other locations.

We withhold recommendation on the department's request for \$700,000 and 2.8 positions for additional dune and bluff erosion control projects because the department has not provided sufficient information on the various projects to be undertaken, how the work will be accomplished and the approximate costs of the projects.

ASSISTANCE TO PUBLIC AND PRIVATE RECREATIONAL AGENCIES

Local Park Grants

The California Parklands Bond Act of 1980 was approved by the voters at the November 1980 General Election. It provides \$85 million in grants to cities, counties and special districts for local and regional parks, swimming pools, and other neighborhood and community recreation facilities. These grants will be distributed on the basis of population but no county will receive less than \$100,000. The 1981 Budget Act appropriated \$59,810,-

DEPARTMENT OF PARKS AND RECREATION—Continued

540 for these local park grants. The Bond Act also provided \$30 million specifically for urban grants under the Roberti-Z'berg Urban, Open-Space and Recreation Grants program. These funds were appropriated in the current year.

In the budget year, the department is proposing 1980 Parklands Bond Act grants totaling \$14,113,000 under Item 3790-101-721, as enumerated on pages 76 through 87 of the 1982 Budget Bill. These grants have been reviewed by the department and are consistent with bond act requirements.

The 1981 Budget Act augmented the Roberti-Z'berg urban grant program by adding a \$4 million appropriation from the Resources Account in the Energy and Resources Fund. The budget for next year provides an increased amount of \$6 million for similar urban park grants from the same funding source. We have no analytical basis for recommending a change in the level of funding proposed for this program.

Urban Fishing Grants

We recommend deletion of \$7.5 million in Item 3790-101-190 (Resources Account, Energy and Resources Fund) for urban fishing grants because (1) the department has not identified the proposed grants and (2) five similar projects approved for the current year have not progressed to the point that the technical feasibility of the program has been demonstrated.

The 1981 Budget Act appropriated \$6 million from the Energy and Resources Fund to initiate a new urban fishing grant program which would be authorized by SB 708. An increased amount of \$7.5 million from the Energy and Resources Fund is requested for next year.

The department is presently processing 1981-82 grant applications for the following urban fishing projects:

- Lake Evans—Fairmont Park, City of Riverside.
- Echo Park Lake, City of Los Angeles.
- Lincoln Park Lake, City of Los Angeles.
- Harbor Park Lake, City of Los Angeles.
- Lake Merritt, City of Oakland.

A common problem in lakes such as those listed above is accumulated silt, debris and poor water quality. The shallow lakes have little capacity to sustain fish life. Under the urban fishing grant program the lakes probably will be dredged and equipped with aeration devices which oxygenate and recirculate the water.

The five projects listed above have not progressed to the point that the technical feasibility of overcoming the problems of siltation and water quality has been demonstrated. In addition the budget does not provide information on the proposed location or costs of the projects that would be financed with the \$7.5 million requested. Finally the request is premature because SB 708 has not been enacted to establish statutory policy and guidelines for the grant program.

We therefore recommend deletion of the \$7.5 million.

Outside Consulting Services

We recommend a reduction of \$335,000 in Item 3790-001-001 (General Fund) for outside consulting services because the department has not provided sufficient information to justify the proposed services.

The department is requesting \$1,840,000 for outside consulting services

during the budget year. Included in this amount is \$300,000 for development of a statewide Off-Highway Vehicle plan, and \$617,000 for coastal dune and bluff erosion control studies which we have discussed earlier in this analysis. Also included in the request is:

- \$80,000 for interpretive exhibitery.
- \$125,000 for economic studies.
- \$60,000 for volunteers involved in the "artist-in-the-park" program.
- \$30,000 for various natural heritage studies.
- \$40,000 for monitoring of revenue collection at park units.

We recommend a reduction of \$335,000 for these five consulting contracts because the department's request does not specify why the services are needed, what services will be provided by the consultant that cannot be provided by the department's staff, or how the information will be used to improve the department's programs.

Transfer to General Fund

We recommend that the savings resulting from our recommendations on Item 3790-101-190—\$7,500,000 be transferred from the Resources Account in the Energy and Resources Fund to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.

We recommend a reduction amounting to \$7.5 million in the department's local assistance program. Approval of these reductions would leave an unappropriated balance of tideland oil revenues in the Resources Account of the Energy and Resources Fund where the balance would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendations be transferred to the General Fund.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 3790-301-036 from the Special Account for Capital Outlay in the General Fund

Budget p. R 182

Requested 1982-83	\$293,000
Recommended approval	293,000

- (a) Artifact restoration (Hearst Castle) \$223,000
- (b) Climate control study (Hearst Castle) \$60,000
- (c) Artifact appraisal (Hearst Castle) \$10,000

We recommend approval.

Item 379-301-036 of the 1981 Budget Act appropriated \$214,452 from the Special Account for Capital Outlay (SAFCO) in the General Fund for the following:

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

- Artifact restoration (Hearst Castle) \$83,000
- Climate control study (Hearst Castle) \$60,000
- Artifact appraisal (Hearst Castle) \$10,000
- Hearst Visitor Center—working drawings..... \$61,452

Pursuant to the Governor's Executive Order, most capital outlay projects have been frozen in the current year, in order to make funds available to avoid a deficit in the state's General Fund. Accordingly, the Department of Finance proposes to revert funds for these four projects on June 30, 1982, under Item 3790-495-036, and to transfer the money to the General Fund under Section 19.91. In order to proceed with these projects, the department has rebudgeted the funds to be reverted for 1982-83. (The \$223,000 for artifact restoration includes \$140,000 for restoration work that was funded in 1981-82 from the State Parks and Recreation Fund which amount is also being reverted.

We recommend approval.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 3790-301-189 from the Energy Account in the Energy and Resources Fund

Budget p. R 182

Requested 1982-83	\$510,000
Recommended approval	160,000
Recommended reduction	350,000

(a) Minor projects..... \$350,000

We recommend deletion of \$350,000 for minor projects because no information to justify this amount has been provided by the department. The department is proposing \$350,000 for solar retrofitting and energy conservation projects throughout the state park system. Although solar energy is economically feasible at certain facilities, the department has not provided supporting information to show what projects would be undertaken and what the costs of the projects would be, so that the cost-effectiveness of each project can be established. For this reason, we recommend deletion of the amount requested.

(b) Design and construction planning \$160,000

We recommend approval.

This request reimburses the department's support Item 3790-001-001 for planning of energy-conserving capital outlay projects that will be budgeted for construction in 1983-84. This amount is sufficient to provide for a reasonable capital outlay program in 1983-84.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 3790-301-190 from the Resources Account in the Energy and Resources Fund

Budget p. R 182

Requested 1982-83	\$4,184,000
Recommended approval	2,118,000
Recommended reduction	2,066,000

(a) Anderson Marsh—acquisition \$2,000,000

We recommend deletion of \$2 million for the Anderson Marsh acquisition because the funding is inadequate.

Item 379-301-190 of the 1981 Budget Act appropriated \$2 million from the Resources Account in the Energy and Resources Fund for acquisition of the Anderson Marsh in Lake County. Anderson Marsh is a 967 acre agricultural and open-space area located at the south end of Clear Lake. Three islands in the lake are included in the project.

Pursuant to the Governor's Executive Order, most capital outlay projects (other than those funded with bond revenues) have been frozen, in the current year in order to make funds available to avoid a deficit in the state's General Fund. Accordingly, the Department of Finance proposes to revert funds for this project under Item 3790-495-190, and to transfer the money to the General Fund under Section 19.91.

In order to proceed with the project, the department has rebudgeted the \$2 million for 1982-83.

Our analysis indicates that this project has merit. It cannot, however, be undertaken as proposed. The appraisal for this project indicates that a substantial increase in funding would be needed, or the project would have to be reduced in scope in order to stay within the \$2 million request.

Because the project is not feasible, at the proposed funding level, we recommend deletion.

(b) Durham Ferry SRA—working drawings and construction \$66,000

We recommend deletion of \$66,000 for the Durham Ferry Project because the money is not needed.

The department indicates that an augmentation for construction at Durham Ferry State Recreation Area is not needed to complete the project. Consequently, we recommend deletion of \$66,000 from this sub-item.

(c) South Monterey Dunes—land acquisition..... \$2,118,000

We recommend approval.

Item 532 (g) Budget Act of 1980 appropriated \$2,130,000 from the Energy and Resources Fund to the department for the acquisition of the South Monterey Dunes project in Monterey County. This is a 6.6 acre beach and dune area located immediately north of the Seaside Holiday Inn.

Pursuant to the Governor's Executive Order, most capital outlay projects (other than those funded with bond revenues) have been frozen, in the current year in order to make funds available to avoid a deficit in

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

the state's General Fund. Accordingly, the Department of Finance proposes to revert funds for this project under Item 3790-495-190, and to transfer the money to the General Fund under Section 19.91.

In order to restore funding for the project the department is proposing this appropriation of \$2,118,000 from the Resources Account in the Energy and Resources Fund. This is an important coastal acquisition project, and accordingly we recommend approval.

Transfer to General fund

We recommend that the savings resulting from our recommendations on Item 3790-301-190—\$2,066,000—be transferred from the Energy and Resources Fund to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.

We recommend reductions amounting to \$2,066,000 in the Department of Parks and Recreation's capital outlay proposal. Approval of these reductions would leave an unappropriated balance of tideland oil revenues in the Energy and Resources Fund where it would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purposes accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that these savings be transferred to the General Fund.

Supplemental Language

For purposes of project definition and control, we recommend that supplemental language be adopted at the time of budget hearings which describes the scope of each of the capital outlay projects approved under this item.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 3790-301-263 from the Off Highway Vehicle Fund

Budget p. R 182

Requested 1982-83	\$5,680,000
Recommended approval	384,000
Recommended reduction	5,296,000

(a) Hungary Valley SVRA—equip off-highway vehicle area..... \$361,000

We recommend deletion of \$361,000 for Hungary Valley SVRA because no information is available from the department to justify this project.

The department is proposing \$361,000 for the procurement of equipment for Hungary Valley SVRA in Los Angeles County. No information is available from the department on either the specific items of equipment needed or on the cost of the various items. For this reason, we recommend deletion of the project.

(b) Sycamore Canyon Project—acquisition..... \$4,860,000

We recommend deletion of \$4,860,000 for the Sycamore Canyon acquisition because: (1) a required feasibility study on the project has not been completed, and (2) there is substantial local opposition to the project.

The department is proposing \$4,860,000 for the Sycamore Canyon acquisition project near Poway in San Diego County. The proposed acquisition would provide for a new state-operated and maintained area for use by off-highway vehicle owners in the San Diego area. The 554 acres proposed for acquisition are adjacent to an existing 1,326-acre undeveloped county park which may be deeded at no cost to the state for addition to the project.

The project is split into two portions. The western acquisition is the 320-acre Goodan Ranch, which consists of a wide, flat canyon floor with gently sloping hills. The ranch is now used for light-truck farming and grazing. It has a residence, several ranch buildings and two productive wells. The northern acquisition consists of several small parcels which have been developed into ranchettes. Two new homes have recently been constructed there. The properties are all fenced, including the county park and access by off-highway vehicles has not been permitted.

We recommend that the project be deleted for the following reasons: (1) the department has not completed a study, as required by Item 532.5, Budget Act of 1980, of the feasibility of developing this property into an off-highway vehicle park, (2) there is substantial local opposition to use of the land by off-highway vehicles, (3) it is not clear whether the adjacent county-owned land would be added to the proposed OHV park and (4) the acquisition of the ranchettes may require condemnation.

(c) Minor projects \$259,000

We recommend approval.

The budget requests \$259,000 for 11 minor capital outlay improvement projects at Hungary Valley and Carnegie State Vehicular Recreation Areas. We recommend approval because the projects appear to be reasonable in scope and cost.

(d) Acquisition costs \$50,000

We recommend approval.

The department is requesting \$50,000 to cover costs incurred by the Real Estate Services Division of the Department of General Services in preparing budget estimates for OHV acquisition projects and in processing gifts of properties for addition to OHV parks.

(e) Pre-budget and appraisal costs \$150,000

We recommend a reduction of \$75,000 and approval in the reduced amount of \$75,000 because the full amount is not needed.

The department is requesting \$150,000 to cover costs incurred by the Real Estate Services Division, Department of General Services to provide pre-budget surveys and appraisals of proposed OHV acquisitions.

Our analysis indicates that \$75,000 will be sufficient for the prebudget survey and appraisal work because community resistance to new OHV projects has greatly reduced the opportunities to acquire new properties for this purpose. In addition, OHV appraisals are relatively inexpensive. On this basis, we recommend the request be reduced by \$75,000.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

Supplemental Language

For purposes of project definition and control, we recommend that supplemental language be adopted at the time of budget hearings which describes the scope of each of the capital outlay projects approved under this item.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 3790-301-392 from the
State Parks and Recreation
Fund

Budget p. R 182

Requested 1982-83	\$11,639,000
Recommended approval	3,695,000
Recommended reduction	6,392,000
Recommended pending	1,552,000

Summary of Major Issues and Recommendations

*Analysis
page*

- (c) **Hearst San Simeon SHM—visitor center. Delete \$6,192,000** 675
for construction of a visitor center because the project is not ready for construction. Recommend department explain why the design for their project has been changed and working drawings have not been completed on a timely basis.
- (f) Minor projects. Withhold recommendation on 676
\$1,552,000 for minor capital outlay projects and recommend department explain why a substantial reduction in minor capital outlay projects is proposed.
- (g) **Big Basin SP—sewer—Reduce by \$200,000** and approve in 677
reduced amount of \$444,000 because the project has been downscoped.

(a) Hearst San Simeon SHM—continuing restoration..... \$470,000
We recommend approval.

This request for \$470,000 is for an ongoing program of building stabilization and repairs at Hearst Castle. Specifically, this request provides for (1) restoration and waterproofing of building exteriors, (2) installation of burglar alarms, smoke detectors and terrace lighting, (3) repair of walks and terraces, (4) exterior and interior painting, (5) restoration of the "B house," and (6) construction of retaining walls for the "C terrace."

Based on the State Architect's estimate of September 1, 1981, for this work, we recommend approval.

(b) Hearst San Simeon SHM—construct road repair \$1,156,000*We recommend approval.*

The department is requesting \$1,156,000 for the second phase of road repairs at Hearst Castle. Item 379-301-392 in the Budget Act of 1981 appropriated \$650,900 for the first phase of this project.

The project has been undertaken because the number of buses which take tour groups to the Castle has increased over the years. The added traffic, coupled with poor drainage and road slip-outs, has caused severe deterioration of the road in many places. A program of routine repairs has been underway for several years, but this work cannot correct the major problems.

Based upon a study of the needed road repairs by Caltrans and the State Architect's cost estimate of September 22, 1981, we recommend approval.

(c) Hearst San Simeon SHM—construct visitor center \$6,192,000

We recommend deletion of \$6,192,000 for construction of a visitor center at Hearst San Simeon SHM because the project is not ready for construction.

We recommend further that the department explain, prior to budget hearings, why the design for this project has been changed and working drawings have not been completed on a timely basis.

The department is requesting \$6,192,000 to construct a new visitor center at Hearst Castle. The Budget Act of 1980 appropriated \$317,800 for working drawings for the project, which was then estimated to cost about \$5.5 million. The Budget Act of 1981 appropriated \$61,452 to augment the amount for working drawings.

In our *Analysis* of the 1980 Budget Bill (page 1578), we recommended that the department should study alternatives to reduce the scope and cost of this project. One alternative which would reduce state costs was to have the concessionaire finance and construct the new food service and souvenir shops. The Legislature, however, approved the project as proposed by the department.

After funds for working drawings were provided, the department decided that its preliminary design for the visitor's center was not acceptable. For this reason, it chose to fund a design competition between outside architects to develop alternative design concepts for the project. This study of alternative concepts is still in process, and working drawings have not been started. There is some question whether a sufficient balance remains to finance the completion of working drawings.

In recent weeks, the department has also started to investigate using a concessionaire to finance and construct the concessions facilities as we originally recommended.

Our analysis indicates that the request for construction funds is premature and unjustified at this time because (1) a final design concept has still not been selected and working drawings have not been started by the department, and (2) the amount needed for the project would increase if acquisition of additional property from the Hearst Corporation is needed to accommodate the design concepts now being studied for the new visitor center and expanded parking and bus maintenance facilities.

For these reasons, we have no basis on which to evaluate the amount requested for construction funding, and accordingly recommend deletion of these funds on the basis that the request is premature. We further recommend that the department explain, prior to budget hearings, why

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

the design of the project has been changed and working drawings have not been completed, even though the Legislature approved the department's original design concept and funded working drawings almost two years ago.

(d) Hearst San Simeon SHM—construct water system improvement \$559,000

We recommend approval.

The department is requesting \$559,000 to drill two new horizontal water wells, improve existing spring boxes and add 8,000 feet of water pipelines to improve water supplies at Hearst San Simeon SHM. The 1980 Budget Act appropriated \$59,600 to prepare working drawings for this project.

Approximately 5,000 persons per day visit Hearst Castle during peak periods. Their water use is estimated to be at the rate of 80,000 gallons per day. This water, which comes from three springs, a collection system and reservoirs on the Hearst Corporation's property, is four times the daily amount of 20,000 gallons per day allocated to the state under the gift deed for the property which was executed between the Hearst Corporation and the state. Although the Hearst Corporation has not asked the Department of Parks and Recreation to reduce its water consumption, the corporation has expansion plans at the Hearst Ranch and has cautioned the state that its use of water may have to be reduced in the future. This would force a reduction in visitors to the Castle and implementation of stringent water conservation measures.

Based upon a report by the Department of Water Resources that new supplies of approximately 100,000 gallons per day can be developed on adjacent properties owned by the Hearst Corporation, we recommend approval.

(e) Malakoff Diggins SHP—sediment runoff study \$68,000

We recommend approval.

This request is for \$68,000 to study alternative methods of mitigating sediment runoff problems at Malakoff Diggins SHP. Erosion in this old hydraulic mining area causes turbid runoff into Humbug Creek and the Southern Yuba River. The Central Valley Regional Water Quality Control Board has threatened to issue a "cease and desist order" to force the department to terminate the turbid runoff.

The study will include soil tests and borings and research of measures to control mining discharge and sedimentation. We recommend approval.

(f) Minor Projects \$1,552,000

We withhold recommendation and recommend that the department explain, prior to budget hearings, why a substantial reduction in the customary level of minor capital outlay funding is being proposed.

The department is requesting \$1,552,000 for minor capital outlay projects throughout the state. This represents a reduction of \$748,000, or 32.5 percent, from the level of expenditures for minor capital outlay projects in the current year.

Minor capital outlay projects (\$150,000 or less) provide for: (1) replacement of expendable items such as park furniture and chemical toilet units, (2) repairs to water, electrical and sewer systems; (3) erosion control, boundary fencing and resource management, (4) minor restoration of

historic structures, and (5) construction of lifeguard towers, bridges, minor shop buildings and restroom facilities.

Our analysis indicates that the department may have seriously under-budgeted its minor capital outlay program in 1982-83. The department's supporting information indicates that 51 projects costing \$2.9 million were originally planned for the budget year. No explanation has been given for reducing the program to \$1.5 million, and a revised list of projects is not available. Given the fact that this program has financed essential repairs and replacements in the state park system in prior years, we recommend that the department explain, prior to budget hearings, why a substantial reduction is being proposed in the number of minor capital outlay projects during the budget year.

(g) Big Basin SP—construct sewer \$644,000

We recommend a reduction of \$200,000 and approval of the project in the reduced amount of \$444,000, because the project has been down-scoped.

Item 379-301-392 in the 1981 Budget Act appropriated \$713,400 for construction of sewage treatment plant improvements at Big Basin State Park.

The sewage collection and treatment system at Big Basin State Park was constructed in the early 1930's. On July 13, 1979, the Central Coast Regional Water Quality Control Board adopted Order No. 79-64 requiring the Department of Parks and Recreation to "cease and desist" from discharging treated sewage effluent that exceeds the board's waste water regulations into the east branch of Waddel Creek. Full compliance with the regulations is required by December 1, 1982.

As a result of the cease and desist order, the department is planning to construct: (1) a storage tank for retention of improperly treated effluent when the treatment plant malfunctions, (2) coagulation, chlorination and dechlorination chambers, and (3) automatic control and alarms at critical points in the treatment system. The department intends to apply for reimbursement of these costs under the federal Clean Water Grant program.

Pursuant to the Governor's Executive Order, most capital outlay projects (other than those funded from the proceeds of bonds) were frozen in the current year, in order to make funds available to avoid a deficit in the state's General Fund accordingly, the Department of Finance proposes to revert funds for this project under Item 3790-495-392, and to transfer the funds to the General Fund under Section 19.91. In order to proceed with the project, the department has rebudgeted \$644,000 from the State Parks and Recreation Fund for 1982-83.

We agree with the need for the project. We recommend, however, that funding for the project be reduced by \$200,000 and approved in the reduced amount of \$444,000 because the department is reducing the scope of the project by deleting the roof structure over the filter beds.

(h) Millerton Lake SRA—construct water treatment plant \$498,000

We recommend approval.

Item 379-301-392 in the 1981 Budget Act appropriated \$537,100 for construction of a water treatment plant at Millerton Lake State Recreation Area.

The project consists of the construction of a water storage tank, pumps, a water treatment plant, and interconnecting pipelines on the north and

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

south shores of Millerton Lake. The project also includes \$113,000 for the department to participate with the U.S. Water and Power Service and Fresno County in constructing a regional water treatment plant which will be operated by the county.

Pursuant to the Governor's Executive Order, most capital outlay projects (other than those funded from the proceeds of bonds) were frozen in the current year, in order to make funds available to avoid a deficit in state's General Fund. Accordingly, the Department of Finance proposes to revert funds for this project under Item 3790-495-392, and transfer the funds to the General Fund under Section 19.91. In order to proceed with the project, the department has rebudgeted \$498,000 from the State Parks and Recreation Fund for 1982-83. The reduced cost reflects a minor change in project scope.

We recommend approval because the water system appears to be essential to meet federal and state health regulations at Millerton Lake.

(i) Old Town San Diego—acquisition of Bazaar Del Mundo concession contract \$500,000

We recommend approval.

The Legislature adopted language in the Supplemental Report of the Committee on Conference on the 1981 Budget Act directing the department to amend the concessions contract with Bazaar del Mundo in Old Town San Diego State Historic Park. The language would require the concessionaire to pay 4.5 percent of gross sales as rent, starting August 1, 1981. The language also directs the department to renegotiate the contract in 1986, if necessary, to provide for a fair market rate to the state. In addition, the language sets forth other basic revisions to be made in the contract.

Item 379-301-392 of the 1981 Budget Act appropriated \$500,000 from the State Parks and Recreation Fund to the department to provide for buyout of this contract if the department and the concessionaire fail to reach agreement on revisions of the contract.

Pursuant to the Governor's Executive Order, most capital outlay projects (other than those funded from the proceeds of bonds) were frozen in the current year, in order to make funds available to avoid a deficit in the state's General Fund. Accordingly, the Department of Finance proposes to revert funds for this project under Item 3790-495-392, and transfer the funds to the General Fund under Section 19.91. In order to proceed with the project, the department has rebudgeted \$500,000 from the State Parks and Recreation Fund for 1982-83.

We recommend continued availability of the buyout money because, at the time this analysis was prepared, the department and the concessionaire had not agreed on contract revisions which conform with the Legislature's directive.

Supplemental Language

For purposes of project definition and control, we recommend that supplemental language be adopted at the time of budget hearings which describes the scope of each of the capital outlay projects approved under this item.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL
OUTLAY**

Item 3790-301-721 from the
Parklands Fund of 1980

Requested 1982-83	\$41,102,000
Recommended approval	18,550,000
Recommended reduction	17,137,000
Recommendation pending	5,415,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- (c) *Baldwin Hills—acquisition. Delete \$2 million for this project.* The first phase has been stalled for two years and no appraisal has been submitted as required by law. 681
- (f) *Colonel Allensworth SHP—restoration. Delete \$500,000 for this project.* Cost estimates have not been completed and the department has not justified further development of this park which has low public use. 682
- (g) *El Presidio de Santa Barbara SHP—acquisition.* Withhold recommendation on \$1,815,000 in order to allow the Legislature to establish the scope of the project. We recommend the department submit to the Legislature, prior to budget hearings, a current plan for acquisitions for the project. 683
- (h) *El Pueblo de Los Angeles SHP—planning. Delete \$50,000 for this project.* Recommend state-local responsibilities be redefined, management responsibility fixed, and provisions made for the state to share in the revenues. 684
- (i) *Fort Humboldt SHP—restoration.* Recommend correction in the project and approval in the corrected amount of \$554,000. 685
- (k) *Huntington SB—development. Delete \$7,210,000 for the project.* A cost estimate has not been completed and design revisions are needed to reduce the cost of the project. 686
- (l) *Indio Hills Palms—acquisition.* Recommend Budget Bill language prohibiting encumbrance of state funds until agreement with County of Riverside is reached for county operation of project at no additional cost to state. 686
- (m) *Inholding Purchases. Reduce \$500,000 and approve in decreased amount of \$500,000.* 687
- (n) *Lakes Earl and Talawa—acquisition. Reduce \$1,200,000 and approve in reduced amount of \$1,000,000.* Recommend Budget Bill language requiring (1) acquisition of contiguous parcels in large useable blocks, and (2) acquisitions be limited to willing sellers only. 687
- (o) *Multicultural Center-Exposition Park—development.* Withhold recommendation on \$3,600,000 for this project. Recommend department, prior to budget hearings, provide complete information on the project including preliminary design, interpretive program, cost estimate and implementation schedule. 688
- (p) *Notley's Landing—acquisition. Reduce \$2,400,000 and approve in reduced amount of \$2,000,000* because the acquisition of Parcels 6974, 6976 and 6977 is not justified. 688

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

- Recommend the department and the Coastal Commission investigate alternatives other than acquisition of fee, to protect remaining portion of the California Sea Otter Game Refuge.
- (q) *Old Sacramento SHP—development. Delete \$1,179,000* 689
for this project. There are no preliminary plans or cost estimates and construction of the buildings would reduce valuable open-space in Old Town Sacramento.
 - (v) *Santa Susana Mountains—acquisition. Delete \$1,450,000* 690
because the project must either be downscoped or the request must be increased to cover the state's appraisal.
 - (w) *Minor Projects. Reduce \$648,000* and approve reduced 691
amount of \$968,000. Volunteer projects are not a proper use of bond funds.
 - (aa) Cooper Molera Adobe—restoration. Recommend De- 692
partment of Finance explain to the Legislature at the time of budget hearings, why it did not include a \$1,022,000 augmentation to complete the restoration of the important Cooper Molera Adobe in Monterey State Historic Park.

ANALYSIS AND RECOMMENDATIONS

- (a) **American River Bikeway Project—working drawings and construction—Phase II** **\$1,330,000**

We recommend approval.

The department is requesting \$1,330,000 for working drawings and construction on the second phase of the American River Bikeway project in Sacramento County. A total of \$1,550,000 has been appropriated for this project in prior years.

The state's portion of the American River Bikeway project consists of a 10-mile multi-use recreational trail extending from the Nimbus Fish Hatchery to Beal's Point in Folsom Lake. Funds currently available provide for about 6.8 miles of the trail. The second phase funding is for (1) 2.2 miles of trail from Mississippi Bar to Negro Bar, and (2) one mile of trail from the Nimbus Fish Hatchery across the Nimbus Dam.

Based on an engineering estimate prepared by Sacramento County for the costs of constructing the second phase of the work and prior legislative approval of the first phase, we recommend approval.

- (b) **Angel Island SP—working drawings for restoration**..... **\$155,000**

We recommend approval.

The department is requesting \$155,000 for working drawings, restoration, and construction of new day use and campground facilities at the East, North and West Garrisons at Angel Island State Park in San Francisco Bay. The total cost of the project is estimated to be approximately \$2 million. Specifically, the project includes (1) restoration of two historic buildings and construction of landscaping, irrigation, water pipelines, and walkways at East Garrison, (2) construction of a 35 unit campground, landscaping and comfort stations at North Garrison, and (3) restoration of two historic buildings and construction of landscaping and irrigation at West Garrison.

We recommend approval. The project appears to be reasonable in scope and cost, and is consistent with prior development on the island.

(c) Baldwin Hills Project—acquisition \$2,000,000

We recommend deletion of \$2 million because the first phase of the project has been stalled in negotiations for two years and no appraisal has been submitted as required by law.

The department is proposing \$2 million for the second phase of an acquisition project in the Baldwin Hills of Los Angeles County. AB 1167 also appropriates \$4.4 million from the 1974 Park Bond Fund and \$5 million from the 1980 Parklands Bond Fund for the same second phase of acquisition.

Baldwin Hills, an active oil field, is adjacent to Culver City, approximately 8 miles southwest of downtown Los Angeles. Ch 372/80 (AB 1061) transferred \$7.5 million of state tidelands oil revenues to the State Park and Recreation Fund and appropriated that amount to the Department of Parks and Recreation for state park acquisition and development in the Baldwin Hills. The \$7.5 million was for the acquisition of about 190 acres as the first phase of a larger, multiphase project. The project would ultimately encompass approximately 1,300 acres (plus 250 acres presently owned by the county), at a state cost estimated by the county to be in excess of \$40 million (1980 cost).

When the project was proposed to the Legislature in 1980, the department indicated that all oil extraction operations would be terminated by 1986. The property owners and Chevron, the owner of the mineral rights, have since informed the department that they intend to use advanced oil extraction techniques to extend the life of the oil field for another 50 years. This has stalled negotiations to acquire the property for the first phase of the project, because Section 5001.65 of the Public Resources Code states that "commercial exploitation of resources is prohibited in state park system units."

In an effort to reach a negotiated settlement on the first phase with the owners and Chevron, the department is considering the possibility of acquiring full fee ownership of about 70 acres which are not encumbered by oil field operations, and acquiring *reversionary rights* for the remaining 120 acres which are encumbered by oil extraction operations. Purchase of reversionary rights would permit the state to pay a discounted price now for the future rights to the property. Under this approach, the state would not have use of the 120 acres until the 50 years have expired and the oil field is exhausted.

It is not clear whether the acquisition of reversionary rights would be consistent with Section 5001.65.

The department indicates that the property to be acquired in the second phase of the project is also encumbered by active oil field operations and would also be subject to the acquisition of 50-year reversionary rights rather than acquisition of full fee title. The \$2 million appropriation is based on acquiring fee title. However, no appraisal has been submitted by the department prior to requesting an appropriation as required by law. As consequence, we do not know how much money is needed for the phase 2 acquisition.

We recommend deletion of the \$2 million requested for the second phase of the project because (1) negotiations for the first phase have been stalled for two years and this request is premature, (2) the state would not have use of the property for 50 years, and (3) an appraisal of the property is not available as required by law.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

(d) Bidwell River Park—acquisition \$700,000

We recommend approval.

The department is requesting \$700,000 to acquire 218.5 acres of land bordering on the Sacramento River in Glenn and Butte counties. The property would be added to the existing Bidwell River Park (an unclassified state park unit) which is located six miles west of the city of Chico.

The proposed acquisition consists of private properties plus river bottom lands owned by the State Lands Commission. The portion in Glenn County contains a mature almond and walnut orchard and several abandoned farm structures.

We recommend approval. This acquisition is a logical addition to the existing Bidwell River Park.

(e) China Camp SP—working drawings and construct village restoration \$503,000

We recommend approval.

The department is requesting \$503,000 to stabilize and partially restore the historic structures at China Camp State Park on the west shore of San Francisco Bay in Marin County. The structures are located in the historic fishing village of China Camp.

We recommend approval. The project appears to be reasonable in scope and costs, and the structures should be stabilized before irreparable damage occurs.

(f) Colonel Allensworth SHP—working drawings and construct restoration and site work \$500,000

We recommend deletion of \$500,000 for this project because (1) the State Architect has not completed cost estimates for the project, and (2) the department has not justified further development of this park which has low public use.

The department is requesting \$500,000 for working drawings and construction of a 25-unit campground, water wells and irrigation system, landscaping, security lighting, additional parking, a picnic area and stabilization and continued reconstruction of historic structures.

A total of \$1,337,020 has been appropriated for restoration and reconstruction work at this unit. Four buildings have been reconstructed or restored:

- Singleton's General Store
- Grosse's Drugstore
- Colonel Allensworth Residence
- Allensworth School

The State Architect has not completed cost estimates for the project. Thus, we have no basis for documenting the need for the amount requested.

Furthermore, our analysis indicates that only about 7,000 persons visited the site last year. This low visitation requires a state subsidy of about \$4.62 per visitor. In comparison, nearby Fort Tejon State Historic Park requires a state subsidy of \$0.22 per visitor. If the project is to be successful and support the concept of restoring an early black community in California that attracts public interest, the department will have to develop some dynamic aspects of the property rather than just restoring more buildings.

In sum, we do not believe the department has provided justification for further development of this park. We therefore recommend the \$500,000 requested for this project be deleted.

(g) El Presidio de Santa Barbara SHP—acquisition \$1,815,000

We withhold recommendation on the request for \$1,815,000 in order to allow the Legislature to establish the scope of the project, we recommend that the department submit to the Legislature, prior to budget hearings, a current plan for the acquisition needed for the Presidio.

The department is requesting \$1,815,000 for the acquisition of Parcel 7003 (1.13 acres) on the corner of Santa Barbara Street and Canon Perdido Street in the downtown business district of Santa Barbara. The parcel is part of the original site of the El Presidio de Santa Barbara State Historic Park. This acquisition, which is commercial property, contains the north corner of the Presidio quadrangle. It is presently owned by the Santa Barbara Trust for Historic Preservation.

The existing El Presidio de Santa Barbara State Historic Park includes only the west corner of the original Presidio quadrangle and 2 other original buildings, the El Cuartel and Whittaker Adobes. The site for the entire Presidio consists of the 4 corners of the Presidio quadrangle. The corners are formed by the intersection of 2 streets that divide the site. Acquisition of all 4 corners of the quadrangle is necessary to secure the entire site for the Presidio and to permit eventual restoration of the military headquarters and the Chapel. This has been the goal of the Santa Barbara Trust for Historic Preservation and the Department of Parks and Recreation since 1966.

The state has already spent approximately \$600,000 to acquire the west corner of the site. In addition, item 457 (a), Budget Act of 1978, appropriated \$875,000 for the acquisition of three parcels totaling 1.15 acres on the corner of De la Guerra and Santa Barbara Streets (the south corner of the quadrangle). When making the appropriation to acquire this second corner of the quadrangle, the Legislature recognized the need for the Department of Parks and Recreation to prepare an implementation and funding plan for the entire project. It did so by adopting the following Budget Act language:

“Provided that, none of the funds appropriated for this project may be encumbered for acquisition, unless a plan for acquisition and development of El Presidio de Santa Barbara has been completed and approved by the Santa Barbara Trust for Historic Preservation, Santa Barbara City Council and the Secretary of the Resources Agency. Such plan shall include an estimated total cost for the project, designation of funding sources, and an implementation schedule.”

The required report was completed and approved in December 1979. The Department of Parks and Recreation estimates that the total cost of acquiring all of the remaining properties necessary for acquisition of the site and reconstruction of the Presidio may approach \$16 million. Total acquisition costs, however, are likely to go well beyond the department's estimate, because of escalating property values in the downtown Santa Barbara area. Even then the \$16 million would not provide a realistic interpretive setting for reconstruction of the original rustic Presidio. This is because the site would be surrounded by commercial development.

On September 18, 1981, the Director of Finance submitted a Section 28 letter informing the Chairman of the Joint Legislative Budget Committee

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

of her intention to approve a request by the department to drop the legislatively authorized acquisition of property on the corner of De la Guerra and Santa Barbara Streets (south corner of the quadrangle) because of an unwilling seller. She proposed instead to allow the Department of Parks and Recreation to substitute a parcel on the north corner of the quadrangle.

On October 26, 1981, the Chairman of the Joint Legislative Budget Committee recommended to the Director of Finance that the original acquisition (south corner of the quadrangle) not be dropped, and that the substitute property (north corner of the quadrangle) not be acquired, until the Legislature has revised the scope of the appropriation and had an opportunity to decide whether or not the plan to reconstruct the Presidio should be abandoned or revised. In a subsequent letter, the Chairman requested the department to submit full information to him and interested legislators on the appraisal costs, justification, and other information regarding the proposed substitution. As of early February, the department had not replied to this request.

The \$1,815,000 acquisition now proposed in the Budget Bill is for additional property on the north corner that surrounds (but does not include) the property proposed for acquisition in the Section 28 letter. Both the Section 28 letter and the \$1,815,000 budget request anticipate the eventual acquisition of the entire quadrangle.

It is not clear, however, that this will be feasible. The Section 28 letter proposes to drop acquisition approved by the Legislature (south corner) because the department has been unable to acquire this parcel. Without all 4 corners of the quadrangle, the project cannot be completed as currently planned.

If the acquisition project proposed in the budget for the north corner of the quadrangle were revised to include the substitute acquisition proposed in the Section 28 letter, sufficient land would be acquired to permit the northern half of the Presidio to be reconstructed. Without an appraisal we cannot however, recommend this action. Instead, we recommend that the department submit a revised plan for acquisition and reconstruction of the Presidio to the Legislature prior to budget hearings which would show how the project could proceed without the property proposed to be dropped by the Section 28 letter. We withhold recommendation on this request, pending receipt of this revised plan.

(h) El Pueblo de Los Angeles SHP—planning for seismic structural stabilization \$50,000

We recommend deletion of \$50,000 for this project, and further recommend that the state-local responsibilities be redefined, management responsibility fixed, and provisions made for the state to share in the revenues.

The department is requesting \$50,000 to perform seismic structural stabilization studies on the Pelancone Building, Jones Building, Simpson Building, Italian Hall and Sepulveda Building on Olvera Street in El Pueblo de Los Angeles State Historic Park in the City of Los Angeles. The studies would determine the extent of structural construction work needed to stabilize these buildings in the event of a moderate earthquake.

In a recent report, prepared by our office and entitled "A Review of the Department of Parks and Recreation's Concessions Program in the State

Park System," we point out that under a tripartite agreement between the Department of Parks and Recreation, the County of Los Angeles, and the City of Los Angeles, the city administers 78 concessions contracts in El Pueblo de Los Angeles State Historic Park. These concessions sell clothing, leather goods, and souvenirs in sidewalk shops, and food and alcoholic beverages in full service restaurants. The concessionaires pay rent to the city which the city retains.

Although the department has funded expensive capital outlay projects at this state park unit, it does not participate as an active partner with the city in controlling commercial activities in the park unit. In fact, El Pueblo is largely uncontrolled, and in recent decades has been transformed from an historic area into a colorful commercial area. The shop and restaurant owners tend to be independent and collectively resist increases in rent or controls over their business activities.

In past decades, the department has spent substantial sums on the area, but has received no revenues in return. The present budget request will initiate a major effort to provide seismic stabilization to big structures in the area—a task that is overdue. Here again, however, although the cost apparently will be a state responsibility, the state will receive neither revenues nor a more historic area in return.

We believe that before any further state funding is provided for this park, the state-local responsibilities should be redefined, management responsibility should be fixed and an arrangement under which the state shares in the revenues should be adopted. Until this has been accomplished, we recommend deletion of the \$50,000 requested.

(i) Fort Humboldt SHP—restoration \$54,000

We recommend a correction in the project and approval in the corrected amount of \$554,000.

The department is requesting \$554,000 for (1) relocation and partial restoration of the hospital building, (2) reconstruction of the noncommissioned officer's residence, and (3) reconstruction of the Native American impoundment at Fort Humboldt State Historic Park in the City of Eureka. A previous appropriation of \$50,000 was made for planning and working drawings for this project. This appropriation will fund the construction of the structures covered by the working drawings.

We recommend approval because the project appears to be reasonable in scope and cost and is consistent with prior legislative approval. The Budget Bill error should be corrected, and \$554,000 should be appropriated for the project.

(i) Humboldt Redwoods SP—bank protection study \$350,000

We recommend approval.

The department is requesting \$350,000 to perform a study of river bank erosion control measures at Humboldt Redwoods State Park in Humboldt County. It is estimated that implementation of erosion controls may cost up to \$3 million.

Serious erosion is occurring along the South Fork of the Eel River in the Humboldt Redwoods State Park. The erosion has already resulted in the loss of numerous large redwoods, as well as soil and other natural features. This project is directed at protecting several groves of large, mature redwoods which are threatened by logging and road building practices upstream.

The project is a multi-year effort. During the first year, an intensive

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

study of the slope stability and hydrologic conditions will be made. This information will be used to determine precisely where bank protection is needed, as well as several critical factors needed for final design. Final design and construction would be initiated during the second year of the project, and would continue by steps until the project is completed.

We recommend approval because the project is needed to save important redwood groves from further damage.

(k) Huntington SB—working drawings and construct day use, parking, and rehabilitation—Phase I \$7,210,000

We recommend deletion of \$7,210,000 for this project because (1) a cost estimate for the project has not been completed and (2) design revisions are needed to reduce the cost.

The department is requesting \$7,210,000 for the first of two phases of construction to replace old inadequate beach and parking facilities at Huntington State Beach in Orange County. Much of this work is needed and has been delayed too long already because of disagreements between the department and the City of Huntington Beach. The total cost of the project is estimated to be about \$15 million. Appropriations totaling \$523,590 were made in 1977 and 1978 Budget Acts to prepare working drawings for the first phase of the project.

The first phase of the project would include:

- Replacement of 635 parking spaces with 1,300 spaces.
- Replacement of four comfort and dressing room stations with five new facilities.
- Replacement of two concession buildings.
- Construction of a park office and lifeguard headquarters complex.
- Development of one mile of landscaping and irrigation.

Cost estimates for the project have not been completed. In addition, the department is currently studying alternative ways to reduce the cost of the planned facilities and the landscaping and irrigation. This study of alternatives was directed by the State Public Works Board, upon our recommendation, when funds were approved for the start of working drawings. It was intended to modify features that were excessively costly.

Until the department has complied with the board's directive and an appropriate cost estimate is available, we cannot determine the amount of construction money needed. Accordingly, we recommend that the \$7,210,000 requested for construction of the first phase not be approved.

(l) Indio Hills Palms—acquisition \$705,000

We recommend approval and adoption of Budget Bill language prohibiting encumbrance of state funds for the project until an agreement is reached with the County of Riverside for the county to operate and maintain the project at no additional cost to the state.

The department is requesting \$705,000 to acquire the Indio Hills Palms area from Riverside County. The project, which is owned by the county, consists of 1,737 acres of undeveloped desert mountain land having three outstanding natural palm oases.

Riverside County also owns 2,209 acres which are contiguous to the project. In addition, the Bureau of Land Management (BLM) owns 2,160 acres in the area. The county will sell the 1,737 acre project to the state at its purchase cost of \$690,000. Following development of the property by

the state, the county will operate and maintain the project at no added cost to the state.

Our analysis indicates that the project has merit and should be funded. Thus, we recommend approval and adoption of the following Budget Bill language:

“Provided that no state funds appropriated for the Indio Hills Palms acquisition shall be encumbered until an agreement is consummated with the County of Riverside for the county to operate and maintain the project at no additional cost to the state.”

(m) In-holding purchases \$1,000,000

We recommend a reduction of \$500,000 and approval in the decreased amount of \$500,000.

The department is requesting \$1 million for in-holding purchases on a statewide basis. Many state park units surround small parcels of land that remain in private ownership. These parcels are generally small and are referred to as “in-holdings.” The department is not required to bring acquisitions of this type to the Legislature for approval.

We recommend a reduction of \$500,000 because the department has not justified a \$500,000, or 100 percent, increase over the \$500,000 level of funding in the current year for this category of acquisition.

(n) Lakes Earl and Talawa—acquisition \$2,200,000

We recommend a reduction of \$1,200,000 and approval in the reduced amount of \$1,000,000. We further recommend adoption of Budget Bill language requiring (1) the acquisition of contiguous parcels in large usable blocks and (2) the acquisitions be limited to willing sellers only.

The department is requesting \$2.2 million to acquire 294 parcels (150 acres) within the 1,500 parcel Pacific Shores subdivision on the coast of Del Norte County about seven miles north of Crescent City. The subdivision is surrounded by 9,000 acres acquired by the department for the Lake Earl and Lake Talawa project.

The subdivision was formed in the early 1960s. It consists of a long interconnected series of strips of lots which lie between the state’s property and the public’s access to the ocean. No development has occurred, except for the streets, because of sewage disposal problems in this area. Coastal Commission regulations have also prevented development.

Our analysis indicates that the project has merit and should be acquired to expand access from the existing state park lands to the ocean. Because many of the owners have indicated that they are unwilling sellers and condemnation would be needed to acquire their small lots, we recommend the project be limited to acquiring parcels in usable blocks only from willing sellers. This will provide access to the ocean and permit substantial savings in legal and court costs. If additional willing sellers are identified, the department can request more funds for further acquisition. Thus we recommend a reduction of \$1.2 million to eliminate condemnation costs and reduce the extent of acquisition. In addition, we recommend adoption of the following Budget Bill language:

“Provided that the acquisition shall be limited to parcels along the ocean in the Pacific Shores subdivision that are (1) contiguous parcel blocks and usable for access to the ocean, and (2) are owned by willing sellers.”

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

- (o) **Multi-cultural center—Exposition Park—partial working drawings and construct multi-cultural center..... \$3,600,000**

We withhold recommendation on \$3,600,000 for the multi-cultural center and recommend that the department submit to the Legislature, prior to budget hearings, provide complete information on the proposed project including the preliminary design, interpretive program, cost estimate and implementation schedule.

The department is proposing \$3.6 million for the multi-cultural center in Exposition Park in the City of Los Angeles. The project is intended to be opened in conjunction with the 1984 Summer Olympic Games. This schedule will allow the department only two years to design and construct the structure.

Conceptual plans for the project describe a 20,000 square foot building, a 13,000 square foot plaza and a 60,000 square foot open space area. The proposed site would be leased from the Sixth District Agricultural Association. The purpose of the center is to display California's diverse cultural origins, rich heritage and future potentials, and to interpret them through the performing arts and in a variety of cultural programs, celebrations and exhibits.

There is not sufficient information and cost data available on the project for purposes of analysis and formulation of a recommendation. We recommend, therefore, that the department submit to the Legislature, prior to budget hearings, complete information on the project including the preliminary design, interpretive program, cost estimate and implementation schedule. We withhold recommendation on this project, pending receipt of this information.

- (p) **Notley's Landing—acquisition \$4,400,000**

We recommend a reduction of \$2,400,000 and approval in the reduced amount of \$2,000,000 because the acquisition of one developed parcel (Parcel 6974) and two adjacent undeveloped parcels (Parcels 6976 and 6977) at the south end of the project is not justified.

We recommend further that the department and the Coastal Commission investigate alternatives other than acquisition of fee, to protect the remaining portion of the California Sea Otter Game Refuge.

The department is proposing \$4,400,000 to acquire Notley's Landing on the Big Sur Coast, about 12 miles south of Carmel. The proposed acquisition consists of about 144 acres (eight parcels) and 2 miles of ocean frontage. The California Coastal Commission has assigned high priority to acquisition of this coastal property, which is onshore from the California Sea Otter Refuge.

The property is predominantly an open grass-covered marine terrace offering a view of the Big Sur Coast. There are no beaches or water access.

We recommend approval of \$2 million to acquire Parcels 6971, 6972, 6973, 6975, and 6978, which comprise the northern two-thirds of the project. Acquisition of these parcels, which are undeveloped and contain some old farm buildings, has merit.

We recommend that \$2,400,000 not be approved for the acquisition of Parcels 6974, 6976, and 6977 and for payment of acquisition overhead costs associated with these parcels, which comprise the southern one-third of the project. There appears to be no public purpose in acquiring Parcel

6974 (1.6 acres which includes an expensive custom home having 7,100 square feet of floor space and 2,300 square foot pool house). If Parcel 6974 is not acquired, Parcel 6976 (17 acres) and Parcel 6977 (1.5 acres) would be left separated from the northern portion of the project.

In recognition of the need to protect the California Sea Otter Refuge, we further recommend that the department and the Coastal Commission investigate alternatives other than acquiring the 3 southern parcels as a means of protecting the remaining portion of the refuge. One alternative would be to acquire "conservation easements" which would allow compatible development of the properties.

(q) Old Sacramento SHP—working drawings and partial reconstruction of 1849 scene \$1,179,000

We recommend deletion of \$1,179,000 because (1) there are no preliminary plans or cost estimates available for this project, and (2) construction of the buildings would reduce valuable public open space in Old Town Sacramento.

The department is requesting \$1,179,000 for the second phase of development of the 1849 Scene in Old Town Sacramento State Historic Park. Specifically, the second phase calls for the reconstruction of the historic City Hotel and Tehama Block buildings. The 1981 Budget Act appropriated \$80,000 from the Parks and Recreation Fund to prepare working drawings for a similar project. Item 3790-495-392 of the 1982 Budget Bill proposes to revert the funds for working drawings, and Section 19.91 proposes to transfer the money to the General Fund as part of the administration's plan to avoid a deficit in the General Fund in 1981-82.

When it received the money for working drawings last year, the department agreed that it would construct the McDowell Building and the Tehama Block Building on either side of the Eagle Theatre, and would not intrude on the open space nearby. The budget request, however, recedes from that agreement and proposes to replace the McDowell with the City Hotel which would intrude on the open space.

In preparing for the opening of the Railroad Museum, which lies on two sides of the property covered by this request, and in order to approve the attractions of the area, the department secured funds to fill contours and landscape the area of the 1849 Scene. Experience showed during the opening ceremonies of the museum that this open space was a valuable addition to Old Sacramento.

No preliminary plans or cost estimates are available on the proposed project because the current year work has not been done. Consequently, the request for construction money is premature. For this reason, and because reconstruction of the City Hotel would not be in accord with previous agreements and commitments to the Legislature, we recommend the deletion of the \$1,179,000 requested for this project.

(r) Old Town San Diego SHP—working drawings and construct U.S. House, Light Freeman and Wrightington Adobes \$1,017,000

We recommend approval.

The department is requesting \$1,017,000 to reconstruct the Machado-Wrightington, Light-Freeman, and U.S. House adobes in Old Town San Diego State Historic Park. These adobes will be constructed end-to-end with common end walls. They will be operated and maintained by concessionaires. The 1981 Budget Act appropriated \$99,000 for working drawings for this project.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

Based upon our review of the preliminary plans and cost estimates for this project and legislative approval of working drawings money last year, we recommend approval.

- (s) **San Simeon SB—Working drawings and construct day use, campground, and sewer hook-up..... \$1,595,000**

We recommend approval.

The department is requesting \$1,595,000 for the first phase of a multi-phase project at San Simeon State Beach. The project includes: (1) construction of a 100-site temporary campground, (2) rehabilitation of existing 134 unit campground, (3) construction of six new comfort stations and dressing room buildings, (4) construction of a new sewer system, (5) redevelopment of roads, (6) construction of a 60-foot pedestrian bridge and (7) construction of a new day-use area. It is estimated that the entire multi-phase project will cost \$4.3 million.

We recommend approval. The existing campground is old and worn out, and is critically in need of rehabilitation. The planned project appears to be reasonable in scope and cost.

- (t) **San Pedro Beach—acquisition..... \$1,600,000**

We recommend approval.

The department is requesting \$1,600,000 to acquire the 8.4 acre San Pedro Beach for addition to the Pacifica Beach project in San Mateo County. The Pacifica State Beach project presently consists of 20 acres of beach and ocean terrace lands.

The proposed addition consists of beach and terrace areas adjacent to Highway 1. A marsh area is located at the north end of the proposed acquisition.

We recommend approval because this is a logical addition to the Pacifica Beach project.

- (u) **Schooner Gulch Project—acquisition..... \$2,400,000**

We recommend approval.

The department is requesting \$2,400,000 to acquire the 295 acre Schooner Gulch project on the Mendocino Coast midway between Gualala and Manchester.

The project includes 17 acres of outstanding beaches and coastal terraces west of Highway 1, and 278 acres of densely wooded upland canyon and terrace areas. A small residential structure and several farm buildings are on the upland parcels.

We recommend approval. The scope and cost of the project appears to be reasonable.

- (v) **Santa Susana Mountains Project—acquisition..... \$1,450,000**

We recommend deletion of \$1,450,000 because the project must either be downscoped to match with requested funds or the request increased to cover the appraisal.

The department is requesting \$1,450,000 for the acquisition of 123 acres of undeveloped open-space for addition to the Santa Susana Mountains project in Los Angeles County. The Santa Susana Mountains project currently consists of 299 acres (costing \$1.6 million) of mountainous lands located south of the Old Santa Susana Pass Road near Chatworth in Los

Angeles County.

The proposed project includes a portion of a rocky ridge where the Simi Hills merge with the Santa Susana Range. The area has many massive sandstone boulders and crowning high points.

We recommend deletion of the project as requested because it must either be downscoped to match the requested funds or the request must be increased to cover the state's appraisal.

(w) Minor Projects \$1,616,000

We recommend a reduction of \$648,000 and approval in the reduced amount of \$968,000 because volunteer projects are not a proper use of bond funds.

The department is requesting \$1,616,000 for the following projects:

- (1) Handicapped retrofit \$200,000
- (2) Enroute camping \$150,000
- (3) Environmental camp sites \$618,000
- (4) Volunteer projects \$648,000

Handicapped Projects

This is the second phase of a four-year program. Approximately 70 parks will be retrofitted by 1986 to increase their accessibility to the handicapped. The modifications will include installation of ramps, paved walks, and handrails. Curbs will be cut, doors widened, and the height of fixtures, telephones, drinking fountains, lavatories and mirrors will be adjusted. We recommend approval of the access projects for the physically handicapped.

Enroute Camping Projects

This project provides for minor improvements to day use parking areas at several state beaches along the central and south coasts to permit enroute camping by self-contained recreational vehicles. The department proposes to expand the enroute camping program in the budget year at selected beach units in order to increase state park revenues.

We recommend approval. The scope and cost of the proposed work is reasonable.

Environmental Camping

Three hundred primitive campsites will be constructed in outstanding scenic and natural areas at 18 park units. These sites will be constructed, in part, by California Conservation Corps labor. This is the third phase of a four-phase program.

We recommend approval. Additional primitive camps are critically needed in many of our large state park units.

Volunteer Projects

This project is the second year of a four-phase program in which the department will provide the materials and supervision for volunteers to undertake simple park improvement projects. Some of the projects are: constructing fish habitats, trails, fencing, gardens, interpretive exhibits, and erosion control measures. Ongoing volunteer participation would also include: docent programs, horse patrols, trail and garden maintenance, litter clean-up, craft demonstrations, and interpretive tours.

We recommend deletion of \$648,000 for volunteer projects because this not a proper use of bond funds. By law, bond funds designated for develop-

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

ment are limited to capital outlay projects and are not available for operation and maintenance activities such as those proposed here.

The department is receiving funding for operation and maintenance of the state park system and for minor capital outlay and resource preservation projects in other items. A substantial amount of these funds have been used in prior years for volunteer efforts to improve and maintain the state park system.

(x) Design and Construction Planning..... \$2,873,000

We recommend approval.

This request is transferable as a reimbursement to the department's support budget (Item 3790-001-001) for preliminary planning and project management of capital outlay acquisition and development projects which are financed from the 1980 Parklands Bond Fund.

(y) Pre-budget and Appraisals..... \$200,000

We recommend approval.

This request is for \$200,000 for pre-budget planning, property descriptions and appraisals for acquisition projects which will be proposed for funding from the 1980 Parklands Bond Fund in the 1983-84 budget. The appraisals are performed by the Division of Real Estate Services in the Department of General Services.

(z) Acquisition Costs..... \$100,000

We recommend approval.

The department is requesting \$100,000 to cover a variety of costs associated with acquisition projects funded by the 1980 Parklands Bond Fund.

(aa) Cooper Molera Adobe—restoration..... \$1,022,000

We recommend the Department of Finance explain to the Legislature, at the time of budget hearings, why it did not include a \$1,022,000 augmentation under this item in order to complete the restoration of the important Cooper Molera Adobe in Monterey State Historic Park.

A total of \$1,820,217 has been made available to the department from prior appropriations, private donations, and federal grants for restoration of the Cooper Molera Adobe, the two-story Cooper House, the Diaz House and the Spears Warehouse and Stable in Monterey State Historic Park. This is the largest and most important historic restoration and interpretation project in Monterey. The complex of buildings depicts the Mexican and Early American eras.

The department originally included \$1,022,000 in its budget request for 1982-83 from the State Parks and Recreation Fund for augmentation of this project. The funding for this project was removed in order to reduce expenditures from the State Parks and Recreation Fund and to permit transfer of money from the State Parks and Recreation fund to the General Fund as part of the administration's efforts to balance the 1982-83 budget.

Our analysis of the project indicates that the funding is needed in order to permit completion of the project by the summer of 1983. If the project is not augmented, the restoration work will have to be discontinued during the budget year. This will leave the structures incomplete and exposed

to the weather. Electrical and mechanical systems will be incomplete and interior finishing and furnishings will be only partially started. Moreover, the skilled work crew will be moved to other projects. For these reasons, we recommend that the Department of Finance explain to the Legislature, at the time of budget hearings, why it did not include a \$1,022,000 augmentation under this item in order to complete this project.

Supplemental Language

For purposes of project definition and control, we recommend that supplemental language be adopted at the time of budget hearings, which describes the scope of each of the capital outlay projects approved under this item.

**DEPARTMENT OF PARKS AND RECREATION—
CAPITAL OUTLAY**

Item 3790-301-728 from the 1970
Recreation and Fish and
Wildlife Enhancement Bond
Fund

Requested 1982-83	\$3,866,000
Recommendation pending	\$3,866,000

Lake Perris SRA—continuing recreation development—construction, \$3,866,000.

We withhold recommendation, pending revisions to reduce the scope and cost of this project by the department prior to budget hearings.

The department is requesting \$3,866,000 for the sixth, and final, phase of a multi-phase recreation development program at Lake Perris State Recreation Area in Riverside County. A total of \$13 million has been expended to date on this development program.

The proposed project would provide for the following:

1. A new campground entrance facility, including roads and security office.
2. Fishing access along the dam embankment, including a 50-car parking, a comfort station, 2 fishing floats, and a fish-cleaning station.
3. Approximately 2.5 miles of equestrian and hiking trails.
4. Seven trailer parking spurs with utility hookups.
5. New group recreational vehicle camping facilities in the North Basin, including 3,000 feet of road, 50 camp lots, 2 comfort stations, and a trailer sanitation station.
6. The redevelopment of 85 recreation vehicle campsites in the existing recreational vehicle campground area.
7. Waterfront access at Moreno Palm Beach, including a sailboat launch ramp.
8. Approximately 1.5 acres of landscaping at 3 areas within the park, including erosion control, tree plantings and irrigation.
9. Repair storm damage to drainage channel.
10. A new storage building (1500 square feet) in the service yard.
11. 2,000 feet of fence at various locations along the park boundary.

**DEPARTMENT OF PARKS AND RECREATION—
CAPITAL OUTLAY—Continued**

Our analysis indicates that the project is excessive in scope and cost. Specifically:

- (1) The dam fishing access facilities are too elaborate and costly because most of the fishing takes place from boats;
- (2) The new recreational vehicle camping facilities appear to be larger in scope than needed, considering that these facilities will be used only occasionally by caravan groups;
- (3) Sufficient information is not available to justify the extent of redevelopment work planned at the existing recreational vehicle campground;
- (4) The sailboat ramp at Moreno Palm Beach should be built near the dam where the existing unofficial sailboat launch area is presently located;
- (5) The 10.5 acres of landscaping is excessive, and would add additional burdens to the maintenance crews which are already maintaining excessive landscaping at this park unit; and
- (6) The additional 1,500 square foot storage building does not appear to be needed. This unit already has the largest and best-equipped shop and storage facilities in the state park system.

For the above reasons, we withhold recommendation because the scope and the cost of this project should be reduced by the department prior to budget hearings.

Supplemental Language

For purposes of project definition and control, we recommend that supplemental language be adopted, at the time of budget hearings, which describes the scope of each of the capital outlay projects approved under this item.

**DEPARTMENT OF PARKS AND
RECREATION—REAPPROPRIATION**

Item 3790-490 from the General
Fund and various special
funds

ANALYSIS AND RECOMMENDATIONS

1. *We withhold recommendation because this item is incomplete.*

This item requests reappropriations for capital outlay acquisition and development projects from the General Fund and various sources.

Our analysis indicates that the item is incomplete. The department is expected to add a large number of additional reappropriations to the item by budget change letter. We withhold recommendation, pending the receipt of these changes.

DEPARTMENT OF PARKS AND RECREATION—REVERSION

Item 3790-495 to the General
Fund and various special
funds

ANALYSIS AND RECOMMENDATIONS

1. *We withhold recommendation, pending receipt of additional information from the department.*

This item proposes reversions for capital outlay acquisition and development and local assistance grant projects from the following sources:

- General Fund 1 project
- Special Account for Capital Outlay 3 projects
- Energy and Resources Fund 1 project
- Energy Account, Energy and Resources Fund 1 project
- Resources Account, Energy and Resources Fund 3 projects
- Off-Highway Vehicle Fund 2 projects
- State Parks and Recreation Fund 12 projects
- 1980 Parklands Bond Fund 7 projects
- 1976 State, Urban, Coastal Park Bond Fund 10 projects

We withhold recommendation on these reversions, pending receipt of additional information from the department.

Resources Agency

**SANTA MONICA MOUNTAINS CONSERVANCY—
SUPPORT AND CAPITAL OUTLAY**

Items 3810 and 3810-301 from
the General Fund and special
funds

Budget p. R 201

Requested 1982-83	\$5,950,000
Estimated 1981-82.....	5,239,000 ^a
Actual 1980-81	433,000
Requested increase (excluding amount for salary increases) \$711,000 (+13.6 percent)	
Recommendation pending	\$5,650,000

^a This amount excludes \$2.4 million from the Federal Trust Fund that is shown in the Governor's Budget because the money has not been received.

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3810-001-001—Support		General	\$300,000
3810-301-190—Capital Outlay		Energy and Resources	5,650,000
Total			\$5,950,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Revolving Fund Purchase Program. Withhold recommendation on \$5,650,000 in Item 3810-301-190 for three acquisition projects, pending receipt from the conservancy of project plans required by statute.

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GENERAL PROGRAM STATEMENT

Chapter 1087, Statutes of 1979, established the Santa Monica Mountains Conservancy with responsibility for implementing the land acquisition

**SANTA MONICA MOUNTAINS CONSERVANCY—
SUPPORT AND CAPITAL OUTLAY—Continued**

program in the Santa Monica Mountains that was prepared by its predecessor, the Santa Monica Mountains Comprehensive Planning Commission. Unless extended by the Legislature, the Santa Monica Mountains Conservancy will terminate on July 1, 1986.

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 state Santa Monica Mountains Comprehensive Plan. It may promote the objectives of these programs by (1) acquiring and consolidating subdivided land, (2) creating buffer zones surrounding federal and state park sites, and (3) restoring natural resource areas in a manner similar to the State Coastal Conservancy. The conservancy has an eight-member governing board.

The conservancy's office is located in Los Angeles. The conservancy has 8.8 authorized personnel years in the current year.

This analysis integrates the support and capital outlay items for the Santa Monica Mountains Conservancy.

ANALYSIS AND RECOMMENDATIONS

Support. The budget proposes an appropriation of \$300,000 from the General Fund for support of the Santa Monica Mountains Conservancy in 1982-83. This is \$66,000, or 18.0 percent, less than estimated current year expenditures. This, however, makes no allowance for the cost of any salary or staff benefit increase that may be approved for the budget year.

The decrease in support reflects (a) the 5 percent reduction required of many General Fund agencies by the Department of Finance (\$16,000), and (b) the projected completion of the Lake Sherwood Feasibility Study authorized by Ch 1305/80 (\$47,000).

Total support expenditures, including those from reimbursements, are estimated at \$582,000, which is a decrease of \$98,000, or 14.4 percent, below estimated current year expenditures. The \$582,000 figure consists of (a) a \$242,000 reimbursement derived from an appropriation of \$5,650,000 for capital outlay made from the Resources Account of the Energy and Resources Fund (ERF) by Item 3810-301-190, (b) another reimbursement of \$40,000 anticipated from the proposed sale of tax delinquent properties purchased by the conservancy, and (c) the General Fund request of \$300,000.

Capital Outlay. Of the \$5,650,000 appropriated for capital outlay, \$5,250,000 is requested for acquisition of three projects. The remaining \$400,000 is appropriated for project planning and design costs, of which \$242,000 is transferred to the support budget as a reimbursement to fund 3.0 personnel years and most of the operating expenses of the conservancy in the budget year. The remainder of \$158,000 is to be carried into 1983-84.

Capital Outlay Not Defined

We withhold recommendation on \$5,650,000 appropriated in Item 3810-301-190 from the Energy and Resources Fund for capital outlay, pending receipt from the conservancy of the project plans required by Ch 1087/79.

The conservancy proposes to spend \$5,250,000 of the \$5,650,000 requested from ERF on three revolving fund projects. These projects would be

undertaken in the following areas (1) Temescal Canyon, Los Angeles, (2) Runyan Canyon, Los Angeles, and (3) Lake Sherwood, Ventura. These projects are not scheduled in the item.

The conservancy applies the term "revolving fund project" to the acquisition of properties that it expects eventually to sell for revised development purposes that are consistent with the Santa Monica Mountains plan. The sale of the property is expected to return most of the conservancy's original investment. The conservancy thereby hopes to become self-supporting in 1983-84. This is an ambitious concept, the details of which have not been developed at this time.

Ch 999/81 directed the conservancy to (a) submit a proposal for funding the acquisition of Runyan Canyon from the Energy and Resources Fund, and (b) submit plans to the Public Works Board for the purchase of Los Angeles Unified School District property in Temescal Canyon. It did not, however, specify the funding source for the Temescal project. In addition, Ch 1305/80 appropriated \$50,000 from the State Parks and Recreation Fund for planning at Lake Sherwood. The report is expected to be available in March 1982.

Work has begun on all three projects, but the plans are still in the conceptual stages and the request for capital outlay funding for them may be premature.

We have several concerns with the three projects as presented.

1. ***The need for additional project funds at the level requested is not clear.*** The conservancy will carryover into the budget year, part of the \$4 million appropriated from the Parklands Fund in the Budget Act of 1981, and some portion of the \$1 million appropriated from ERF in the Budget Act of 1980. We question the need for additional ERF funds at the level requested (\$5,650,000) when significant project funds are already available to the conservancy.

2. ***The feasibility of revolving fund projects has not been demonstrated.*** The conservancy's efforts to date have concentrated on purchase of tax delinquent properties and surplus school properties; trail development in conjunction with the Department of Parks and Recreation; and a lot consolidation project at Malibu Lake in conjunction with the State Coastal Conservancy. The projects proposed in the budget year, however, are more complex and require careful, detailed planning and execution. The conservancy has not developed the information needed to evaluate the feasibility of the projects or the prospects for executing them successfully.

3. ***Required project plans have not been submitted.*** The conservancy's enabling legislation (Ch 1087/79) specifically requires that every project submitted for funding shall have an adopted project plan. The three projects proposed for 1982-83 do not satisfy this requirement.

4. ***The required annual report on proposed projects has not been submitted.*** In addition, Ch 1087/79 requires the conservancy to submit an annual report to the Legislature and Governor by January 1, detailing the projects proposed for funding as well as the projects already undertaken. The conservancy has not submitted this report.

5. ***The state's interest in funding the projects has not been demonstrated.*** The three projects are subject to much local controversy, particularly the Runyan Canyon project. The precise nature of the state's interest in funding these projects has not been made clear.

6. ***Actual project costs are not final and matching funds are not assured.*** Careful estimates of the amounts needed to fund Runyan Canyon

**SANTA MONICA MOUNTAINS CONSERVANCY—
SUPPORT AND CAPITAL OUTLAY—Continued**

and Lake Sherwood have not been made. Total funds needed for Runyan Canyon are contingent on receipt of a contribution from the City of Los Angeles that has not yet become available. Project costs for Lake Sherwood are to be developed in the planning feasibility study that is now nearing completion.

For these reasons we withhold recommendation on the \$5,650,000 requested for the three capital outlay projects pending receipt of project plans from the conservancy.

**Resources Agency
SAN FRANCISCO BAY CONSERVATION AND
DEVELOPMENT COMMISSION**

Item 3820 from the General
Fund

Budget p. R 205

Requested 1982-83	\$1,017,000
Estimated 1981-82.....	880,000
Actual 1980-81	799,000
Requested increase (excluding amount for salary increases) \$137,000 (+15.5 percent)	
Total recommended reduction	\$145,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3820-001-001—Support		General	\$989,000
3820-101-001—Legislative mandates		General	28,000
Total			\$1,017,000

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.

The BCDC is charged with implementing and updating the San Francisco Bay Plan and the Suisun Marsh Protection Plan. The commission also has regulatory authority over:

1. All filling and dredging activities in San Francisco Bay and 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 commission, which is located in San Francisco, has approximately 25 personnel-years in the budget year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes two appropriations totaling \$1,017,000 from the General Fund for support of commission activities in 1982-83. This is

an increase of \$137,000, or 15.5 percent, over estimated current year expenditures. This amount will increase by the amount of any additional staff benefit increase approved for the budget year.

Of the amount requested, \$989,000 is for support and \$28,000 is for legislative mandates. The amount requested for support reflects a \$45,000 reduction in personal services (2.0 personnel-years) and staff benefits, as part of the across-the-board 5 percent reduction in the 1982-83 baseline budget required by the Department of Finance.

The BCDC anticipates that total expenditures from all sources will be \$1,240,000 in 1982-83. This includes \$223,000 in federal reimbursements, consisting of a \$160,000 basic planning grant from the Office of Coastal Zone Management (OCZM) and a \$63,000 Coastal Energy Impact Program (CEIP) grant for energy-related work. The anticipated level of total expenditures is \$62,000, or 4.7 percent, less than estimated current year expenditures. This reduction is the net result of (1) an anticipated loss of \$262,000 in funding from the federal Office of Coastal Zone Management (OCZM) and (2) a proposed General Fund augmentation of \$145,000 that would partially offset the loss.

Replacement of Federal Funds Not Justified

We recommend deletion of the proposed \$145,000 augmentation from the General Fund in Item 3820-001-001, because the commission has not demonstrated a need to replace any portion of the lost federal funds.

For the past several years BCDC has received approximately \$400,000 in federal grants. This amount was not based on the commission's programmatic requirements. Instead, it merely represented 10 percent of the amount that California expected to receive from OCZM in any calendar year.

Because the Coastal Commission expects to receive less grant money from OCZM in the budget year, BCDC's traditional 10 percent share will be \$160,000, rather than \$422,000, resulting in a net reduction of \$262,000.

The budget proposes to restore \$145,000 of the \$262,000 loss from the General Fund. The BCDC states that up to three professionals and two clerical positions would be eliminated if these federal funds are not replaced.

The commission has informed us that none of its ongoing functions would be terminated if the \$145,000 in lost federal funds are not replaced. According to BCDC, the major impact resulting from this reduction would be that special studies which are not required by its enabling legislation would be delayed or reduced in scope, and that less time would be spent reviewing and enforcing development permits. This should not impair, however, the BCDC's ability to carry out its statutory responsibilities.

In the absence of information documenting a need for the funds, we cannot recommend approval of the \$145,000 requested to partially offset the reduction in federal support.

Legislative Mandates

We recommend approval.

Beginning in 1979-80, the Legislature appropriated funds in the commission's budget for state-mandated costs incurred by seven local agencies. These costs were incurred by the agencies in preparing components of the Suisun Marsh Local Protection Program, as required by the Suisun Marsh Preservation Act, Ch 1155/77. Because completion of the program

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION —Continued

was anticipated in 1980-81, additional funds were not included in the 1981-82 Budget Act. Subsequently, one of the participating agencies, the Suisun Resource Conservation District, filed a claim for reimbursement of state-mandated costs directly with the Board of Control. The local government claims bill provided \$31,000 to reimburse the district for these costs.

The budget requests \$28,000 from the General Fund to reimburse another participating agency—Solano County—for state-mandated costs incurred during the current year. These funds would be disbursed by, and subject to the final approval of, the State Controller. The amount requested would fund additional planning work necessary to comply with conditions outlined by the commission as a prerequisite to granting its final approval of the county's plan. The costs incurred are reasonable and are necessary to comply with this state mandated program.

**Resources Agency
DEPARTMENT OF WATER RESOURCES**

Item 3860 from the General Fund and various funds Budget p. R 208

Requested 1982-83	\$33,683,000
Estimated 1981-82.....	28,493,000
Actual 1980-81	33,743,000
Requested increase (excluding amount for salary increases) \$5,190,000 (+16.2 percent)	
Total recommended reduction	\$833,000
Recommendation pending	\$760,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3860-001-001—Support		General	\$21,923,000
3860-001-140—San Diego Water Reclamation		Environmental License Plate	477,000
3860-001-189—Heber Geothermal Project		Energy Account, Energy and Resources	2,000,000
3860-001-190—Support		Resources Account, Energy and Resources	1,414,000
3860-001-742—Support		State, Urban and Coastal Park Bond	535,000
3860-001-890—Federal Support		Federal Trust	(808,000)
3860-001-940—Support-Water Conservation		Renewable Resources Investment	2,000,000
	Total, Support		<u>\$28,349,000</u>
3860-101-001—Local Assistance-Flood Control Subventions		General	4,000,000
3860-101-190—Local Assistance-Delta Levees		Resources Account, Energy and Resources	1,334,000
	Total, Support and Local Assistance		<u>\$33,683,000</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
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|---|-----|
| 1. Sacramento River Bank Protection Project. Withhold recommendation on \$760,000 in Item 3860-001-001 (and \$1,243,000 in Item 3860-301-036), pending receipt of additional information on (a) current-year state funding, (b) budget-year federal funding and (c) the status of the Secretary of Resources' limit on future construction. | 705 |
| 2. <i>Office of Water Conservation. Reduce Item 3860-001-001 by \$204,000.</i> Eliminate duplication of activities in the public information component of the Office of Water Conservation. | 707 |
| 3. <i>Water Conserving Landscapes. Reduce Item 3860-001-940 by \$247,000.</i> Eliminate support for three water-conserving, vegetative activities because there is no showing of benefits from the proposed activities. | 708 |
| 4. Heber Geothermal Power Plant. Recommend adoption of Budget Bill language in Item 3860-001-189 to prohibit the encumbrance of state funds until federal and private funding is secured. | 709 |
| 5. <i>Sacramento River Riparian Vegetation Sites. Reduce Item 3860-001-190 by \$382,000.</i> Eliminate support for the acquisition of riparian vegetation sites because the acquisition has not been shown to be necessary or feasible. | 710 |

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's 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 department field offices. The department has 2,896.6 authorized personnel-years in the current year.

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 flood control levees within the Sacramento and San Joaquin River valleys.

DEPARTMENT OF WATER RESOURCES—Continued**ANALYSIS AND RECOMMENDATIONS**

The budget proposes eight appropriations totaling \$33,683,000 from various funds for the activities and programs of the Department of Water Resources in 1982-83. This is \$5,190,000, or 16.2 percent, above estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The budget proposes total expenditures by the department of \$539,681,000 in 1982-83, an increase of \$38,912,000, or 7.8 percent, over the current year. This amount includes support, capital outlay and local assistance. Of the total, \$42,009,000, or 7.8 percent, is proposed for appropriation in the Budget Bill.

Significant Budget Changes

Table 1 summarizes total expenditures proposed for 1982-83, and details significant program changes by fund. A total of \$25,923,000 is proposed for expenditure from the General Fund, a net decrease of \$254,000, or 0.9 percent, from estimated current-year expenditures. The most significant General Fund change is the decrease of \$1,154,000 resulting from the 5 percent reduction in state operations required of many state agencies by the Department of Finance. This decrease is partially offset by increases of \$564,000 to restore 1981-82 budget reductions and \$336,000 for miscellaneous adjustments.

As Table 1 shows, the primary changes affecting funding from other sources include:

Increases:

- \$902,000 from the Special Account for Capital Outlay for the Sacramento River Bank Protection Program.
- \$39,027,000 from State Water Project funds for various projects, including construction of Suisun marsh mitigation facilities (\$12,465,000) and development of small hydroelectric facilities (\$13,321,000).
- \$1,545,000 from the Renewable Resources Investment Fund, primarily for the distribution of water conservation devices.
- \$4,300,000 from State, Urban, and Coastal Park Bond Fund for four projects, including \$3,190,000 for the development of recreation facilities at Pyramid Lake.
- \$6,080,000 from the Energy and Resources Fund for five projects, including the purchase of riparian habitat along the Sacramento River (\$3,500,000) and participation in the Heber Geothermal Project (\$2,000,000), and
- \$477,000 from the Environmental License Plate Fund for development of a low energy water reclamation process in San Diego.

Decrease:

- \$11,019,000 from the Safe Drinking Water Bond Fund resulting from a projected decrease in the number of loans and grants.

Five-Percent Reduction

The budget reflects a 5 percent General Fund reduction in state operations, amounting to \$1,154,000. Table 2 shows how the reduction has been allocated.

Table 1
Department of Water Resources Proposed Budget Adjustments
1982-83
(in thousands)

Item 3860

RESOURCES / 703

	General Fund	Special Account for Capital Outlay	Safe Drinking Water Bond Fund	State Water Project Funds ^a	Renewable Resources Fund	State Urban and Coastal Park Fund	Environmental Energy and License Plate Fund	Federal Funds	Reimbursements	Total	
1981-82 Base Budget (Revised)	\$26,177	\$341	\$36,925	\$426,649	\$508	—	\$1,986	—	\$1,370	\$6,813	\$500,769
A. Workload Adjustments											
1. Restoration of 1981-82 Budget Reductions	564	—	—	—	—	—	—	—	—	—	564
2. Five percent reduction in State Operations	-1,154	—	—	—	—	—	—	—	—	—	-1,154
3. Decline in Loans and Grants	—	—	-11,019	—	—	—	—	—	—	—	-11,019
4. Suisun Marsh Mitigation	—	—	—	12,465	—	—	—	—	—	—	12,465
5. Small Hydro Development	—	—	—	13,321	—	—	—	—	—	—	13,321
6. Bond Service and Administration	—	—	—	18,699	—	—	—	—	—	—	18,699
7. Miscellaneous Adjustments ^b	336	-341	—	-5,458	-508	—	-1,986	—	-562	-1,584	-10,103
B. Significant Program Changes											
1. Sacramento River Bank Protection ..	—	1,243	—	—	—	—	—	—	—	—	1,243
2. Device Distribution and Related Programs	—	—	—	—	2,053	—	—	—	—	—	2,053
3. San Jacinto Wildlife Area	—	—	—	—	—	500	—	—	—	—	500
4. Fish Production Raceway	—	—	—	—	—	500	—	—	—	—	500
5. Western Canal Acquisition	—	—	—	—	—	110	—	—	—	—	110
6. Pyramid Lake	—	—	—	—	—	3,190	—	—	—	—	3,190
7. Riparian Habitat	—	—	—	—	—	—	3,500	—	—	—	3,500
8. Delta Levee Maintenance	—	—	—	—	—	—	1,500	—	—	—	1,500
9. Heber Binary Geothermal	—	—	—	—	—	—	2,000	—	—	—	2,000
10. Agricultural Water Conservation	—	—	—	—	—	—	816	—	—	—	816
11. Update Land Classification Data	—	—	—	—	—	—	50	—	—	—	50
12. Colusa Weir	—	—	—	—	—	—	200	—	—	—	200
13. San Diego Water Reclamation	—	—	—	—	—	—	—	477	—	—	477
Total 1982-83 Budget Change	-\$254	\$902	-\$11,019	\$39,027	\$1,545	\$4,300	\$6,080	\$477	-\$562	-\$1,584	\$38,912
1982-83 Proposed Budget	\$25,923	\$1,243	\$25,906	\$465,676	\$2,053	\$4,300	\$8,066	\$477	\$808	\$5,229	\$539,681

^a Includes California Water Fund, California Water Resources Development Bond Fund, Central Valley Water Project Construction Fund and Central Valley Project Revenue Fund.

^b Includes price increase and various one-time expenditures.

DEPARTMENT OF WATER RESOURCES—Continued

Table 2
Department of Water Resources
Five-Percent Reduction in State Operations

1. California Fiscal Information System (CFIS).....	\$93,000
2. Water Management Studies	81,000
3. Delta Levee Studies	35,000
4. San Joaquin Groundwater Study	50,000
5. Urban Water Conservation	50,000
6. Review of EIR/EIS Documentation	50,000
7. Across-the-Board Reductions	795,000
	\$1,154,000

The \$93,000 reduction in the California Fiscal Information System (CFIS) is actually a funding shift, rather than a reduction. The budget proposes to support CFIS activities through department overhead charges, rather than from a direct General Fund appropriation. The reductions to activities (2) through (5) in the table will result in either the deferral or elimination of various scheduled studies. The primary reduction is the \$795,000 across-the-board reduction to programs funded wholly or in part from the General Fund.

Proposed Reduction in Allocation of Tidelands Oil and Gas Revenues

Under Section 6217 of the Public Resources Code, DWR is allocated \$30 million annually from tidelands oil and gas revenues. Of this total, \$5 million is used to reimburse the State Water Project for the state's share of capital costs allocated to recreation, fish and wildlife enhancement, and \$25 million is expended for the construction of facilities within the State Water Project. Examples of the latter category include construction of Suisun Marsh mitigation facilities and development of the Los Banos reverse osmosis desalination plant. In addition, these funds provide the State Water Project with flexibility in capital outlay cash flow to pay the initial costs of major construction projects, such as the Reid-Gardner power plant, until revenue bonds can be marketed.

The budget proposes a significant one-time revision in the allocation of tidelands oil and gas revenues. The amount allocated to DWR would be reduced from \$30 million to \$14,710,000. The balance—\$15,290,000—would be made available to increase the allocations to other funds which have a lower priority in the allocation of tidelands oil and gas revenues. (A discussion of the Governor's proposed reallocation and its impact on various funds is presented in the A pages of this *Analysis*.)

The tidelands oil and gas revenues are an important element in the long-term financing of the State Water Project. Any reduction in those revenues for more than one year would impair the construction schedule of the project. For 1982-83, DWR indicates that the reduction can be absorbed *provided* the department is able to market revenue bonds to finance the ongoing construction of several power projects. The department is planning power revenue bond sales of \$150 million in June 1982, \$150 million in December 1982 and \$166 million in June 1983. If these bond sales do not occur on schedule, any cash on hand plus the money available for tidelands oil and gas revenues and some surplus project revenues in the California Water Fund would be the only remaining funding sources available to the department. These revenues will not by themselves finance the proposed works in 1982-83 on the State Water Project. We concur with the department's fiscal analysis.

Sacramento River Bank Protection Project

We withhold recommendation on \$760,000 (Item 3860-001-001) for the Sacramento River Bank Protection Project pending clarification of: (a) current-year funding, (b) congressional authorization of Phase I mitigation costs, (c) the status of the Secretary of Resources' limit on future construction, and (d) the availability of federal funds.

The Sacramento River Bank Protection Project was authorized in 1960 to protect the existing levee system of the Sacramento River Flood Control Project. The project provides for the construction of bank erosion control works and the setback of levees along the Sacramento River from Collinsville upstream to the vicinity of Chico.

Under the terms of the federal project authorization the U.S. Corps of Engineers provides two-thirds of the funding and nonfederal sources provide the other one-third with operation and maintenance of the completed works being a nonfederal responsibility. The state Reclamation Board, within the Department of Water Resources, is the nonfederal sponsor. Its share is used primarily for the acquisition of lands, easements and rights of way.

The budget proposes \$1,243,000 from the General Fund (Item 3860-301-036) for the capital outlay costs associated with the Sacramento River Bank Protection Project and two smaller, related projects (\$83,000). In addition, approximately \$760,000 is proposed for state administrative costs within the Department of Water Resources (Item 3860-001-001).

Our review indicates that the proper funding level is uncertain at this time.

- **Current-Year Unallotment.** The 1981 Budget Act provided \$1,045,000 for the state's capital outlay costs of the Sacramento River Bank Protection Project. During the current year, the Department of Finance has: (a) proposed to unallot \$838,000 of that appropriation to assist in balancing the 1981-82 budget and (b) increased the proposed budget-year appropriation of \$750,000 by \$493,000 to provide for the workload deferred as a result of the current-year unallotment. Subsequently, the Department of Water Resources indicated that the state has a legal obligation to pay the Corps for work already performed or to be performed this spring under existing Corps contracts. In a letter dated January 11, 1982, the Director of Water Resources requested the Director of Finance to restore \$350,000 to the current-year budget. At the time this analysis was written, neither the response of the Director of Finance nor the full extent of the state's legal commitment were known.

- **Freeze on Future Work.** The Sacramento River Bank Protection Project has proceeded in two separate phases. Phase I, completed in 1974, provided for 430,000 lineal feet of bank protection and levee setbacks but did not include authorization for mitigation of environmental losses due to construction. Phase II, currently under construction, provides for an additional 405,000 lineal feet of bank protection *and* includes authorization to mitigate environmental losses (for Phase II only).

The Resources Agency, the Reclamation Board, and the U.S. Corps of Engineers have been negotiating for a number of years to obtain federal funding for mitigation work in Phase I. In 1972 the Secretary of Resources limited state participation in Phase II to 82,000 lineal feet, until the federal government agreed to pay its share of mitigation costs for Phase I. When construction approached 82,000 lineal feet in 1974, the limit was increased to 182,000 lineal feet and has remained there. According to the Reclama-

DEPARTMENT OF WATER RESOURCES—Continued

tion Board, that limit will be reached during the current year (assuming scheduled work is completed).

The state and the U.S. Corps of Engineers have agreed on a mitigation program for Phase II but the agreement requires congressional authorization. According to the corps, there has been no legislation introduced to provide that authorization. Unless Congress provides the authorization or the Secretary of Resources increases the existing limit on state participation, construction beyond the presently authorized 182,000 lineal feet cannot proceed into 1982-83. In such an event, the budget should be reduced accordingly.

• **Reduced Federal Funding.** Because the 182,000 lineal foot limit set by the Secretary of Resources will be reached this year, the U.S. Corps of Engineers assumed that there would be significantly less work on the project in 1982-83. Although the federal budget for 1983 had not been introduced at the time this analysis was prepared, staff of the Corps indicate that it will be requesting significantly less in the budget year than the current year for the Sacramento River Bank Protection Project. Consequently, even if Congress does authorize Phase I mitigation and/or the Secretary of Resources increases the existing limit, there may not be adequate federal funds to continue the project at the level proposed in the budget.

Because of these uncertainties it is not possible to determine the necessary level of funding at this time. Consequently, we withhold recommendation on \$760,000 for support (Item 3860-001-001) of the Sacramento River Bank Protection Project, pending clarification of: (a) current-year funding, (b) congressional authorization of Phase I mitigation costs, (c) the status of the Secretary of Resources' limit on future construction, and (d) the availability of matching federal funds. Under Item 3860-301-036, we withhold recommendation on \$1,243,000 in capital outlay funding.

WATER CONSERVATION

The Department of Water Resources has been involved in urban and agricultural water conservation activities for a number of years. However, over the past two years the department's water conservation program has received major emphasis as a result of three actions: (a) a departmental reorganization which centralized water conservation activities in a new Office of Water Conservation (OWC), (b) a large increase in state funding for water conservation and (c) the water conservation program contained in (Ch 632/80, SB 200). Table 3 details the funding for water conservation, by funding source, from 1980-81 through 1982-83.

Table 3
Office of Water Conservation
Expenditures by Fund

Fund	Actual 1980-81	Governor's		Governor's Budget 1982-83	Change From 1981-82 Revised
		Budget 1981-82	Revised 1981-82		
General	\$750,904	\$1,107,500	\$941,200	\$1,204,000	\$262,800
Energy and Resources.....	2,213,821	3,059,000	—	816,000	816,000
Renewable Resources Invest- ment.....	1,907,161	571,500	262,900	2,053,000	1,790,100
Clean Water Bond ^a	5,034	1,138,800	1,138,800	1,013,800	-125,000
Total.....	\$4,876,920	\$5,876,800	\$2,342,900	\$5,096,800	\$2,743,900

^a Reimbursements from State Water Resources Control Board.

The department expended \$1.3 million for water conservation activities in 1979-80. As Table 3 indicates, support increased significantly to \$4.9 million in 1980-81. The 1981-82 budget would have continued this increase with a proposed budget totaling \$5.9 million (including reimbursements from the State Water Resources Control Board). However, the Legislature reduced the proposed budget to \$2.3 million, primarily by eliminating \$3.1 million from the Energy and Resources Fund.

The 1982-83 budget proposes a total of \$5,086,800 for water conservation, an increase of \$2,743,900 or 117.1 percent over the current-year level. The major increases include the following:

- \$262,800 from the General Fund for a variety of water conservation activities.
- \$816,000 from the Energy and Resources Fund to continue development of the California Irrigation Management Information System (CIMIS). Current year funding is provided from 1980-81 carryover funds.
- \$1,800,000 from the Renewable Resources Investment Fund, primarily for the distribution of water conservation kits.

The following two recommendations involve two of the activities within the Office of Water Conservation.

Public Awareness

We recommend an unallocated reduction of \$204,000 to Item 3860-001 to eliminate duplication in the public information component of the Office of Water Conservation.

The budget proposes \$1,204,000 from the General Fund for Office of Water Conservation activities in 1982-83. This is an increase of \$268,200, or 27.9 percent, over the current-year level, and \$589,303, or almost 96 percent over the General Fund level of three years ago (1979-80). The budget-year increase is not concentrated in any particular program but is spread among 18 different activities in urban and agricultural water conservation.

Most of the 18 activities are directed towards increasing public awareness of the need for water conservation. This is particularly true of the urban water conservation element where \$350,000 is proposed for public information activities, an increase of \$130,000, or 193 percent, over estimated expenditures for the current year.

We recognize that public awareness is a crucial element in a successful water conservation program. However, our analysis concludes that the OWC public information effort is fragmented, duplicative and too generalized to be effective.

• **Duplication.** The \$350,000 for public information is spread among the following six activities:

- a) \$60,000 to produce a report on "Appropriate Water Conservation Technology" for use by local officials and residents.
- b) \$35,000 for six issues of a water conservation newsletter.
- c) \$35,000 for exhibits at fairs, exhibitions and conferences.
- d) \$20,000 to maintain a clearinghouse for the public on water conservation activities.
- e) \$100,000 to produce and distribute informational materials to the

DEPARTMENT OF WATER RESOURCES—Continued

general public.

f) \$100,000 to revise Bulletin 198, a DWR publication on "Water Conservation in California".

These public awareness efforts partially duplicate each other, as well as other activities within the OWC. The separate production and distribution of a report on "Appropriate Water Conservation Technology" (\$60,000), six newsletters (\$35,000), a department bulletin on water conservation (\$100,000) and undefined informational materials (\$100,000) is unnecessary. These activities can be consolidated and expenditures reduced substantially. In addition, other activities within OWC aimed at increasing public awareness such as the program for device distribution supported from the Renewable Resources Investment Fund contains a separate element for advertising and public education (\$712,000). Finally, \$135,000 has been budgeted from the General Fund to provide information on water conservation to local governments and water districts.

- **Generalized Approach.** The activities budgeted for public information provide only for the general dissemination of information, with no link to any particular water conservation program. This approach is contrary to the department's own experience in the device distribution program which has stressed the need for a coordinated effort between public awareness activities and the distribution of water conservation kits. One effort isn't usually successful without the other.

For these reasons, we do not believe that the public awareness effort within the Office of Water Conservation is cost-effective. Accordingly, we recommend an unallocated reduction in General Fund support of \$204,000 to Item 3860-001-001. This reduction will provide for a 1982-83 General Fund support level of \$1,000,000 for the Office of Water Conservation, which is equal to the current-year level plus 6.2 percent (\$58,800) for cost increases. We recommend that the reduction be unallocated to permit the department to consolidate the public information efforts based on its own priorities.

Water Conserving Landscapes

We recommend that Item 3860-001-940 be reduced by \$247,000 to eliminate state support for three water-conserving plant activities because there is no basis to conclude that the proposed activities will contribute to water conservation.

The proposed funding for the Office of Water Conservation (OWC) includes \$2,053,000 from the Renewable Resources Investment Fund (RRIF). The proposed RRIF work includes \$247,000 for three activities related to low water using plants:

- \$77,000 to develop commercial sourcebooks identifying nurseries where low water using plants can be obtained.
- \$70,000 to develop a landscape architect's handbook for professionals and students that will cover landscape design using low water consuming horticulture.
- \$100,000 to encourage nurseries to promote the use of low water using plants and water conserving landscape practices. The program will consist of grouping low water using plants in a separate section in nurseries and promoting their sale by using posters, displays, public service announcements and a logo which will identify participating nurseries.

Our review concludes that state support for these activities is not justifi-

fied. First, the proposed activities are similar to a proposal which the Legislature eliminated from the 1981-82 budget. That proposal would have provided \$75,000 for the construction of water-conserving demonstration landscapes. It was eliminated because the landscapes had not been shown to be either cost-effective or effectively utilized by the target groups in the communities. We have no new data to justify the similar program proposed for 1982-83.

Secondly, the department has not demonstrated any direct relationship between these activities and the conservation of water. The objective of the proposal is to increase the use of low water using plants by the general public and thereby decrease water and energy use. We question whether this objective can be achieved when the focus of the activities is on nurseries and landscape architects, rather than on the home owner.

For these reasons, we recommend that Item 3860-001-940 be reduced by \$247,000 to eliminate state support for the proposed landscape architect and nursery activities.

Heber Geothermal Power Plant

We recommend the adoption of Budget Bill language in Item 386-301-189 for the Heber Geothermal Project similar to that adopted for the project last year with the addition of new language providing for federal and private matching funds.

The department is requesting \$2 million from the Energy Account in the Energy and Resources Fund to participate with the San Diego Gas and Electric Company, Electric Power Research Institute, and the U.S. Department of Energy in the design and construction of the 65 megawatt Heber Geothermal binary cycle demonstration power plant in the Imperial valley. The department allocated \$1.2 million of State Water Project funds to the Heber project in 1981-82. An additional allocation of \$1.2 million of water project funds is planned by the department in 1982-83.

Item 386-301-189 of the 1981 Budget Act originally appropriated \$2 million from the Energy Account to provide additional assistance to the Heber Project. However, Ch 998/81 was subsequently enacted to prohibit expenditure of the \$2 million in 1981-82 because the appropriation of \$11 million of federal funds in FFY 82 provided sufficient funding for 1981-82. The 1981-82 appropriation will revert on June 30, 1982. As a result, a new appropriation for 1982-83 is needed.

Geothermal energy resources have been proven to be economically and environmentally viable sources of electric power in the Geysers area of northern California, where a total of 15 geothermal plants are currently generating 910 megawatts from high temperature, dry steam reservoirs. The development of the binary geothermal technology at Heber promises to provide substantial levels of power generation using the moderate and low temperature geothermal resources in the Imperial Valley and other areas of the state.

The estimated total project cost for construction and demonstration of the Heber plant is \$128.4 million (\$1,979 per kilowatt). It is anticipated that: (1) 52.2 percent of the cost (\$67 million) will be funded by the U.S. Department of Energy, (2) 6.5 percent (\$8.4 million) will be funded by the Electric Power Research Institute, (3) 2 percent (\$2.6 million) will be contributed by other utilities and agencies, and (4) 39.3 percent (\$49.2 million) will be shared by the participating power users—San Diego Gas and Electric Company, Imperial Irrigation District, Southern California Edison Company, and the Department of Water Resources. The shares of

DEPARTMENT OF WATER RESOURCES—Continued

each of the participating power users is as follows:

<i>Power Users</i>	<i>Percent Contribution</i>	<i>Contribution (millions)</i>
San Diego Gas and Electric	29.4%	\$37.6
Imperial Irrigation District	5.1	6.0
Southern California Edison Company	3.1	3.6
Department of Water Resources	1.7	2.0
Total	39.3%	\$49.2 million

Last year we recommended approval of the \$2 million appropriation. We make the same recommendation this year because the project has significant potential to develop geothermal power in the Imperial Valley. We also recommend that the control language included in the 1981 Budget Act be continued. The language provides that the state shall acquire an ownership interest in the project and receive a share of the electric power for its contribution. In addition, we recommend adoption of the additional language below in order to assure that the state funding is matched by federal and private financing.

“Provided further that state funds appropriated for the Heber Geothermal Power Plant project shall not be encumbered unless and until federal and private funding is secured.”

Sacramento River—Acquisition of Riparian Vegetation Sites

We recommend that Item 3860-001-190 be reduced by \$382,000 to eliminate administrative support for the acquisition of riparian vegetation sites, because the acquisition has not been shown to be necessary and will be difficult to accomplish.

The budget proposes \$3.5 million from the Energy and Resources Fund for the acquisition by fee or easement of 38 riparian vegetation sites along the Sacramento River. The total includes \$382,000 for administrative costs in Item 3860-001-190 and \$3,118,000 for direct costs of acquisition in Item 3860-301-190.

Acquisition of the land will be by the State Reclamation Board, which cites the beneficial effect that vegetation has on (a) reducing the rate of erosion and (b) maintaining the necessary hydraulic control for the proper operation of the Sacramento River Floor Control Project. The board is concerned that without state ownership, the riparian vegetation would be reduced or eliminated at these 38 sites and the flood control project destabilized accordingly.

Our analysis of the proposal indicates that the request is not justified for the following reasons:

- **Uncoordinated Acquisition.** In past years three state agencies and the Legislature have considered purchasing land beside the Sacramento River for various purposes. The Department of Parks and Recreation has studied acquiring a series of parks along the main stem of the Sacramento River, the Department of Fish and Game has considered buying wildlife habitat areas, and the Reclamation Board and the Legislature have evaluated purchasing full fee title to lands needed for flood control rights of way, instead of the customary practice of purchasing only easements for the levees. None of the proposals were carried out because of the high costs, land-owner opposition and other problems. If any acquisition is undertaken, it should reflect the interests of all state agencies and the costs

should be shared.

- **Uncertain Need.** Existing law provides a process to protect the riparian vegetation. The State Reclamation Board is the state agency responsible for controlling any encroachment or use which would hamper flood protection maintenance or operation. The primary control is the encroachment permit process which requires approval of the Board before any construction or activity can take place on lands or rights of way acquired by the board for flood control works. The land involved is primarily the berm between the river bank and the levee.

The board recently adopted a "Riparian Vegetation Management Policy" to include the protection of riparian vegetation in the encroachment control process. The Department's base budget includes \$266,000 and six personnel-years to implement this process. The department has not indicated that the process is ineffective.

- **Acquisition Will be Difficult.** The proposed method of acquisition is either to acquire the remaining fee title which the board does not now own or to acquire more easement rights. Leasing, although significantly less expensive, is not considered to be desirable because it does not provide a permanent solution to the problem. The department acknowledges, however, that acquisition by fee title or additional easement rights would be difficult because (a) most landowners are unwilling to sell, (b) the legal justification (public necessity) for condemnation is uncertain and (c) if condemnation were allowed by the courts, the costs would increase significantly because the condemnation would be from an unwilling seller.

- **Underbudgeted.** The department estimates that it would require approximately \$5.2 million to purchase the 4,104 acres which comprise the 38 sites. This is \$1.7 million more than is provided by the budget. This estimate does not include any costs for condemnation, which could be significant.

For these reasons, we do not find the proposal to be justified and recommend the elimination of \$382,000 for the costs of administration in Item 3860-001-190. Under our analysis of Item 3860-301-190, we recommend deletion of the \$3,118,000 to pay for any lands acquired.

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY

Item 3860-301-036 from the Special Account for Capital Outlay

Budget p. R 208

Requested 1982-83	\$1,243,000
Recommendation pending	\$1,243,000

We withhold recommendation on \$1,243,000 for the Sacramento River Bank Protection Project, pending clarification of (a) current-year funding, (b) congressional authorization of Phase I mitigation costs, (c) the status of the Secretary of Resources' limit on future construction and (d) the availability of matching federal funds.

This request pays the state's share of the cash associated with the Corps of Engineers' Sacramento River Bank Protection Project. The project provides for the construction of bank erosion control works and the set-

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY—Continued

back of levees along the Sacramento River from Collinsville upstream to the vicinity of Chico. Costs are shared two-thirds federal (U.S. Corps of Engineers) and one-third state, with the state funds providing primarily for the acquisition of lands, easements and rights of way.

As discussed in our analysis of Item 3860-001-001, the appropriate funding level of this project in 1982-83 is not clear at this time. This is because of uncertainties regarding (a) the current-year funding level, (b) the status of the existing freeze on further construction imposed by the Secretary of Resources, (c) the status of the congressional authorization to support Phase I mitigation costs and (d) the availability of matching federal funds to continue the Sacramento River Bank Protection Project in 1982-83. Because of these uncertainties, we withhold recommendation, pending clarification of funding requirements.

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY

Item 3860-301-190 from the Resources Account, Energy and Resources Fund

Budget p. R 208

Requested 1982-83	\$3,318,000
Recommended approval	200,000
Recommended reduction	3,118,000

(a) Colusa Weir-Property Acquisition \$200,000
We recommend approval.

This request is to provide for the removal of vegetation and silt that has accumulated in front of the Colusa Weir. The deposition is deflecting floodwaters away from the weir and poses a threat to the proper operation of the Sacramento River Flood Control project.

(b) Sacramento River Flood Control Project-Property Acquisition\$3,118,000

We recommend deletion of \$3,118,000 for the acquisition of Sacramento River riparian vegetation sites because the acquisition has not been shown to be necessary and will be difficult to accomplish.

The budget proposes a total of \$3.5 million for the acquisition of 38 riparian vegetation sites along the Sacramento River. This item requests \$3,118,000 for the direct costs of acquisition, while Item 3860-001-190 proposes \$382,000 for the administrative costs associated with the acquisition. Acquisition of these sites is proposed based on the need to reduce the rate of erosion and to maintain the necessary hydraulic control for the proper operation of the Sacramento River Flood Control Project.

As discussed in our analysis of Item 3860-001-190, acquisition of the sites has many problems. Therefore, we recommend the elimination of \$3,118,000 from Item 3860-301-190.

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY

Item 3860-301-742 from the
 State, Urban and Coastal Park
 Bond Fund

Budget p. R 208

Requested 1982-83	\$3,765,000
Recommended approval	75,000
Recommended reduction	3,690,000

(a) Feather River Hatchery—Construction \$500,000

We recommend deletion of \$500,000 for construction of salmon rearing raceways at Thermalito Afterbay because total project costs exceed available funding.

The budget includes \$500,000 from the State, Urban and Coastal Park Bond Fund for the design and construction of two salmon rearing raceways near the Thermalito Afterbay. The raceways would be an addition to the existing facilities at the Feather River Fish Hatchery, which is operated by the Department of Fish and Game.

The budget contains \$913,000 for the project, with financing to be provided from the State, Urban and Coastal Park Bond Fund (\$500,000) and State Water Project funds (\$413,000).

Our analysis indicates that this amount of funding is not adequate to design and construct the raceways. According to revised estimates by the Department of Water Resources, the total project cost is \$1,612,000, or \$699,000 above the amount provided in the budget. The department also indicates that the project cannot be scaled back to the \$913,000 level. At the time this analysis was written, neither the Department of Water Resources nor the Department of Finance could identify a source for the additional \$699,000 required to complete the project. Consequently, we recommend deletion of the proposed \$500,000 from the State, Urban and Coastal Park Bond Fund.

(b) Pyramid Lake Recreational Facilities—Construction.....\$3,190,000

We recommend that \$3,190,000 for construction of recreational facilities at Pyramid Lake be deleted because the request is premature.

The Department of Water Resources has responsibility under the Davis-Dolwig Act to acquire land and to plan for recreation and fish and wildlife habitat enhancement features of the State Water Project. Pyramid Lake and Dam (Los Angeles County) were authorized by the Legislature in 1959 as features of the State Water Project.

The budget proposes \$3,190,000 from the State, Urban and Coastal Park Bond Fund for the construction of recreational facilities at Pyramid Lake. Based on the information available on the project, we are unable to recommend approval of the request at this time for the following reasons:

- **Lack of Cost Detail.** At the time this analysis was written, the department had only the following general and tentative information on how it planned to expend the funds:

Upgrade existing boat-in recreation sites.....	\$665,000
Develop new boat-in recreation sites	265,000
Upgrade facilities at Emigrant Landing and Pyramid Dam	
Overlook	1,400,000

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY—Continued

Develop live-stream fishery.....	75,000
Planning and construction supervision.....	800,000
Total.....	<u>\$3,205,000</u>

• **Future Implications.** According to the final Environmental Impact Report (EIR) on Pyramid Lake, Phases II and III, a major consideration in the recreation plan is the development of a master water supply and sanitary system. At present, sewage generated by the existing recreational facilities is removed by the Department of Parks and Recreation using tank trucks. This practice permits disposal outside the Pyramid Lake watershed. However, completion of the proposed recreational facilities will result in an annual use of up to 3,000,000 recreation days and the generation of 250,000 gallons per day of sanitary wastes—far in excess of truck disposal capacity. The department indicates that it places a high priority on development of a \$9 million master sewage system, but that it lacks the funds to construct the system. We question whether additional recreational facilities should be constructed without the sewage facilities to fully accommodate the visitors.

• **Coordination With Other State Agencies.** The Davis-Dolwig Act assigns DWR the responsibility for preliminary planning of recreational facilities at reservoirs of the State Water Project. Working drawings and construction are the responsibility of the Department of Boating and Waterways and/or the Department of Parks and Recreation. Under this proposal, however, both working drawings and construction will be done by DWR. If the project proceeds, the Legislature should be given assurances that the DWR plans are fully coordinated with the Department of Parks and Recreation.

In summary, the project request is premature. Substantial additional information should be made available to identify and justify the particular work to be undertaken, to assure that adequate funding is available and to prepare the customary budget package for capital outlay projects. Consequently, we recommend that the \$3,190,000 request be denied at this time.

(c) Oroville Wildlife Area—Land Acquisition \$75,000***We recommend approval.***

The proposal is for the acquisition of 45 acres of land adjacent to the Western Canal and surrounded on three sides by the existing Oroville Wildlife area. The acquisition would enable the diversion of water from the Thermalito Afterbay through the Western Canal into the Wildlife area. The increase of water would enhance riparian vegetation and improve the wildlife habitat.

The total project cost is \$200,000, with \$110,000 provided from the State, Urban and Coastal Park Bond Fund. The remaining \$90,000 will come from the federal Land and Water Conservation Fund, of which \$75,000 is in this item for direct land costs and \$35,000 is in Item 3860-001-742 for costs of appraisal and administration.

DEPARTMENT OF WATER RESOURCES—REVERSION**Item 3860-495 to the General
Fund**

Item 3860-495 requests the reversion of the unencumbered balance of the following appropriations to the funds from which the appropriations were made.

General Fund

(1) Chapter 510, Statutes of 1980, Item 537—Sutter Bypass Rehabilitation

We recommend approval.

This item reverts the unencumbered balance of appropriations for the Sutter Bypass Rehabilitation project and Snow Data Telemetry. The Department of Finance estimates a total reversion of \$143,000, consisting of \$140,000 for a bridge on the Sutter Bypass that the department will not construct and \$3,000 for Snow Data Telemetry. The Department of Water Resources indicates that these funds are in excess of its planned construction.

(2) Item 386-301-036, Budget Act of 1981—Flood Control

We withhold recommendation, pending clarification of the current-year funding level for the Sacramento River Bank Protection Project.

This item reverts the unencumbered balance of appropriations for Flood Control (Sacramento River Bank Protection) and Snow Data Telemetry. The Department of Finance indicates a total reversion of \$846,000 including \$838,000 for Flood Control and \$8,000 for Snow Data Telemetry. As discussed in our analysis of Item 3860-001-001, DWR has requested the Department of Finance to restore current-year funding of \$350,000 to the Sacramento River Bank Protection Project in order to meet contractual obligations to the U.S. Corps of Engineers. At the time this analysis was written, the issue had not been resolved. Therefore, we withhold recommendation, pending clarification of the current-year funding level.

Energy Account, Energy and Resources Fund*We recommend approval.*

(1) and (2) Items 386-001-189 and 386-301-189, Budget Act of 1981.

This item would revert the unencumbered balance of two appropriations for support and construction of the reverse osmosis desalter. The Department of Water Resources has transferred funding for this project from the Energy and Resources Fund to the California Water Fund. The Department of Finance estimates that a total of \$4,230,000 is available for reversion to the Energy Account of the Energy and Resources Fund.

Resources Agency
STATE WATER RESOURCES CONTROL BOARD

Item 3940 from the General
Fund and Energy and Re-
sources Fund

Budget p. R 244

Requested 1982-83	\$14,881,000
Estimated 1981-82.....	16,238,000
Actual 1980-81	13,978,000
Requested decrease (excluding amount for salary increases) \$1,357,000 (-8.4 percent)	
Total recommended reduction	\$397,000
Recommendation pending	\$300,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3940-001-001—Support		General	\$14,363,000
3940-101-190—Local Assistance		Resources Account, Energy and Resources	518,000
3940-001-890—Federal Support		Federal Trust	(14,847,000)
Total			\$14,881,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Increase in Pesticide Program. Recommend that prior to budget hearings, board report to fiscal committees on the pesticide activities included in the accelerated toxics program. 720
2. *Colusa Basin. Reduce Item 3940-101-190 by \$168,000.* Recommend deletion of support for control of rice herbicides and pesticides in the Colusa Basin because the project has not been justified on the basis of need or funding level. 721
3. Hazardous Waste Site Closure and Maintenance. Withhold recommendation on \$300,000 in Item 3940-001-001, pending legislative action on SB 95 which would transfer funding for site closure and maintenance to the Department of Health Services. 722
4. *San Diego Live Stream Project. Reduce Item 3940-101-190 by \$229,000.* Recommend that support for San Diego Live Stream project be limited to 1982-83 costs (\$121,000), and that Budget Bill language be adopted to ensure that local funds are available prior to the encumbrance of state funds. 723
5. Waste Discharge Fee Increase. Recommend that prior to budget hearings, the board justify the projected \$792,000 revenue increase in waste discharge filing fees. 723
6. Technical Issue—Reimbursements Overbudgeted. Reduce expenditures and reimbursements in Item 3940-001-001 by \$111,059 for hazardous waste facility siting because board participation is not required in 1982-83. Withhold recommendation on \$424,000 in reimbursements in Item 3940-001-001 for activities pursuant to the federal Resources Conservation and Recovery Act, pending completion of contract negotiations between the board and the Department of Health Services. 724

GENERAL PROGRAM STATEMENT

The State Water Resources Control Board has two major responsibilities: the control of water quality and the 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 establish wastewater discharge requirements and 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 establishing wastewater discharge policies 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.

The board has 761.5 personnel-years authorized in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes two state appropriations totaling \$14,881,000 for support of the State Water Resources Control Board in 1982-83, consisting of \$14,363,000 from the General Fund and \$518,000 from the Energy and Resources Fund. This is a decrease of \$1,357,000, or 8.4 percent, below the estimated current year expenditures. This, however, makes no allowance for the cost of any salary or staff benefit increases that may be approved for the budget year.

The board proposes total expenditures of \$128,948,000 from all sources in 1982-83, an increase of \$20,332,000, or 18.7 percent, above estimated expenditures in the current year.

Significant Budget Changes

Table 1 summarizes the proposed changes in the board's budget, by funding source. These changes include:

Increases:

(a) \$422,000 (General Fund) to restore one-time current year budget reductions (\$305,000 for the 2 percent reduction in state operations required by the Governor's executive order, and \$117,000 in travel reductions pursuant to the 1981 Budget Act).

(b) \$270,000 (\$122,000 General Fund, \$122,000 federal funds, \$26,000 bond funds) for relocation costs associated with the board's move to a new state office building.

(c) \$24,500,000 (Clean Water Bond Fund) in additional state matching funds for wastewater treatment facilities construction, primarily due to an unusually low expenditure level in 1981-82.

(d) \$518,000 (Energy and Resources Fund) to establish a pesticide control project in the Colusa Basin (\$168,000) and develop a live-stream project in San Diego (\$350,000).

(e) \$518,000 (federal funds) to increase inspection of local wastewater facility operation and maintenance procedures (\$199,000) and improve various activities associated with wastewater facility planning and review (\$319,000).

(f) \$792,000 (reimbursements) from fee increases for wastewater discharge reports. The fee increase results in a General Fund reduction of an equal amount.

Decreases:

(a) \$792,000 (General Fund) pursuant to the 5 percent reduction in state operations required of many General Fund agencies by the Department of Finance.

STATE WATER RESOURCES CONTROL BOARD—Continued

(b) \$572,000 (federal funds and reimbursements) due to a reduction in federal 208 water quality planning funds.

(c) \$6,213,000 (\$409,000 Clean Water Bond Fund, \$4,500,000 Renewable Resources Investment Fund and \$1,304,000 Energy and Resources Fund) for various one-time activities scheduled in the current year but not continued in the budget year.

In addition, the board has redirected \$702,000 of Clean Water Bond Fund expenditures from a variety of existing research and state operations activities to the following:

(a) \$477,000 for 10 personnel-years for the ongoing update of basin water quality plans.

(b) \$203,000 for four personnel-years to increase water quality monitoring of surface water and groundwater, and

(c) \$22,000 for a one-year pilot project to evaluate the feasibility of computerized checking of self-monitoring effluent discharge reports.

Five Percent Reduction

The budget provides for a 5 percent General Fund reduction in baseline expenditures for state operations, which amounts to \$792,000. As discussed below, the net *program* impact is a reduction of \$540,000. The reduction consists of:

- \$391,000 and 2.5 personnel-years to eliminate various certification activities. The most significant of these activities involve certification of private laboratories doing work for the board pursuant to a \$300,000 contract with the Department of Health Services (DHS). Because certification is required by federal law, the work will continue and DHS' costs for certification will be paid for by the laboratories.

- \$50,000 to reduce employee training, from \$103,000 to \$53,000.

- \$252,000 for contracts within the Toxic Substances Monitoring program. This is actually a funding transfer from the General Fund to the Clean Water Bond fund, and has no effect on the program.

- \$99,000 to eliminate 2.5 staff years from the water rights program. Elimination of the staff years will lengthen the processing period for water rights applications.

Status of Clean Water Bond Fund

Title II of the federal Clean Water Act provides federal grants equal to 75 percent of the cost of constructing local sewage treatment plants. The remaining 25 percent is generally matched equally by the state and local agencies. Since 1970, the voters have approved a total of \$875 million in general obligation bonds to finance the state's share of these projects.

The budget projects that as of June 30, 1983, approximately \$94.1 million will remain available for allocation to new construction projects. Since the budget was introduced, however, the board has revised its estimate and projects that \$115 million will be available for future projects. According to the board, this should be sufficient to continue projects through 1984-85 (assuming that the federal government appropriates funds to continue its match).

The General Fund is responsible for paying the debt service (principal and interest) on the bonds issued to finance local sewage treatment plants. The Treasurer's office indicates that payments for Clean Water Bond Fund debt service in 1982-83, which come from the General Fund will

Table 1
State Water Resources Control Board
Proposed Budget Adjustments
1982-83
(in thousands)

	<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>Energy and Resources Fund</i>	<i>Federal Funds</i>	<i>Reimbursements</i>	<i>Total</i>
1981-82 Base Budget (Revised)	\$14,934	\$71,755	\$4,500	\$400	\$1,304	\$14,214	\$1,509	\$108,616
A. Workload Adjustments								
1. Restore 1981-82 Budget Reductions	422	—	—	—	—	—	—	422
2. Five Percent Reduction in State Operations	-792	252	—	—	—	—	—	-540
3. Increase Waste Discharge Fees	-792	—	—	—	—	—	792	—
4. Federal 208 Planning	—	—	—	—	—	-364	-208	-572
5. One-time 1981-82 Expenditures	—	-409	-4,500	—	-1,304	—	—	-6,213
6. Wastewater Facilities Construction	—	24,500	—	—	—	—	—	24,500
7. Miscellaneous Adjustments	469	265	—	275	—	357	48	1,414
B. Significant Program Change								
1. Basin Plan Update	—	477	—	—	—	—	—	477
2. Surveillance and Monitoring	—	203	—	—	—	—	—	203
3. Operation and Maintenance of Treatment Plants	—	—	—	—	—	199	—	199
4. Wastewater Facility Planning and Review	—	—	—	—	—	319	15	334
5. Waste Discharge Pilot Study	—	22	—	—	—	—	—	22
6. New Office Building (Relocation)	122	26	—	—	—	122	—	270
7. Colusa Basin Drain Project	—	—	—	—	168	—	—	168
8. San Diego River Live Stream	—	—	—	—	350	—	—	350
9. Reduction in various research and state operations activities	—	-702	—	—	—	—	—	-702
Totals, 1982-83 Budget Change	<u><u>-\$571</u></u>	<u><u>\$24,634</u></u>	<u><u>-\$4,500</u></u>	<u><u>\$275</u></u>	<u><u>-\$786</u></u>	<u><u>\$633</u></u>	<u><u>\$647</u></u>	<u><u>\$20,332</u></u>
Totals, 1982-83 Proposed Budget	<u><u>\$14,363</u></u>	<u><u>\$96,389</u></u>	<u><u>—</u></u>	<u><u>\$675</u></u>	<u><u>\$518</u></u>	<u><u>\$14,847</u></u>	<u><u>\$2,156</u></u>	<u><u>\$128,948</u></u>

STATE WATER RESOURCES CONTROL BOARD—Continued

total approximately \$50.5 million. These payments are not included in the budget totals for the board.

Increase in Pesticide Program

We recommend that the board report prior to budget hearings on the pesticide activities included in the accelerated toxics program. The report should include, but not be limited to: (a) the total number of staff years, expenditure level and funding source for current and budget year activities related to pesticides, (b) the activities for which the funds were originally budgeted, (c) the objectives of the pesticide activities, (d) the status of the memorandum of understanding (MOU) with the Department of Food and Agriculture and (e) a workplan for implementing the MOU.

Over the past two years, the Legislature has provided increases totaling approximately \$2.1 million to the State Water Resources Control Board for toxics enforcement. These funds were requested for a number of specific activities, including increased surface water and groundwater monitoring, closure and maintenance of hazardous waste disposal sites and the development of uniform policies and standards.

Included in the board's 1981-82 proposal was a request which was approved by the Legislature, for 3.8 personnel-years to carry out a limited pesticide program involving: (a) the development of best management practices for certain high priority pesticides, (b) screening of all new pesticide registration for water quality impacts and (c) performance of in-depth reviews and the development of specific recommendations on 5 to 10 new pesticide registrations per year.

During the current year, the board reorganized the toxics program and redirected certain of the resources from the tasks for which the Legislature approved funding. As part of the reorganization, an "accelerated toxics program" was established. This program is conducted by a special projects unit consisting of 16.0 staff years, and focuses on two issues: pesticides and industrial chemicals. Although the program was established at no additional cost by redirecting funds, our analysis indicates that it deserves legislative review for the following reasons:

- **Redirection of 1981-82 Funds.** The 1981 Budget Act authorized 3.8 staff years for pesticide-related activities, at a total cost of \$158,000. The current year allocation of the 16.0 staff years within the accelerated toxics program includes 7.5 for pesticides. Assuming the management and clerical workload is 2.0 staff years, the staff years allocated to pesticides total 9.5, at a cost of \$567,720. This is an increase of 5.7 staff years, at a cost of \$409,720 over the legislatively approved level.

- **Coordination with Department of Food and Agriculture (DFA).** Existing law designates the DFA as the state agency responsible for the registration and control of pesticides in California. At the same time, the board has a role to play in this area when the pesticides enter the waters of the state. Over the past year, staffs from the board and the department have been developing a memorandum of understanding (MOU) to coordinate their efforts. At the time this analysis was written, the MOU had been approved by the board but had not been signed by the Director of Food and Agriculture, nor had a specific workplan been developed to implement the MOU.

- **Legislative Interest.** The role of the board in pesticide control and regulation has been an ongoing area of legislative concern. For example,

during 1981, AB 1274 was introduced which specified that no existing statutory provisions shall vest in the board the jurisdiction or authority to regulate the agricultural use of pesticides. AB 1274 has not been enacted, and the Legislature has not expressed its views on the board's pesticide activities.

• **1982-83 Budget Proposal.** Given the redirection in the current year, the staffing level for the program in the budget year is uncertain. The budget continues the same state funding level of approximately \$2 million for the total toxics program in 1982-83 (the amount of federal funds has been decreased). Although state support of the toxics program remains level, direct support of pesticides would be reduced from 7.5 staff years to 2.9 staff years. The board's staff has indicated, however, that the final staffing level had not been established and further redirections from within the toxics program are possible. An official allocation of resources to the pesticides unit should be made by the board prior to hearings on the Budget Bill.

Clearly, the board has a role to play in controlling the amount of pesticides in the waters of the state. The reorganization that the board has undertaken to implement this responsibility, however, warrants legislative review. Specifically, we recommend that the board report to the Legislature prior to budget hearings on the pesticide activities included in the accelerated toxics program. The report should include: (a) the total number of staff years, the expenditure level and the funding source for current and budget-years activities related to pesticides, (b) the activities for which the funds were originally budgeted, (c) the objectives of the pesticide activities, (d) the status of the memorandum of understanding (MOU) with the Department of Food and Agriculture and (e) a workplan for implementing the MOU.

Colusa Basin Study

We recommend deletion of \$168,000 (eliminate Item 3940-101-190(a) requested for the control of rice herbicides and pesticides in the Colusa Basin because neither the need or funding level has been justified.

Rice acreage in the Sacramento Valley is expanding dramatically. At the same time, new technology and the development of short stem rice designed to reduce the need for burning is causing the use of chemicals (pesticides and herbicides) to increase. Both factors have increased the total volume of contaminants entering the Sacramento River from rice field drainage.

The budget requests \$168,000 from the Energy and Resources Fund to develop a rice herbicide and pesticide control program. The project is proposed as an interagency effort involving the Central Valley Regional Water Quality Control Board, the University of California, and the Departments of Fish and Game and Water Resources, as well as the Rice Research Board. The Department of Food and Agriculture, the state agency most directly responsible for pesticide control, is not an active participant in the program.

The program is designed to reduce the volume of agricultural chemicals entering the Sacramento River from rice field discharges primarily within the Colusa Basin drainage area. The proposal will not develop new technology but will focus on the appraisal of existing control methods. After selection of appropriate control methods, the information will be disseminated through the UC Cooperative Extension Service to encourage farmers to voluntarily implement those practices which can reduce the

STATE WATER RESOURCES CONTROL BOARD—Continued

drainage of chemicals from rice fields.

Based on the information available at the time this analysis was prepared, we are unable to recommend approval of the request at this time for the following reasons:

- **Uncertain Need.** The Central Valley Regional Water Quality Control Board intends to begin the program in the spring of 1982 with existing funds. Work done in the current year will assess the distribution and duration of toxicity of the chemicals in the rice fields. Board staff indicate that if successful control techniques are identified in the current year, the additional \$168,000 will not be required in the budget year.

- **Undefined Proposal.** At the time this analysis was written, the participants had not agreed on a specific workplan for the current year or the budget year.

- **Undetermined Cost.** The \$168,000 budget proposal assumes the following allocation of the funds:

State Water Resources Control Board	\$23,000
Department of Water Resources	\$90,000
Department of Fish and Game.....	\$25,000
UC Cooperative Extension Service	\$30,000

At the time this analysis was written, the regional board could not provide details for expenditure of the requested amount and indicated that it was reevaluating the total cost.

In summary, our analysis indicates that the project request is premature. Substantial additional information is required to justify the need for, and level of, funding proposed in the budget, as well as to establish this project as an appropriate board responsibility. Consequently, we recommend that the \$168,000 request for the Colusa Basin project be denied and that Item 3940-101-190(a) be eliminated.

Hazardous Waste Site Closure and Maintenance

We withhold recommendation on \$300,000 in Item 3940-001-001 for site closure and maintenance activities, pending legislative action to transfer the funding source to the Department of Health Services.

The budget proposes \$300,000 from the General Fund to support the board's existing hazardous waste site closure and maintenance activities. The Legislature is presently considering legislation (SB 95) which would (a) transfer a portion of the board's workload to the Department of Health Services and (b) provide for the remaining site closure and maintenance workload to be financed by reimbursements from the Department of Health Services' Hazardous Waste Control Account in the General Fund. (The revenues in the account are secured from fees levied on operators of hazardous waste sites). If enacted, these provisions of SB 95 would eliminate the need for the \$300,000 requested for the board's site closure and maintenance activities.

At the time this analysis was written, SB 95, an urgency measure, was awaiting action on the Assembly floor. Both the board and author's staff anticipate final approval prior to hearings on the 1982-83 Budget Bill. Because this measure has a direct effect on the board's 1982-83 General Fund budget, we withhold recommendation pending action on the bill.

Waste Discharge Fee Increase

We recommend that prior to budget hearings, the board report to the fiscal committee with data justifying its projected \$792,000 revenue increase from waste discharge filing fees.

Under existing law, any person discharging, or proposing to discharge, waste which could affect the quality of the waters of the state must file a report of discharge with the appropriate regional water quality control board. Each report must be accompanied by a filing fee which, prior to the current year, could not exceed \$1,000. Effective January 1, 1982, the board is implementing a new fee structure authorized by Ch 656/80, which increased the maximum filing fee from \$1,000 to \$10,000. (The actual fee varies depending on factors such as total effluent flow, volume or area involved.)

The budget anticipates \$792,000 in additional reimbursements as a result of the new fee schedule. Because reimbursements from waste discharge fees are budgeted to offset General Fund support requirements, this permits a General Fund reduction of an equal amount.

We have requested a detailed breakdown of the assumptions used by the board for estimating the revenue increase. Because the new fee increase did not become effective until January 1982, the board has had no experience under the new schedule to project 1982-83 revenues. The board could, however, have used filings under the old fee schedules for its estimate. This was not done. According to the board's staff, the amount in the budget was chosen because it would achieve the 5 percent General Fund reduction (\$792,000) required by the Department of Finance.

The budgeted level of reimbursements, and the offsetting General Fund reduction should be based on an analysis of filings, not on the amount needed to achieve an arbitrary reduction in General Fund expenditures. If the projection of reimbursements turns out to be too low, the board will have more General Fund money than necessary. Conversely, if the projection is too high, the board may not have sufficient funds to carry out its responsibilities. Consequently, we recommend that prior to budget hearings, the board report to the fiscal committees with data justifying its \$792,000 increase in fees revenues from waste discharge permits. The justification should include information derived from experience with the previous fee schedule.

San Diego Live Stream Project

We recommend that Item 3940-101-190(b) be reduced by \$229,000 to eliminate funding that is not needed in 1982-83. We further recommend the adoption of Budget Bill language to ensure that local funds are available prior to the encumbrance of state funds.

The budget requests \$350,000 from the Resources Account in the Energy and Resources Fund to develop a year-round, live-stream project with the San Diego Water Reclamation agency. The total project cost is estimated at \$532,000, with local funds providing the remaining \$182,000 (34 percent). According to the proposal, the live stream concept "allows development of esthetic and recreational benefits of flowing water, including wildlife support and fish habitat, by discharge of treated municipal wastewater to the San Diego River." In addition, the live stream would deliver reclaimed water for irrigation purposes utilizing stream channels.

The specific proposal provides for a 30-month demonstration project involving three tasks:

STATE WATER RESOURCES CONTROL BOARD—Continued

- Task 1—*Determine Beneficial Uses of Reclaimed Water in San Diego River Area (\$88,000)*. Task 1 would determine (a) existing and projected land-use, (b) ownership of land along the proposed project, and (c) interest by owners in using reclaimed water. In addition, the quantity and quality of water needed would be determined and a revenue program to charge for project benefits would be developed.
- Task 2—*Water Quality and Riparian Environment Management Plan (\$90,000)*. Task 2 would provide for field studies of the proposed live-stream area including (a) development of a salt balance equation, (b) analysis of types and quantities of plant growth, and (c) analysis of potential for mosquito breeding and necessary control techniques.
- Task 3—*Live Stream Demonstration Program (\$354,000)*. Task 3 would provide for (a) the preparation of an environmental impact assessment and waste discharge permit, (b) the rehabilitation of a tertiary treatment facility (if needed) and (c) follow-up studies of the project.

Tasks 1 and 2 are proposed for 1982–83, at a total cost of \$178,000. Task 3 is proposed for 1983–84 and 1984–85, at a total cost of \$354,000.

Our analysis indicates that the proposed use of reclaimed water has the potential to reduce San Diego's future imports of fresh water and warrants partial implementation. However, the fiscal benefits and water quality objectives of using reclaimed water should be documented before the full demonstration project is implemented. Consequently, we recommend approval of Tasks 1 and 2 only. Our reasons are twofold:

- *Feasibility*. Tasks 1 and 2 are designed to establish the feasibility of the live stream concept from the board's regulatory point of view, and to determine the costs and the potential for revenue from sale of irrigation water. These aspects should be known before state funds are expended on the demonstration itself (Task 3).
- *Timing*. Task 3 is not scheduled to begin until 1983–84 and will extend into 1984–85. Consequently, funding for Task 3 is not needed in 1982–83.

For these reasons, we recommend that Item 3940-001-190b be reduced by \$229,000 to eliminate funding for Phase 3. In addition, we recommend adoption of the following Budget Bill language to ensure that local funds are available prior to the encumbrance of state support:

“Provided that state funds appropriated for the San Diego River Project shall not be encumbered unless and until \$57,000 in nonstate funds is secured.”

Technical Issue—Reimbursements Overbudgeted

We recommend (1) elimination of \$111,059 in reimbursements to Item 3940-001-001 for hazardous waste facility siting because board participation is not required in 1982–83. We withhold recommendation on \$424,000 in reimbursements to Item 3940-001-001 for activities pursuant to the federal Resources Conservation and Recovery Act, pending completion of contract negotiations between the Department of Health Services and the State Water Resources Control Board.

The budget for the toxics program within the board shows that \$535,059 (10.0 personnel-years) will be funded with reimbursements from the Department of Health Services (DHS). This amount includes \$111,059 (2.1 personnel-years) to support the board's participation in a state Hazardous

Waste Facility Siting program, and \$424,000 (7.9 personnel-years) for board activities pursuant to the federal Resources Conservation and Recovery Act (RCRA).

- **State Hazardous Waste Facility Siting.** The DHS is the lead agency in this program to site and establish additional hazardous waste disposal areas in California. The department indicates that all activities related to the board's responsibilities are being completed in the current year, and that no contract is needed in the budget year. Therefore, we recommend the elimination of \$111,059 (2.1 personnel-years) in reimbursements to Item 3940-001-001.

- **Resources Conservation and Recovery Act (RCRA).** The DHS is also the lead agency in this federally funded effort to develop a comprehensive hazardous materials program in California. At the time this analysis was written, DHS and the board were negotiating a contract for both the current and budget years. DHS staff indicate that funding is likely for the budget year but not at the level proposed in the budget. Both agencies agree that the final amount will be resolved prior to budget hearings. Therefore, we withhold recommendation on \$424,000 in reimbursements to Item 3940-001-001, pending completion of contract negotiations on the RCRA program.

Health and Welfare Agency

**STATE COUNCIL ON DEVELOPMENTAL DISABILITIES AND
AREA BOARDS ON DEVELOPMENTAL DISABILITIES**

Item 4100 from the Federal
Trust Fund and Item 4110
from reimbursements

Budget p. HW 1

Requested 1982-83	\$3,139,000
Estimated 1981-82.....	4,033,000
Actual 1980-81	2,890,000
Requested decrease (excluding amount for salary increases) \$894,000 (-22.2 percent)	
Total recommended reduction	None

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
4100-001-890	State Council on Developmental Disabilities	Federal Trust	\$3,139,000
-Support			(674,000)
-Transfer to Developmental Disabilities Program	Development Fund		(981,000)
-Transfer to Area Boards on Developmental Disabilities			(1,484,000)
4110-001-001	Area Boards on Developmental Disabilities, Support	Reimbursements	-